

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

WINTER 2020

FEATURED

Preying on the Weak



2020

2021

IN THIS ISSUE:

President Thank You
2020 COPAS Eagle Award
Committee News



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President's Message

TAMMY MILLER-DAVISON

Happy Holidays! I hope everyone was able to connect with family and friends over Thanksgiving and the upcoming holiday season. This time of year is special to me as Thanksgiving is my favorite holiday. I focus and give thanks to everyone in my life. My family is always at the top of my list but my friends and my COPAS family are not far behind.

Thanks to COPAS and all members of COPAS. You are special to me as I have grown as a leader and have met many members who are part of my "knowledge network" as well as my friends. Thank you.

I also want to thank the board as we worked well together, and they supported me during this crazy year. I never thought when I became President that my term would be isolated and via Adobe Connect. Each president has different issues that come up during a year, but we get through the issues as a board. The board supported me and were even willing to meet three times in March and a few times in April when the world was taking a strange turn with COVID-19. Also, thank you to the past presidents who came before me. They were great leaders and gave me a guiding post to follow.

Tom Wierman, Angie Knipe, and Vanessa Galindo have also been great team players. They are always willing to help out and will do what is needed in an instant. I am amazed at how much they can get done each day but have the time to tackle another project. We stepped outside the box when we went to a virtual meeting in the spring and they continued to look for ways to improve the process for the Summer and Fall meetings. Thanks to Tom and the rest of the COPAS office.

The Fall meeting went very well. We had a great turn-out with almost 190 members meeting virtually. All the Standing Committees met for great networking, speakers, and discussions. I hope you read some of their articles in this issue. The meeting was successful, and a couple of the committees are considering having additional meetings via Adobe Connect.

Unfortunately, this year we were not able to meet in Washington DC and walk along the Lincoln Memorial Reflecting Pool, but I did get a chance to hike near Mt. Rushmore. I was also looking forward to walking along the beach for only my third time but maybe we will be able to do that at the Spring 2021 meeting in Galveston, Texas. I hope to see you in Galveston!

Thank you for the opportunity to be your President. I was honored and excited to work for you but was nervous at the same time. I remember in February being nervous for the Spring meeting, sitting in front of everyone at the General Council meeting and worrying someone would say "Madame President" and I would lose my train of thought. Fortunately, or unfortunately (due to the pandemic) that did not happen. I sat in my family room looking at my computer screen with headphones on wishing we were all together.

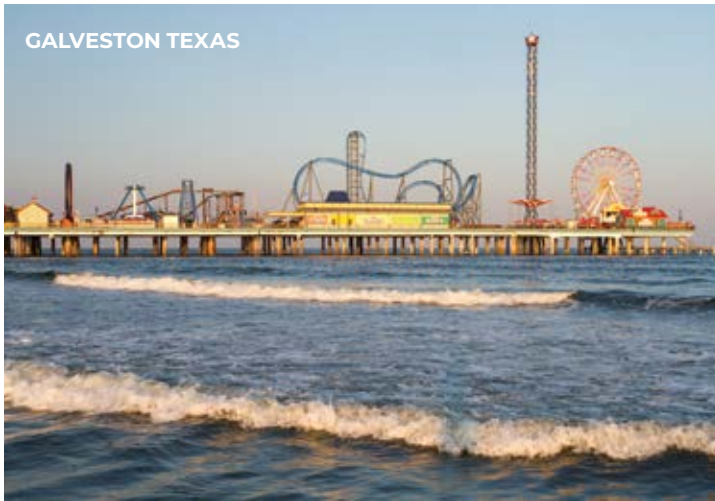
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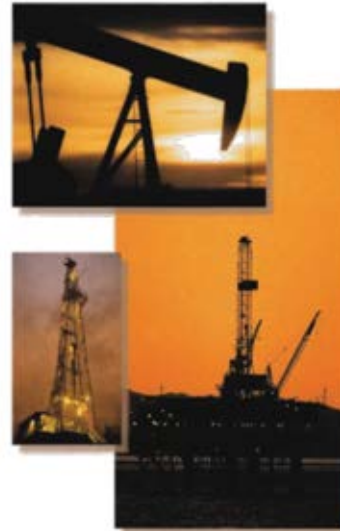
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PODCAST

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Announcing a new Oil and Gas Accounting Podcast!

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

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

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Thanks!



Congratulations, Pat! The Martindale staff cannot adequately express our most heartfelt thanks for all you've done for us since you left the corporate world in 1982 to start your own firm. From working out of your garage to building a staff of 46 industry-respected employees and contractors is a great legacy. We have all learned so much from you and the firm is a direct reflection of your vision, integrity, leadership, mentoring, work ethic, and desire to both learn and share knowledge. Be assured we will honor and continue that legacy. Now it's time to focus full-time on Jean, your wonderful wife of 44 years, your children Steve, Amanda, Jonathon, and the grandkids Ryan and Alexis. No one deserves a full and rewarding retirement more than you; enjoy yourself and your family. We will carry on your legacy, as you taught us "We do it right; and we do right by each other."



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HOME OFFICE MESSAGE



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

What a year. I don't think any of us imagined 2020 would look like it has when the clock struck midnight on January 1. It has been a year of challenges, but also maybe a year of unexpected benefits.

A friend of mine loves the phrase "once the toothpaste is out of the tube, you can't put it back." Think about all the "toothpaste" that's out of the tube that we maybe don't want to put back in. Some things we thought were impossible are now the new norm.

Maybe you don't enjoy working from home, maybe you do. If you do like that working arrangement, can you see yourself being forced to go back to an office setting? I bet your first question is "why?" because you've discovered you can work from home and maybe more efficiently.

You're probably working more hours because you are spending less time in traffic. You aren't putting miles on your car, so maybe now it will last longer. Did you think you'd ever see your insurance company send you a refund check early in the year because loss ratings were changing?

Even major companies, who required employees to be in an office environment, have realized their talent pool just increased because you can literally live anywhere and telecommute! And employees are happier and more productive! Think of the long-term cost savings that could occur.

Maybe meetings have gotten a little more efficient and effective because not everyone has to say something, just because they can. No need to say "I agree" when it comes to your turn. If you have something to add it's becoming a little more original or you are keeping quiet.

COPAS meetings have evolved over this past year too. We are getting better attendance because they are virtual and the need for travel, assuming you can even travel, isn't there.

Completely weird in many ways, but still maybe a silver lining in what has been a very long and challenging year.

Auld Lang Syne ("Old Long Since")

The year is ending, or at least the calendar is coming to its last days, and the new one says "2021" at the top. COPAS changes officers and board members at the beginning of the new year. There hasn't been a time since I took this role in 2012 that I haven't had a group picture of officers and board members to share with everyone.

It's also going to be a little different not having Wade Hopper at a board meeting. He's been attending every board meeting for the past seven years. We've had so many different conversations over the years, by phone, and in person. Wade is retiring, not only from the board, but from the industry. I'll miss working with him, but wish him well and an abundance of world-wide travel.

Tammy Miller-Davison is the first COPAS president to never have an in-person Council meeting to preside over. Tammy did chair these meetings virtually, but the only in-person meeting she was able to conduct was the January 2020 board meeting in Houston. Tammy has done a great job this year, even with all the ups and downs, ins and outs and move to virtual meetings. I thank her for her leadership and taking my many calls with a cheery "Hey Tom!" She answered countless emails as well, approving items, reviewing board agendas, reviewing goals, strategizing or whatever was needed. It's become tradition for each board member to offer some parting words to the outgoing president. You'll find those remarks on page 25. Well done, Tammy! Tammy has one more year on the board as exofficio.

We said farewell to Trey Thee early in 2020. Trey left the industry to join the financial advising world at Edward Jones. Trey is back in the Oklahoma City area. I'm sure you can find him on LinkedIn. If you can't, please contact me and I'll connect you with him.

Welcome Rebecca Paris and Kirk Foreman to the board. I'm looking forward to getting to know these long-time contributors better. Rebecca was most recently the Revenue Committee Chair. Kirk is the president of the San Antonio Society.

Leading the board in 2021 will be Melissa Gruenewald as president, Dalin Error as vice president, Craig Buck will serve as treasurer, and Kim Peyton will be secretary. Rounding out the board is Kevin Launchbaugh, Carolyn Sczepanski, and Tom Batsche. Many thanks to you for the extra e-mail votes or sitting through long board meetings. You are appreciated.

My remaining thanks for 2020 are to Angie Knipe and Vanessa Galindo. We had to weave and bob a little this past year and they were always right there, never missing a beat. They've put in many hours outside the normal office time, and have a real gift for customer service, one of the most important things I think we bring to the membership. Thank you both!

Something new

One of the fun things I've gotten to do this year is co-host a podcast with a long-time member, Phil Sherwood. Phil owns a software company and used to reside in Ohio. He's moved his business to North Carolina to be near his children and their family. He and I were early "adopters" of working from home, or at least before the rest of the world was forced to consider the same. We've had great success, great reviews, and really a lot of fun putting it together. I appreciate everyone listening and sending your comments. You can learn more about the podcast on page 4.

The APA® program received a couple of enhancements late this year with immediate test scoring and live online proctoring (LOP). Test scores used to come about three to six weeks, but will now be provided upon completing the test. The LOP options will be nice as test takers can test from home or the office. I think these enhancements will be well received. Those taking the November exam were the first to benefit from these changes.

Season's Greetings

Family gatherings make look a little different this year, but my family has learned to play a card game using a virtual meeting app such as FaceTime. It's not quite the same as being together, but we're making the best of it.

I hope everyone has a wonderful holiday season. If you can't be together, do the next best thing – ZOOM!



MEETING SCHEDULE

EVENT	DATES	HOST	LOCATION
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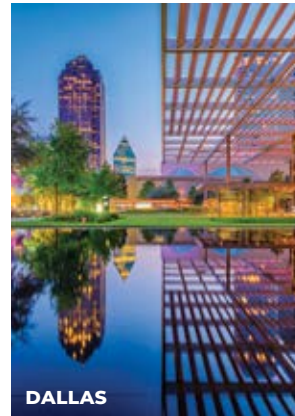
2021

Spring

April 19-23

Houston

COPAS 60th Anniversary Meeting
San Luis Resort
Galveston, Texas



Fall

October 18-22

Dallas

Westin Irving Convention Center at Las Colinas
Irving, Texas

2022

Spring

April 18-21

COPAS Office

Virtual Meeting

Fall

TBD

Colorado

TBD



2023

Spring

April 17-20

COPAS Office

Virtual Meeting

Fall

TBD

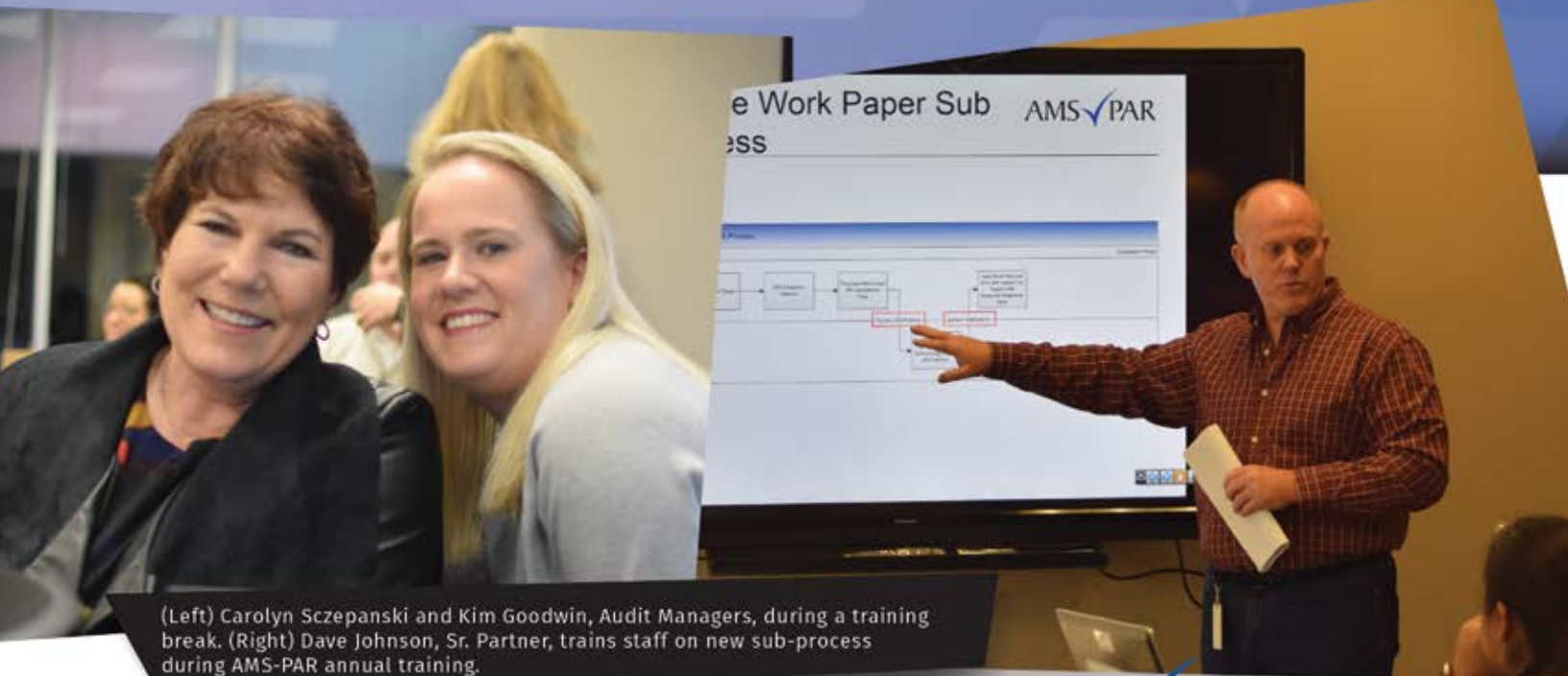
Rocky Mountain

TBD



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

JOINT VENTURE AUDIT



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

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PREYING ON THE WEAK

The light of a crisp Montana pre-dawn is almost indescribable. While surveying your surroundings, you can't help but understand why this state has become known as "Big Sky Country". Peering up, you're blanketed with the dark hues of space. Staring at the few remaining shimmer of stars, you can detect the seams of deep blues sewn ever so gently into the inky violets. But, as you lower your eyes towards the horizon, arcing before you are the heralding yellow, vibrant orange, and the fiery red of our closet star.

Montana is also known for its elk. While the brighter colors of daybreak provide some illumination, the darkness of a fall morning silhouettes the pines and scrub brush camouflaging all life and making it all but impossible to see the bull elk. But there's no mistaking their trumpeting calls rippling across the valleys. Typically, one bugle is greater than the others. The stud is in command; the other frustrated bulls stand on the sidelines. The prize: a herd of cows.

On this autumnal morning, the bulls' calls and the avian songs of the robins were interrupted with the crunching of men's boots creeping ever so slowly onto the dried grasses and small rocks of the Montana floor. The men were following each other closely, and the purpose of the hike only allowed for whispered conversations.

Wallace said to the other hunters in muted breaths that they should move to higher ground to get the right shot. Wallace, the more-experienced hunter, knew that those beasts could grow upwards to 1,500 pounds and their top speed of 40 m.p.h. could easily outrun many other mammals, including humans. He knew from his years of experience that the right shot was critical. The prey must never perceive that its life is in danger. It is then, however, when it becomes most vulnerable.

Climbing over fallen branches and through the endless brush, Wallace's chance finally came. He stood up with the speed and deliberateness of a sloth, pulled back his bow using his raw strength, and with swift purpose, released the arrow. The projectile found its target. All three men stood there in amazement. And, as the tendrils of the morning light shone around the motionless elk, it had been mortally crippled and fell under its massive weight onto the withered meadow grass. The collapsed beast breathed its last.

In less than 30 minutes, the men worked together to quarter and dress the elk. The game bags of tenderloin and backstrap were hoisted into the back of a camouflaged all-terrain utility vehicle, ATV for short.

"I so need one of these! I think my sons wouldn't even mind taking out the garbage if we had one," John remarked.

Now that today's hunt was complete, the whispers turned to a volume of normal conversations.

"Well, say the word, and I can get you a deal of a lifetime. I always hunt down the best deal. You tell me which color you want and the extra features you need, and I can have it delivered in a couple of weeks," Wallace boasted.

Bill looked over at John, as if he were following up on Wallace's impromptu marketing message. He nodded his head in agreement. "It's true. We can get you a sweet deal."

A fortnight later, a tractor-trailer hauling a flatbed pulled into John's driveway. The sound of its tires running along river-rock gravel was unmistakable, so instinctively John looked up from his wood-carving project. Strapped down in several areas, the trailer was carrying what appeared to be some sort of off-road vehicle.

"Geez, Louise! He really did mean a deal of a lifetime."

It was a deal because John knew that he hadn't ordered anything, nor had he used a credit card to pay for it. Two questions stuck in his mind: how was Wallace able to procure this sweet deal, and who paid for it? The answers to these questions came in an email on Monday morning.

He was back in his office after his long, much-needed vacation. From his laptop, he clicked a link, and a web browser opened displaying his company's online accounts payable system. After entering his credentials, he read the details of an invoice from the North Equipment Company. His typical review of an invoice was to scan the invoice header but spend the bulk of his time on the invoice's line items.

Platinum Oilfield Services, John's employer, had required their vendors to submit invoices with details, such as a project name, a job location, an AFE number if applicable, and a Platinum invoice approver. This invoice had been submitted per policy; however, John hadn't remembered ordering anything from the North Equipment Company recently. Platinum relied on the vendor for vehicle parts, but he had recalled a recent conversation with the Platinum Vehicle Services manager that they were going to consider looking at alternative suppliers to identify more competitive pricing. So, while it was a bit odd this invoice had been submitted, he continued his review until he was about halfway down the invoice. Two items stopped him.



The invoice detail read:

“500-gallon propane tank: Hot Oiler
High-Pressure 2” manifold: Hot Oiler”

To ensure he read them correctly, he repeated the lines aloud.

“Why do we need to purchase these parts for our hot oilers? I know that we just replaced these items on all our hot oilers. There’s no way we need to replace them again! Perhaps these are duplicates.”

The hot oilers had always been crucial vehicles for Platinum’s services in the Bakken. Many operators would hire Platinum for hot oil treatments on wells impeded by paraffin. They were also used during extremely cold spells in North Dakota and Montana; circulated hot water could be used to unfreeze water lines.

Just to confirm his suspicions, John pulled up the paid history to see if he could find the invoices where he paid for those parts. John was 100 percent confident that the tanks and manifolds had been replaced in August. But, just as John was about to call his Vehicle Services manager, his phone LED display lit up. It read “Wallace Morrison – Casper”. He almost decided to let his boss’ call go to voicemail, but he knew that a call from Wallace meant another hunt or important business. He was sure it was the latter.

“Well, what do you think? Camo is the one you wanted, right? What about the heat and air feature? You’ll never get cold when you go out in January. Have your boys used it to take out the trash?”

He was so peppered with questions, John had hardly any time to think of responses.

“Uh...uh...yes!” John replied with hesitant excitement.

“Hey, are you on speaker phone? Could you take me off?” Wallace asked with some impertinence. John complied. “Look, you may be asking yourself, how you were so ‘blessed’ with the ATV. I totally get it. But I wanted to talk you through some of those details before you started asking too many questions. I guess you may have seen that invoice for the hot oiler parts by now.”

John was a bit dumbfounded with the phone call thus far, but he was curious. “Ok, I’m listening,” John said.

“Look, as you know, while we are happy with our jobs, you guys are always grumbling about the bonuses and the lack of raises. It seems as though they are handing out raises to the execs in Houston, but the guys on the frontlines, who put in the hard work in the field, seem to get left out, right?”

Wallace barely paused to let John jump back into the conversation. He continued.

“Look, Bill and I found a way to pay ourselves back...a way to have Platinum give us those “raises” without me having to put in an official request to Payroll, yeah?”

Over the next hour, Wallace shared with John as to how he found the right person to help with those “raises”. Two years earlier, Wallace had met an affable guy named Roger Willis, the owner of North Equipment Company. They had started chatting about hunting and the oil industry at a trucking symposium in Casper. As the symposium wrapped up, Roger said that he’d be back in Casper the following week to talk about how North Equipment could help Platinum.

While Roger owned several stores across Wyoming, Montana, and North Dakota, he liked to oversee the Casper store most often; this store just happened to be five miles from Wallace’s home on West 39th Street. Chats at the store turned into weekly conversations at a nearby bar. Wallace and Roger often lamented at the lack of money to cover their kids’ college tuition and their wives’ privileged lives. One Saturday, while working on a third pitcher of beer, Wallace proposed a scheme on the back of a paper beer coaster to invoice Platinum fraudulently to benefit both. Wallace’s plan to hunt down the right accomplice was in place.

Wallace continued, “We started off real small. I needed some new floor mats for my F-250. Roger said he could source them through his store. So, I sent Roger a purchase order with several things our office needed, but I added an extra truck battery to cover the cost of the floor mats. Roger knew I didn’t need a battery; he knew I wanted floor mats. And, since Platinum doesn’t have any process for receiving items, it was easy for him to send me the floor mats directly. Just like we did with your new ATV.”

Wallace paused to catch his breath and see if John would respond. He didn’t, so Wallace finished by saying, “You know how much time and effort we’ve put into this company? Why shouldn’t you be rewarded with things you really want? Right?” Wallace paused for a few seconds. “John, these vendors will do anything I want them to do. I’m just preying on the weak, yeah?”

An hour later, the call ended. John had hardly said a word during the call other than “ok”, “yep”, and “makes sense”.

The problem was that it didn’t make much sense. But, in his mind, he repeated, “Wallace is the boss, and he must know what he’s doing.”

The next morning, after having a fitful night of sleep, John called Wallace.

“Ok, I didn’t sleep well last night, but I’m with you. It’s been a few tough years without raises. Why does Corporate always get the raises, right?” He paused for a few seconds, and asked, “How do I get started?”



With John's approval, Wallace decided to provide more details of how they committed the fraud.

"It's quite easy, John. Just let me do the talking, so to speak. I will contact the vendors, and I pull together the purchase order. Occasionally, you'll get an invoice to review and approve. The invoice is usually, um, what I call 'festooned' with lots of items we do need. Embedded in the invoice is something that doesn't belong there; it's those details I'm working out with the vendor. Got it? It's that easy, John."

"Got it, Wallace."

"So, what does your family need?" Wallace asked with what seemed a very genuine heart of concern.

The next 10 months was a euphoric ride for operators, drilling companies, and oilfield service companies, like Platinum. Henry Hub prices for natural gas price started off at \$6.87 in August and by the following June, they had climbed to \$15.68. Operators were punching holes from Richland County to the other end of Mountrail County. Platinum, too, was reaping the financial benefits of skyrocketing oil and gas prices. In all of the corporate exuberance, Wallace, Bill, and John were taking advantage of their own company's lack of vendor oversight. Fast and furious invoice review led to fewer and fewer eyes on what was being purchased. Ironically, there had been rumors flying that a handful of Platinum's employees were lining their own pockets, but no one inside Platinum at the time had time to investigate it. Internal Audit was conducting SOX audits, and Corporate Security had been working on several recent copper wire theft investigations. Meanwhile, the fraudulent Trio was now working with at least ten vendors. Fraudulent booty included welding services, snowmobiles, TVs, gaming consoles, washing machines, tires, guns, and additional ATVs. The hunters had scored big trophies for their kids, wives, and especially themselves.

While the hunters were relishing in their recent gains, they did lose sight of the fact that some of their vendors might not feel as if they were reaping the same rewards. Just in the same way that the Trio had felt about their corporate counterparts, one vendor felt he was not receiving his fair share. Roger from Northern Equipment Company had left multiple voicemails and emails to Wallace. Wallace just didn't have time since he had been courting so many other vendors in the Trio's embezzlement scheme.

The unanswered emails and unreturned calls finally turned into neglected desperation. Roger left an anonymous, but detailed, call on Platinum's fraud hotline number. A month later, Platinum's Corporate Security, Vice President of Human Resources, and General Counsel sat across the table from John. The pallor of his skin was gray, darkened from the time he spent locked up in his bedroom over the last few weeks. His eyes were bloodshot. John sat as motionless as the bull elk had after it had been hit by Wallace on that memorable hunting trip.

"John, we appreciate you being so candid today. You've been very helpful during this entire process as we get to the bottom of this situation," the General Counsel said calmly. She continued, "Tell us a bit more, if you don't mind. What was your involvement with Wallace and the vendors?"

With cupped hands covering his face, he exhaled an exasperated sigh. His hands fell to the table collapsing under his immense guilt. He looked across the conference table staring at the corporate representatives he had so earlier envied.

His eyes dropped towards the table. He felt all eyes on him. He didn't dare look back up so, he stared at his gossamer reflection in the shiny luster of the table. He wanted the pressure to end.

John mumbled, "Um, Wallace said it was, um, fine as long as the business vendors agreed, um, to do it."

As the rambling words left his lips, John realized that his career, like the elk's life, had ended and that he, too, had been Wallace's weak prey.

What can we learn from this case study?

- Purchase Orders (POs) define the terms on which goods and services are purchased. A purchase-order system is essential to enforcing company policy and the agreement between the purchaser and vendor.
- A purchasing policy is mandatory to ensuring employees follow guidelines and best practices. The policy must include how POs are created and approved, as well as how goods are delivered and received.
- A Three-Way Matching process is crucial to verifying a match of a PO, receipt of goods, and vendor's invoice.
- Vendor risk assessments are essential to identifying financial and operational risks within an organization.
- Vendor audits can validate contract compliance and ensure goods and services have been received.



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

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

President-elect Joe Biden has proposed a \$2 trillion overhaul for energy and transportation infrastructure to address both climate change and the coronavirus pandemic's economic downturn. Congressional Democrats are pushing Biden to take more moderate positions and avoid policies that might seem punitive toward the oil industry. While Mr. Biden has promised a transition away from oil, he also has said the transition should not happen so quickly that it risks further decimating a workforce in the middle of a pandemic.

Devon acquired **WPX** in an all-stock transaction that values the combined company at \$12 billion. Daily production should exceed 525,000 BOE with key holdings in the Permian Basin. The new Devon will have enough low-cost oil prospects to be able to break even at an oil price as low as \$33 per barrel. The combined company also has assets in the Powder River Basin, Eagle Ford, and Bakken.

Rystad Energy conducted an analysis of oil production costs that has revealed the average breakeven price for all unsanctioned projects has dropped to around \$50 per barrel, down around

10% over the last two years, and 35% since 2014. This means that oil is much cheaper to produce now compared to six years ago, with the clear cost savings winner being new offshore deepwater developments. The cost of supply curve for liquids shows that the required oil price for producing 100 million barrels per day in 2025 has been in continuous decline in recent years, with projections showing that an oil price of only \$50 per barrel is needed to keep oil production at this level. In 2014, the estimated required oil price for producing 100 million barrels per day in 2025 was close to \$90 per barrel. The implication of falling breakeven prices is that the upstream industry, over the last two years, has become more competitive than ever and is able to supply more volumes at a lower price.

Pioneer acquired **Parsley Energy** in an all stock deal valued at \$4.5 billion, creating one of the largest independent Permian producers with 930,000 acres in the Midland and Delaware basins. The combined company is valued at \$23.9 billion and provides the needed size and scale to compete in the Permian Basin. None of the combined company's acreage is on federal lands.

COMMODITY SPOT PRICING COMPARISON

CRUDE OIL WTI (CUSHING) PER BBL					HENRY HUB NATURAL GAS SPOT PRICE DOLLARS PER MILLION BTU			
MONTH	2017	2018	2019	2020	2017	2018	2019	2020
January	52.50	63.70	51.38	57.52	3.30	3.87	3.11	2.02
February	53.47	62.23	54.95	50.54	2.85	2.67	2.69	1.91
March	49.33	62.72	58.15	29.21	2.88	2.69	2.95	1.79
April	51.06	66.25	63.86	16.55	3.10	2.80	2.65	1.74
May	48.48	69.98	60.83	28.56	3.15	2.80	2.64	1.75
June	45.18	67.87	54.66	38.31	2.97	2.97	2.40	1.63
July	46.63	70.98	57.35	40.71	2.98	2.83	2.37	1.77
August	48.04	68.06	54.81	42.34	2.90	2.96	2.22	2.30
September	49.82	70.23	56.95	39.63	2.98	3.00	2.56	2.28
October	51.58	70.75	53.96	39.56	2.88	3.28	2.33	2.84
November	56.64	56.96	57.03		3.01	4.09	2.65	
December	57.88	49.52	59.88		2.81	4.04	2.22	
YTD Average	50.88	64.94	56.98	38.29	2.98	3.17	2.57	2.00

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.

The U.S. active **fracture spread** count, an indicator of how much oil will come online, continued to climb through October, with gains of up to 5-6% from September; in September 2020, the spread was up by 16-18% month/month. The Permian Basin drove more than half of the month/month increase, but there were also additions in the Rockies, Bakken and Haynesville shales.

ConocoPhillips acquired **Concho Resources** in a \$9.7 billion all-stock deal. The acquisition gives ConocoPhillips, the largest oil producer in Alaska, a much larger footprint in the Permian Basin.

← KODY IMPSON

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

The combined company will be the largest U.S. oil independent, with output in the Permian second only to Oxy.

The number of **uncompleted oil and gas wells** has slowly declined across the US major basins. The 7,600-plus drilled but uncompleted (DUC) well inventory in August could cover the current very low completion rate of 369 wells per month for 20 consecutive months provided no new wells are drilled and the low completion rates go unchanged. Analysis indicates 10-30% of the current DUC inventory may require significantly higher oil and natural gas prices for producers to complete them.

Arena Energy entered bankruptcy and in only a few months has emerged with its operations across 71 blocks in the Gulf of Mexico unchanged. The company said it will restart its drilling program in the fourth quarter with plans to equal the production highs set earlier in 2020 of 40,000 BOE per day.

Chaparral Energy completed its financial restructuring and emerged from Chapter 11 bankruptcy with a liquidity position of \$ 58mm. Chaparral is focused on the oil window of the Anadarko Basin in OK.

Canadian oil-sands producer **CenovusEnergy** and **HuskyEnergy** agreed to merge in an all-stock deal valued at \$ 2.9 billion to create the third-largest oil and natural-gas producer in Canada and the second-largest Canadian refiner. The companies, with oil projects in Canada's oil sands, also have been struggling to find ways to get that crude out of the landlocked Western province of Alberta to refiners in the U.S. The deal will now boost the merged company's access to refining capacity in the Midwest and the Gulf Coast. The companies together will roughly double the number of barrels they can export from Alberta on pipelines to 265,000 bopd.

Oasis Petroleum filed for bankruptcy protection on nearly \$1.8 billion in debt compared to its \$ 420 mm in assets in Texas and Montana.

Lonestar Resources is restructuring to eliminate \$ 390 mm in debt. Lonestar is focused on its 57,000 net acres in the Eagle Ford.

Contango acquired **Mid-Con Energy Partners** in an all-stock deal valued at \$ 154.8 million. The merger will expand Contango's operations in OK and WY, adding proven reserves of 23.9 million barrels. The combined company is valued at more than \$ 400 mm.

EQT will acquire **CNX Resources** that adds about 564,000 net acres to boost EQT's position in the Marcellus. CNX has emerged as a pure gas company over the past few years after spinning off its coal operations. EQT and CNX Resources, both based in PA, are two of the largest drillers in the gas-rich Marcellus shale.

RIG COUNTS

LOCATION | WEEK OF:

	7.27.18	2.15.19	5.10.19	7.19.19	2.14.20	5.8.20	7.31.20	10.31.20
Gulf of Mexico	15	21	20	25	23	15	12	13
Canada	223	224	63	118	255	26	45	86
North America	1271	1275	1051	1072	1045	400	296	382
Oil	861	857	805	779	678	292	180	221
Gas	186	194	183	174	110	80	69	72
Directional	64	70	71	69	47	27	22	22
Horizontal	922	915	872	829	713	338	216	254
Vertical	62	66	45	56	30	9	13	20
Major State								
Alaska	6	12	9	10	9	3	3	3
Arkansas	1	0	0	0	0	0	0	0
California	15	11	15	17	14	5	4	4
Colorado	32	35	33	31	22	8	5	4
Louisiana	52	66	61	66	52	38	29	37
New Mexico	104	109	102	107	113	70	49	47
North Dakota	57	57	56	55	52	20	11	11
Oklahoma	137	119	105	95	50	13	11	14
Pennsylvania	39	44	43	37	24	23	20	18
Texas	524	509	485	454	397	173	104	133
West Virginia	17	18	21	21	14	7	5	8
Wyoming	28	37	30	32	22	4	1	3

Source: Baker Hughes at www.bakerhughes.com



Bison, Oklahoma's largest water infrastructure, logistics and technology solutions provider, will acquire **Woody Creek Midstream**, a water midstream company in the SCOOP anchored by a 15-year gathering agreement with Casillas Petroleum Resource Partners. Following this acquisition, Bison is the only remaining independent and large-scale water infrastructure provider in the SCOOP and Merge. Bison announced a 15-year water gathering and disposal agreement with Camin, a 30-year water gathering agreement with a private operator in the SCOOP and expanded the dedication under its existing long-term agreement with Paloma. Bison now operates more than 15 long-term dedications covering a 12 million-acre area spanning the entire Anadarko Basin.

BHP, operator of Shenzi field in the deepwater Gulf of Mexico, acquired **Hess Corp.'s** 28% working interest in the field for \$ 505 mm. Shenzi, a six-lease development, produced an average of 11,000 net BOE per day in the first 8 months of 2020.

Ursa filed for Chapter 11 bankruptcy to restructure its nearly \$ 283 mm in debt. Ursa owns 41,000 acres in the Piceance Basin and is focused primarily on natural gas and natural gas liquids production.

Superior Energy Services reached a restructuring agreement for its \$ 1.3 billion in debt. Superior provides service rigs, coiled tubing, wireless pressure control, and fluids management.

Laredo Petroleum expanded its Permian Basin holdings with the purchase of 2,800 acres in Howard County for \$ 11 million. Laredo's position in the Permian totals 11,299 acres and with the acquisition, has 25 additional locations to drill.

China imported 952,000 bopd of US crude in September 2020, more than seven-fold from September 2019 and up from the previous July 2020 record, 840,000 bopd. China was the top importer for the fourth consecutive month. Imports from the US averaged 292,000 barrels per day in January through September, more than double the levels from a year earlier.

US petroleum demand, as measured by total domestic petroleum deliveries, was 17.9 million barrels per day in September, a 2.3% month-on-month decrease from August. Over the last five years, September petroleum demand averaged 3.7% less than the preceding August, and the 2.3% decrease in September 2020 results in the smallest drop-off since 2014. Consumer gasoline demand was 8.6 million barrels per day in September, a decrease of 2.9% from August and 7.0% below the September 2019 level. September jet fuel deliveries of 900,000 barrels per day decreased by 5.8% from August and 45.4% compared with

September 2019. The year-over-year decline is largely due to the COVID-19 pandemic.

The Trump administration will offer 78 million acres offshore Texas, Louisiana, Mississippi and Alabama for oil and gas development in the **Gulf of Mexico** for auction in November and is the government's first offshore lease sale since March 2020.

A federal court struck down an **Obama-era regulation** targeting methane leaks from drilling on public lands, arguing it went beyond the scope of the Bureau of Land Management (BLM). The 2016 rule required oil and gas companies to cut flaring by half, inspect the sites for leaks, and replace old equipment that released too much methane. The court argued that though the rule's stated purpose is to reduce waste, it essentially is being used to regulate air quality which is not the job of the BLM.

U.S. exports of natural gas to Mexico transported by pipeline continue to increase. The increases have offset declines in Mexico's imports of liquefied natural gas and domestic natural gas production. U.S. natural gas pipeline exports to Mexico averaged 5.1 Bcf per day and accounted for 61% of the country's 2019 natural gas supply.

Colorado operators face strict well permitting processes due to the effects of Senate Bill 181. The bill's final regulatory details are currently under review by the Colorado Oil and Gas Conservation Commission. The notable rule involves drilling setbacks. Currently, new well sites must be at least 500 feet from homes and 1,000 feet from schools, playgrounds, hospitals, etc. The commissioners are expected to approve a 2,000-foot minimum drilling setback in November.

EQT will acquire **Chevron's** upstream and midstream Appalachian positions for \$ 735 mm, marking CVX's exit from the region. The transaction includes 335,000 total net acres in the Marcellus shale with current net production of 450 MMcfepd.

Bonanza Creek Energy and **HighPoint Resources Corp.** announced a merger worth \$376mm to create a company with 206,000 acres in the Denver-Julesburg Basin. Bonanza Creek is focused on the Wattenberg Field in the D-J Basin. HighPoint Resources was formed in 2018 when Bill Barrett Corp. and Fifth Creek Energy merged.



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Council of Petroleum Accountants Societies

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CELEBRATING 60 Years of COPAS

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Since starting in 1961, COPAS has been uniting people with a shared mission—a mission to grow. And together, we've done that! Today, we are 26 societies strong. We thank each and every COPAS member over the past 60 years for their hand in shaping who we are today. Your passion and dedication are what make our organization truly one-of-a-kind.

Now, it's time for YOU to shine in the next chapter of COPAS!



THE SAN LUIS *Resort*
SPA & CONFERENCE CENTER

SAVE *the* DATE

SPRING 2021 MEETING | APRIL 19 - 23, 2021 | GALVESTON, TEXAS

REGISTRATION: Full registration \$350, Guest registration \$320

Late fee after April 2nd of \$100

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

COPAS room rate: \$179 per night plus applicable taxes & fees

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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.

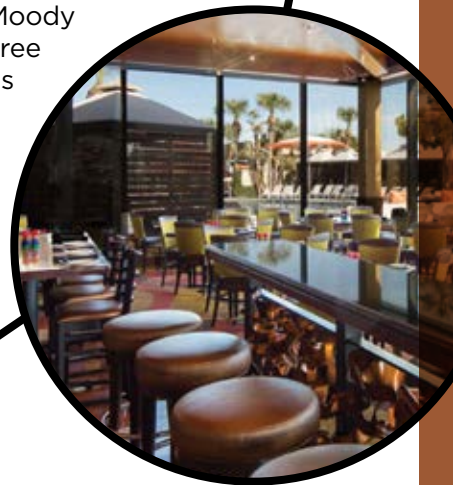
ABOUT THE HOTEL & LOCATION:

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 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!



Agenda

We plan to hold the normal COPAS meeting schedule.

Board of Director Meeting *(Monday)*

Anyone is welcome to attend.

Leadership Conference Meeting *(Tuesday)*

All registrants are welcome to attend. Come learn about the COPAS leadership and network with others who are leaders or want to be leaders in our industry. You can make a difference.

Leadership Dinner *(Tuesday Evening, by invitation)*

Networking opportunity at the San Luis Resort. Invitation only.

Committee Meetings *(Wednesday & Thursday)*

Attend the various committee meetings for discussions on topics that affect our industry.

Tours *(Wednesday Afternoon)*

- Ocean Star Offshore Drilling Rig and Museum. A museum with exhibits for each aspect of drilling an offshore well from the geological research to the pipeline transportation of the products. The museum is housed in a refurbished jackup rig that has been retired from operation. <https://www.oceanstaroec.com/>
- Bus tour of Galveston featuring stops at some of the island's most iconic attractions.

Golf *(Wednesday Afternoon)*

Moody Gardens Golf Course featuring Paspalum turf designed for an outstanding seaside experience. A par 72 course ranks as one of the best public courses in Texas. Home to natural wetlands and over 500 palm trees to provide a fun and challenging experience. As our Golf Chair Mark Robertson would say, "bring some extra golf balls". <https://www.moodygardensgolf.com/>

Reception *(Wednesday Evening)*

Join us for an elegant and historical evening as we celebrate the COPAS 60th Anniversary. Multilevel reception area including tasty snacks and beverages, a historical room filled with COPAS memorabilia from years past, and scenic sunset ocean views.

Banquet *(Thursday Evening)*

Learn from animal experts about some of the rainforest animals while enjoying dinner with the gentle sea breeze. After dinner embrace your animal instinct and explore the Moody Gardens Aquarium touch tank. https://www.moodygardens.com/attractions/aquarium_pyramid/

General Council Meeting *(Friday morning)*

All registrants are welcome to attend this final meeting.



Sponsorships & Donations

We have event sponsorships available. Sponsorships can be a great advertising opportunity. If you or your company is interested in making a contribution to the event, please contact Ilene Grygar at igrygar@suddenlink.com.

Airport & Transportation

Houston has two airport options to choose from:

- Bush Intercontinental Airport (IAH), about 70 miles from the resort
- Hobby Airport (HOU), about 40 miles from the resort

Rental car options are available from the airport as well as hired shuttles and vehicles.



Area Attractions

Extend your stay and enjoy some of the many activities Galveston and the surrounding areas has to offer. The San Luis is offering the discounted COPAS hotel rate for 3 days before and after the meeting. Those spaces are limited so reserve extra days early. <https://www.sanluisresort.com/attractions.asp>

- Explore the fine architecture and abundant shops of The Strand historic district. La Kings Confectionary is a favorite destination.
- Galveston is home to many historic buildings and homes including the 1892 Bishop's Palace, 1895 Moody Mansion and The Grand 1894 Opera House.
- The vast history of Galveston also creates opportunities for ghost tours
- Miles of beaches steps away from the resort and an abundance of fresh seafood restaurants. Gaidos is sure to make an impression.
- Railroad Museum with caboose rides on Saturdays, harbor tours, chartered fishing adventures, minigolf
- Texas Seaport Museum and 1877 Tall Ship "Elissa"
- Take a walking tour to explore the sculptures created by local artists to repurpose trees lost to the sea water storm surge of the 2008 Hurricane Ike
- Pleasure Pier is an amusement park built on a historic pier.
- Schlitterbahn Galveston is a year-round waterpark offering fun in the sun.
- Houston is a short drive away and has lots of activities as well
 - NASA
 - Houston museums
 - Houston Zoo
 - Kemah Boardwalk





NEW!

LIVE ONLINE PROCTORING AND IMMEDIATE SCORING NOW AVAILABLE

Beginning with the November 2020 exam, we're pleased to offer Live Online-Proctored (LOP) test administration and immediate score reporting through our testing vendor, Scantron.

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

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

Registration for the March 2021 exam will be available from **December 1 through January 15**. For more information on taking the exam, please visit the COPAS website or contact the APA® Administrator at APAAdministrator@copas.org.

GENERAL TEST INFORMATION

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

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

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

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

TESTING DATES

EXAM MONTH

March 2021

May 2021

July 2021

September 2021

REGISTRATION DATES

December 1, 2020 - January 15, 2021

February 1, 2021 - March 19, 2021

April 1, 2021 - May 17, 2021

June 1, 2021 - July 15, 2021



ABOUT THE CREDENTIAL

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

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

ELIGIBILITY

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

Eligibility will be verified upon receipt of the exam registration.

NEW APAs®

Congratulations to the newest APAs®. These are the successful candidates from the September 2020 test window:

Marlet Enow, APA®

Matt Hayward, APA®

Veronica Reyes, APA®



TEST PREPARATION

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

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

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

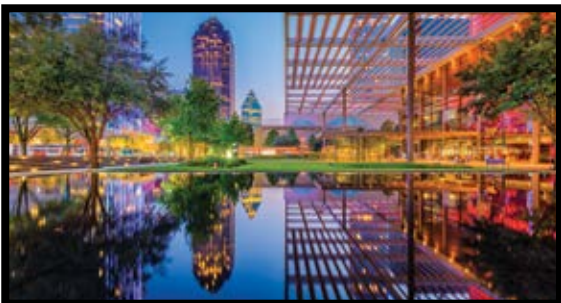
Contact the APA® Administrator for additional information at APAAdministrator@copas.org.



SAVE the DATE

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

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



Petroleum Accounting Principles, Procedures and Issues

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Why update to the 8th Edition? Numerous industry operational issues have continued to evolve with the demand for capital, with risks driving cooperative working relationships, and with the impacts of product price fluctuation. Many accounting and disclosure issues have arisen due to increased globalization, substantial acquisition activity, and increased focus on environmental and restoration liabilities, to name a few. Get the latest information on these, and many other important industry matters, in the 8th Edition.

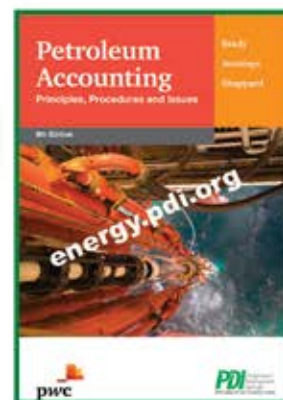
In addition, new standards on revenue recognition, leasing, joint arrangements, consolidated financial statements, and disclosure of interests in other entities are important to the petroleum industry. The 8th Edition will address new requirements and add additional guidance on developing issues.

Ordering is easy. Visit energy.pdi.org and click on the Books & Publications tab. There you can view the Table of Contents or proceed to the ordering options.

Materials Disclaimer

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

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COPAS ENERGY EDUCATION

2021 Energy Education

Registration for the COPAS Energy Education Webinar series, beginning in January 2021, is now open at COPAS.org!

Take advantage of your COPAS membership in 2021 with Membership Education Pricing. Your COPAS membership earns you a 20% discount on all webinars (individual or series).



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

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

Virtual Classroom Workshops

In addition to webinars, we are offering interactive Virtual Classroom Workshops in 2021. Principles of Payout Accounting and Revenue Audit will run in March (dates TBD).

Stay Up-to-Date on Education Offerings

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

WEBINAR SCHEDULE

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



GAS BALANCING SERIES

Presented by Salomon Tristan

Deregulation to Imbalances & Imbalances (90 mins CPE: 1.5)	January 11	10AM CT
Nomination and Confirmation & Transporter Imbalances (90 mins CPE: 1.5)	February 15	10AM CT
Statements & Pipeline Flow (90 mins CPE: 1.5)	March 15	10AM CT
Exhibit E - JOA (100 mins CPE: 2)	April 12	10AM CT
Gas Balance Statement (60 mins CPE: 1)	May 10	10AM CT
Make Up Gas (60 mins CPE: 1)	June 14	10AM CT
Settlement & Imbalance Reporting (75 mins CPE:1.5)	July 12	10AM CT

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



PRINCIPLES OF REVENUE ACCOUNTING (REVBC) SERIES

Presented by Salomon Tristan

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

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

Presented by Phil Fischer

Exploring and Securing Drilling Rights & Building the Location (90 mins CPE: 1.5)	January 6	12PM CT
Drilling the Well (90 mins CPE: 1.5)	February 10	12PM CT
Casing, Cementing, and Logging the Well (75 mins CPE: 1.5)	March 10	12PM CT
Completing the Well & Special Drilling Situations (90 mins CPE: 1.5)	April 7	12PM CT
Horizontal Drilling and Fracturing & Producing the Well (125 mins CPE: 2.5)	May 5	12PM CT

PRINCIPLES OF JOINT INTEREST ACCOUNTING (JIBC) SERIES

Presented by Phil Fischer and Jeff Wright

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

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KNOWING YOUR COPAS DOCUMENTS (KYCD) SERIES

Presented by Roger Gann

Directly Chargeable or Covered by Overhead (90 mins CPE: 1.5)	January 14	9AM CT
Make Sure You Read the JOA and the Accounting Procedure (80 mins CPE: 1.5)	February 11	9AM CT
The Auditor's Toolkit (75 mins CPE: 1.5)	March 18	9AM CT
An Overhead Primer (80 mins CPE: 1.5)	April 15	9AM CT
Revenue Audit Protocols and Practice (75 mins CPE: 1.5)	May 13	9AM CT
How Do I Allocate That? (75 mins CPE: 1.5)	June 17	9AM CT
COPAS 2005 and its Embedded Interpretations (75 mins CPE: 1.5)	July 8	9AM CT
Expense Audit Protocols and Practice (80 mins CPE: 1.5)	August 19	9AM CT
Building Joint Account Payroll Charges (80 mins CPE: 1.5)	September 16	9AM CT
Building Overhead Charges to the Joint Account (90 mins CPE: 1.5)	October 14	9AM CT
Help Me Process These Invoices (75 Mins CPE: 1.5)	November 18	9AM CT
COPAS Economic Factors - Behind the Numbers (75 Mins CPE: 1.5)	December 9	9AM CT

JOINT INTEREST AUDIT (JIA) SERIES

Presented by Dalin Error

Audit Rights (75 mins CPE: 1.5)	January 5	10AM CT
Audit Preparation (125 mins CPE: 2.5)	February 9	10AM CT
COPAS Publication References on the Audit Trail (60 mins CPE: 1)	March 9	10AM CT
Auditing Tools and Tips of the Trade (90 mins CPE: 1.5)	April 6	10AM CT
Practical Side of Reconciliations (125 mins CPE: 2.5)	May 4	10AM CT

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LEGISLATIVE & REGULATIVE

Update | 2020

○ **Limitations of Onshore and Offshore Drilling**

Massachusetts continues to consider restricting onshore leasing per H2852 (to protect our coasts from offshore drilling). Additionally, the U.S. Congress continues to explore restricting leasing and development in the Arctic areas, along both Lower 48 coasts and in portions of the Gulf of Mexico (see HR309, HR1146, S13, HR286, HR205, HR3585, S1296, HR 287, HR291, S1304, HR 341, HR 337, HR 279, S1318, HR310, and HR 1335). In March, Virginia enacted (SB795, and HB706 to prohibit leasing on waters of the Commonwealth and to place a moratorium on offshore oil and gas development). Washington failed to enact SB6432 which would have placed further restrictions on offshore drilling and infrastructure development). South Carolina failed to pass S870 which would have prohibited crude or natural gas produced offshore from being transported onshore.

○ **Hydraulic Fracturing Restrictions and Prohibitions**

Hydraulic Fracturing (HF) remains the subject of legislative scrutiny at both the state and federal level. Connecticut (SB753), Oregon (HB2623) and Washington SB5145) all passed legislation last year to ban or restrict this practice. In 2020 Massachusetts (SD1991), New Jersey (A656, S1517), New York (11 different bills), and Pennsylvania (SB1217, SB1218, HB2712) are all considering bills to either prohibit, further regulate, or further study hydraulic fracturing. Virginia enacted SB106 on April 6 to prohibit fracking in the Eastern Virginia Groundwater Management Area. Meanwhile, Arizona (HB2574), Florida (HB547, SB200), Oklahoma (HB3609, SB1435) and New Mexico (SB104) had proposed fracking legislation die sine die.

The U.S. Congress continues to consider HR484 to amend the Mineral Leasing Act to direct the Secretary of the Interior, acting through the Director of the Bureau of Land Management, to regulate HF operations on federal lands. Congress is also considering the Fracking Disclosure and Safety Act (HR436). Under this act the designated operator of the oil and gas lease will be required



← **NATE WOLF**

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← **MIKE FOSTER**

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

to conduct baseline water testing prior to commencing HF operations and to fully disclose to the public the chemicals used for HF under such lease on an appropriate internet website. Two bills (S3247 and HR5857) sponsored respectively by Sen. Bernie Sanders and Rep. Ocasio-Cortez propose a complete ban on any federal permits for the expansion of hydraulic fracturing including new infrastructure projects. The bills also revoke permits for wells where fracking is or has been used within 2,500 feet of inhabited structures effective February 1, 2021. The bills further ban all fracking on onshore and offshore lands by 2025. HR6112 requires operators to take certain measures to protect drinking water.

○ Well Setback Requirements

In 2019, the Colorado Oil and Gas Conservation Commission increased the setback requirements for oil and natural gas wells to at least 1,000 feet from school facilities. The COGCC is now considering increasing the required setback to at least 2,000 feet. This year, California is considering AB345 to require a 2,500 ft. setback from residences, schools, child-care facilities, and playgrounds. West Virginia failed to pass HB 2102 and HB 2073 to require 250 ft. spacing from water wells and 1,500 ft. well setback from dwellings. Oklahoma's proposed SB 1736 to direct the Corporation Commission to promulgate well setback requirements failed sine die. The U.S. House continues to consider HB1333 ("No Drilling in Our Backyards Act") to set spacing of federal wells at 1,500 ft. from homes, schools, businesses, or other buildings.



○ ALASKA

The Alaska Legislature's regular session expired May 20. Campaign season for the upcoming August 18 Primary Election is in full swing and, other than occasional COVID-19 oversight hearings by committees, no legislative activity is anticipated until January 2021. The citizen's initiative on oil and gas taxes (19OGTX) remains on the general election ballot for November. Legal challenges to the signature gathering process in state supreme court were unsuccessful.

○ BLM Security and Measurement Rules

The BLM published in the September 10 Federal Register, new proposed Measurement and Site Security Rules. The BLM is accepting comments on the proposed rules thru November

GET PLUGGED IN

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

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

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

On July 15 the U.S. District Court for the Northern District of California rescinded the 2018 Replacement Rule governing Waste Prevention requiring industry to comply once again with the November 18, 2016 "Waste Prevention, Production Subject to Royalties and Resource Conservation" Rule (aka the "2016 Final Rule"). The 2016 Final Rule and the 2018 Replacement Rule have very different criteria for determining when flared gas is considered "avoidably lost" and thus subject to royalties. Offsetting the impact of the California decision, on October 8, the U.S. District Court of Wyoming vacated the 2016 Final

Rule with the exception of the amendments to Part 3103.3-1 (related to royalty rates) and Subpart 3178 (defining Royalty-Free Use of Lease Production). The Wyoming decision vacates Subpart 3179 (Waste Prevention & Resource Conservation) which included the BLM's definition of Unavoidably Lost, their definition of Avoidably Lost and their Gas Capture Percentage calculation and required monthly gas capture targets. (See State of Wyoming and State of Montana vs. United States Department of the Interior, Case No. 2:16-CV-0285-SWS). The Wyoming decision should return industry to the original Waste Prevention Rules under the Department of the Interior's 1979 Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases (NTL-4A at 3796-3801).

○ CALIFORNIA

On September 24, California enacted **AB3214** requiring among other things that a well owner or operator keep a history of the maintenance and repair of a well in addition to the history of the drilling of the well.

○ COLORADO

As anticipated, there has been continued local regulatory activity in the State of Colorado this year because of **SB181** "Protect Public Welfare Oil and Gas Operations (aka Omnibus Oil and Gas Bill)" implemented last year. 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 taken action this year 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.

In November 2019, the Colorado Oil and Gas Conservation Commission, as directed by **SB181**, adopted New **Flowline Rules** effective January 14. These rules require the creation of a map of the actual paths of all oil and gas flowlines in the State of Colorado. The Rules also ensure that the flowlines are abandoned in a manner that is least impactful upon public health, safety, welfare, the environment, and wildlife.

○ LOUISIANA

Louisiana opened its legislative session on March 9 and ended on June 1. **HB227** makes minor wording changes to rules regarding relief for failure to make timely production payments. **SB386** proposes to establish a Commission for Louisiana Energy, Environment and Restoration within the Department of Natural Resources to develop an operational plan and legislative recommendations. **SB353** amends regulations pertaining

to CO2 storage and injection. **SB359** which strengthened the enforcement of coastal use permits failed sine die. **HB29** proposes severance taxes to be exempt on oil produced from an orphaned, newly drilled, or newly completed well that is undergoing or has undergone well enhancements, including but not limited to re-entries, workovers, or plugbacks, on or after January 1, 2021 and through December 31, 2023. Also, this Bill increases the balance that requires a certification by the treasurer to the secretary of the Dept. of Revenue for the Oilfield Site Restoration Fund from \$14 million to \$25 million. The Bill has passed and has been sent to the Governor for approval.

○ MICHIGAN

Michigan has proposed **SB702**, the Natural Resources and Environmental Protection Act. This act requires an operator of an oil or gas well to have a methane control or capture system capable of reducing fugitive methane emissions by ninety-nine percent. Operators that violate these requirements could pay a civil fine and/or lose their well permit. **SB736** would require Michigan utilities generate one hundred percent of the state's energy through renewable resources by the year 2050 and outlines changes to the Renewable Portfolio Standard to implement these changes.

○ MISSISSIPPI

Mississippi opened its legislative session on January 7 and ended on May 10. **HB977** proposed to revise the dates which taxpayers remit oil severance and gas severance taxes and related reports. The taxes will be due, payable, and reported in monthly installments on or before the 25th day of the second month succeeding the month in which the tax accrues. **HB977** has been signed by the Governor. The effective date is January 1, 2021. Mississippi considered but failed to pass four bills (**HB253**, **HB332**, **HB 835**, **HB 586**) related to mineral rights reverting to surface owners after a prescribed period of non-production.

○ NEW JERSEY

A3223 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 MEXICO

New Mexico opened its legislative session on January 21 and ended on February 20.

The **New Mexico Methane Advisory Panel** on July 29th released its draft rules aimed at achieving an industry wide rate of 98%

captured natural gas by the end of 2026. Public meetings on the draft rules are to follow. The Methane Advisory Panel is a 27-member panel comprised of environmental organizations, Tribal nations, tribes and pueblos, small and large independent oil and gas operators and major integrated oil and gas companies. This report was in response to Governor Michelle Lujan Grisham's Executive Order 2019-02 directing the New Mexico Environment Department and the Energy, Minerals and Natural Resources Department to jointly develop a statewide, enforceable regulatory framework to secure reductions in oil and gas sector methane emissions and to prevent waste from new and existing sources and enact such rules as soon as practicable.

The New Mexico Oil Conservation Commission voted on January 2 to amend the **Enforcement Section** of its Oil and Gas Act to remove the recognition of knowing and willful intent when determining civil penalties. The New Mexico Oil Conservation Division issued new civil penalty guidance on May 6 for violations of the Oil and Gas Act or a rule, order, or authorization issued pursuant to the Act.

○ NEW YORK

S6778 Repeals compulsory integration and unitization of oil and gas pools and fields.

A2649 states that bids for oil and gas producing leases are required to include lease payment amounts and royalty payment amounts.

○ NORTH DAKOTA

In a letter dated February 11, the North Dakota Department of Trust Lands advised industry that previous deduction of post-production costs from gas royalties paid to the State of North Dakota must be repaid based upon a ruling by the North Dakota Supreme Court in *Newfield Exploration Co. v. State of North Dakota (2019 ND 193)*. On September 9th, the Land Board formally moved to extend the repayment deadline from September 30, 2020 to April 30, 2021 with the stipulation that all penalties on amounts owed be eliminated for those that pay delinquent royalty payments before that date.

○ OFFICE OF NATURAL RESOURCES REVENUE (ONRR)

November 20, 2019 Dear Reporter Letter

The ONRR issued a Dear Reporter Letter on November 20, 2019 extending the deadline for industry compliance with reporting

oil and gas royalties under the Consolidated Federal Oil and Gas Valuation Reform Rule (the 2016 Valuation Rule). The new deadline for compliance, retroactive to January 2017 is July 1, 2020. On June 30, the ONRR issued a second Dear Reporter Letter further extending the compliance deadline until October 1, 2020. Royalties on coal have been stayed compliance with the 2016 Valuation Rule per an October 16, 2019 Dear Reporter Letter and a Preliminary Injunction from the U.S. District Court of Wyoming.

API Refiles Lawsuit Challenging 2016 ONRR Valuation Rule:

On June 13, 2019, the American Petroleum Institute refiled its lawsuit in the federal district court for Wyoming (19-CV-121-5) challenging the 2016 ONRR Valuation Rule. The lawsuit claims that the 2016 Rule upends a longstanding valuation system and replaces it with widespread uncertainty and unconstrained agency "discretion". API requests that the Court declare the 2016 Rule to be unlawful and to vacate the Rule. The Wyoming District Court has consolidated the API appeal of the 2016 Valuation Rule with similar appeals made by the following petitioners: Basin Electric Power Cooperative, Tri-State Generation and Transmission Association Inc., Western Fuels-Wyoming Inc., Cloud Peak Energy Inc., National Mining Association, and Wyoming Mining Association. The consolidated suit is known as *Cloud Peak Energy Inc et al v. United States Department of Interior et al*, Case 2:19-cv-00120.

ONRR Announces Amendments to the 2016 ONRR Valuation Rule:

On August 7, the Department of the Interior released proposed amendments to the 2016 Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation reform Rule ("2016 Valuation Rule"). The amendments will provide simplicity, certainty, and clarity for Tribes, States, American energy producers and job creators by removing burdensome regulations. Many of the proposed changes revert to rules in place prior to the 2016 Valuation Rule while other changes expand gas valuation options based upon Index Prices. Comments on the amendments will be accepted for 60 days from the date of publication in the Federal register.

○ OKLAHOMA

SB1875 the Oil and Gas Water Recycling and Reuse Act passed on May 13. This bill states that the operator and nonoperators are the sole owners of produced water and waste and have the right to use, possess, handle, dispose of, transfer, sell, convey, transport, process, recycle, reuse or treat the substance.



○ PENNSYLVANIA

SB790 is titled the Conventional Oil and Gas Well Act and pertains to conventional wells and the development of oil, gas, and coal. The bill imposes additional powers and duties on the Department of Environmental Protection. **HB247** states that if the operator has the right to drill an oil and gas well on separate leases or units, he/she may drill and produce a well that traverses, by horizontal drilling, more than one lease or unit, provided the operator reasonably allocates production from the well among the leases or units and the traversing well is not expressly prohibited by the terms of the lease.

○ SOUTH DAKOTA

HB1025 was enacted on March 9 and changes plugging and performance well bonds to \$50,000 for all wells.

○ UNITED STATES CONGRESS

Congress is considering several Bills with potential impact upon the oil and gas industry.

One bill with significant impact is **US HR4364 – the Taxpayer Fairness for Resource Development Act of 2019**. This bill introduced on September 27, 2019 by Utah Congressman McAdams and Florida Congressman Rooney is still under consideration. The bill proposes changes to The Mineral Leasing Act, the Outer Continental Shelf Lands Act, and the Federal Oil and Gas Royalty Management Act of 1982. These changes include, increasing federal royalty rates from 12.5% to 18.75% (onshore) and from 16.67% to 25% (offshore), creating a process to periodically adjust royalty rates to match the production-weighted average of State royalty rates, requiring royalties be paid on volumes produced vs. saved and sold, increasing civil penalty rates, increasing lease rental rates, increasing knowing and willful penalties, and repealing royalty relief for Gulf of Mexico, Offshore Alaska, and the Naval Petroleum Reserve in Alaska. The bill also changes the process for adjusting and for obtaining refunds of previously paid royalties and changes the statute of limitation period for adjustments from six to four years. Another similar, but less intensive bill sponsored by Senator Udall of New Mexico is **S3330** to amend the Mineral Leasing Act to increase certain royalty rates, minimum bid amounts, and rental rates.

Other bills being considered in Congress include: **S218/HR4294** to empower states to manage the development and production of oil and gas on Federal land. **HR998** To amend the Mineral Leasing Act to require the Secretary of the Interior to convey to a State all right, title, and interest in and to a percentage of the amount of royalties and other amounts required to be paid to

the state and to delegate to a state, exclusive authority to issue an Application for Permit to Drill on Federal Lands. **HR1391** to provide regulatory relief for conventional marginally producing oil and gas wells from the EPAs “Methane Rule”. **S816/HR1836** to amend the Natural Gas Act to expedite the approval of exports of small volumes of natural gas. **S1155/HR2248** to terminate prohibitions on exportation and importation of natural gas.

Additionally, **HR2711** amends the Federal Oil and Gas Royalty Management Act of 1982 to require the Secretary of the Interior to issue regulations to reduce and prevent gas waste and to enhance gas measuring and reporting and to codify a final rule of the Environmental Protection Agency regarding certain emission standards for the oil and natural gas sector. The measure would require oil and gas producers to capture 85% of all gas produced on public lands within 3 years of enactment, and 99% of all gas produced on such lands within 5 years of enactment. It also would ban venting of any natural gas on public lands and prohibit methane flaring at any new wells established 2 years after the Bill is passed.

HR3225 Restoring Community Input and Public Protections in Oil and Gas Leasing Act of 2019 amends the Mineral Leasing Act regarding leasing on Federal lands for oil and gas drilling. Key provisions include insuring competitive bidding in the leasing process; placing geographic limitation of units of not more than 2,560 acres (5,760 acres in Alaska); limiting state sales to no more than 3 times each year; requiring a royalty rate of not less than 18.5%; establishing a national minimum acceptable bid of \$5 per acre; establishing an annual rental of not less than \$3.00 per acre during the 2-year period beginning on the date the lease begins then changing to not less than \$5 per acre thereafter.

HR4346 to increase the bonds that oil and gas developers must post before being allowed to drill on federal onshore public lands. Single leases increase from \$10,000 to \$50,000, a set of leases in a single state from \$25,000 to \$250,000 and multiple leases across multiple states from \$150,000 to \$1 million.

Also, **S2527** to amend the Energy Policy and Conservation Act to reinstate the ban on the export of crude oil and natural gas produced in the United States. **HR5435** American Public Lands and Water Climate Solution Act of 2019 states that the Secretary of the Interior shall not hold new lease sales for coal, oil, or gas for one year after the enactment of the act. The act also establishes emission reduction targets thru January 1, 2040 when net-zero emissions are targeted. **HR5636** is the Transparency in Energy Production Act of 2020. This act requires new annual reporting of fossil fuel extraction and emissions. **S3202** the End Speculative Oil and Gas Leasing Act of 2020



prohibits the Secretary of the Interior from offering for lease any federal land that has low or no potential for the development of oil and gas resources to discourage speculation in the federal onshore oil and gas leasing program. **HR5186,S2906** the Stop Giving Big Oil Free Money Act of 2019 to prohibit the issuance of new oil or gas leases in the Gulf of Mexico under the OCSLA to a person that does not renegotiate its existing leases in order to require royalty payments greater than or equal to specified price thresholds. **S3488, HR6289** to amend the Mineral Leasing Act to repeal royalty incentives. **HR6289** the Plugging Orphan Wells and Environmental Restoration Act of 2020 (POWER Act of 2020) increases to \$50,000,000 for fiscal years 2021 through 2025 the funds designated to States, Tribes and private lands to remediate, reclaim, and close orphaned oil and gas wells.

○ WEST VIRGINIA

West Virginia began its legislative session on January 8 and ended March 7. **HB4090** exempts low volume oil and gas wells, with the exception of horizontal wells targeting shale formations, from severance tax and provides for a reduced 2.5% severance tax on sales from oil and gas wells which produce on average between 5,000 and 60,000 cubic feet of natural gas per day, or for oil produced from any well which produced an average between ½ and 10 barrels of oil per day. The remaining severance tax collected will be used by the Secretary of the Department of Environmental Protection to plug abandoned oil and gas wells. This Bill was approved by the Governor on March 23 and was effective June 21, which is 90 days after passage. **HB4421** was filed January 27. This Bill establishes an Ad Valorem tax credit. The amount of credit allowed to the taxpayer is the ad valorem property tax paid during the corporate net income tax year, business franchise tax year and/or calendar year, as applicable and is valued on the natural gas liquids equipment used in the production, transportation or storage of NGLs; goods in process; and, finished goods of a natural gas liquids producer, transporter, or storer. The annual credit allowance can be applied to personal income tax or corporate net income tax. Any credit remaining after applying the credit may be carried forward to a subsequent taxable year for up to three taxable years. The credit is transferable to successors. This Bill was signed by the Governor on March 25 and is effective for corporate net income tax years and personal income tax years beginning on or after July 1, 2020. This Bill will expire and have no further force or effect for all tax years which begin on or after July 1, 2030. All accrued but unused credits will be forfeited upon expiration. **SB120** was enacted on March 25 and establishes priorities for expenditures for plugging abandoned gas or oil wells. **HB4091** was enacted to allow for expedited oil and gas permits upon the payment of an expediting fee. **HB4088** was enacted March 25 and requires funds due to unknown or unlocatable interest owners be paid to the Oil and Gas Reclamation Fund on or

before November 1 of each year. **SB554** was also enacted March 25 and requires a lessee to execute and deliver to a lessor within thirty days and without cost, a recordable release for terminated, expired, or cancelled oil or natural gas leases. West Virginia also considered several other impactful bills that all failed sine die. These included bills to require a second wellhead meter for use by the state in validating well production, significant new fees on producers for using county roads, a non-resident royalty withholding tax, and requiring one hundred percent owner consent for establishing drilling units.

○ WYOMING

Wyoming began its legislative session February 10 and ended it March 12. **HB14** was signed by the Governor on March 9 and states that a pooling order shall expire twelve months after issuance if the operator has failed to commence operations. The Governor also signed on March 10 **SF45** amending the authority of the oil and gas conservation commission to regulate underground disposal wells. **HB159** relates to ad valorem taxation of mineral production monthly starting January 1, 2020. It provides a process for reporting and payment of the monthly ad valorem tax based on payment schedules provided for calendar years 2019 through 2025. For calendar years 2026 and thereafter payments of 8.33% per month starting March 10, 2027. The Governor signed this Bill on March 24 and has an immediate effective date. **HB243** proposes crude oil and natural gas production resulting from any well that is drilled on or after July 1, 2020 and prior to December 31, 2025, after certification by the oil and gas conservation commission is exempt from the original 2% severance tax under W.S. 39-14-204(a)(iv). The exemption will be for the full original 2% tax rate for the first 6 months of production and will reduce the rate 1% for the next 6 months of production. However, the exemption will not apply to natural gas production when the 12 month rolling average of the Henry hub spot price for natural gas is \$2.95 or more per MCF and will not apply to the production of crude oil when the 12 month rolling average of the West Texas Intermediate spot price of sweet crude oil is \$50.00 or more per barrel. This Bill was signed by the Governor on March 26 and was effective July 1.

UPDATE 2020



PRESIDENT THANK YOU

Tammy, I truly appreciate the work that you have done for COPAS and the Board of Directors this past year as President. I also appreciate your service to COPAS on the Board of Directors leading up to your year as President. This year was a real challenge for COPAS with the added issues from COVID and the downturn in the oil and gas industry. Your leadership helped COPAS and the Board of Directors navigate through these difficult times. I haven't served on the Board of Directors long, but I already understand the commitment it takes to serve as President. Thank you for all that you have done.

Kevin Launchbaugh

Tammy, what a year it has been! And I mean that in multiple senses. In a year that has resulted in unprecedented trials to our organization, our industry, and the world, you have managed to maintain focus, decorum, and a commitment to service. You led us into the "virtual world" of online meetings, ensuring that all organizational obligations were met, while maintaining outstanding member involvement. You ensured that we had laid groundwork sufficient to allow for such meetings in the future, yet looked forward to a time when we could all meet in person again. Despite significant budgetary limitations, you advanced goals in member and society growth and educational opportunity. In short, you took a whole lot of lemons and made lemonade. These challenges -- like all challenges -- will pass; new challenges will follow. But thanks to you, we'll be prepared for whatever comes next. Thank you!

Dalin Error

Tammy, thank you for your endless service to COPAS. You have guided the Board of Directors and the COPAS organization through an exceptionally challenging year with astounding success. Your thoughtful

leadership and insights have kept the Board on track and centered on the most important aspects of the organization and the impacts will be evidenced for many years into the future. It has been an absolute pleasure to work alongside you for years we have served together on the Board and I look forward to sharing our travel adventures in the future.

Wade Hopper

Tammy, I really appreciate your leadership of the Board this year. Your attention to detail, character, and willingness to get the job done was invaluable. I really enjoyed getting to know you better and the opportunity to work with you in a new setting. Your patience and willingness help us understand what was expected and how to best accomplish our tasks from meeting to meeting was recognized and valued. Even though this year was very difficult with its unique challenges, you did not falter in your role as President and "guided the ship" with unmatched acumen.

Craig Buck

Tammy, in a year that was anything but calm and steady, it was good to have calm and steady at the helm of our organization. I appreciate all your efforts to keep us focused despite everything going on around us. It might not have been the year you anticipated, but you were the right person to lead us through it. Despite the overwhelming challenge, you helped make the year as successful as it could be.

Tom Batsche

Thank you so much Tammy for your guidance and willingness to listen. I can remember you from the very first National meeting I went to in San Diego. I knew I was in a very tight, but very inviting group that was in attendance. You are always willing to engage who you are with and you have always listened to remember details with

who you are talking with. I heard this in the speech that Melissa gave this year, so this is a gift you have that few of us work on developing. Thank you for your service on the COPAS board, as an officer, and in committee projects. Take a breath now while continuing to guide and give input in the future. While 2020 may not be as you planned, I hope it still had some good points even during the uncertain time.

Kim Peyton

Tammy - In the words of Whitesnake (and the CDC): "Like a drifter, I was born to walk alone" - like you had a choice this year! In 2020, that is exactly what you and the rest of us were forced to do but you continued to keep us on track and moving forward during these challenging times. You successfully presided as President in a time when you were not allowed to have presence! Thank you for your level head and guidance through these trying time. Hope to see you, and other COPAS friends again in real life and dare I say it - unmasked. Thanks again.

Carolyn Sczepanski

Tammy--Thank you for your leadership this year during unprecedented times in our industry and our world. I appreciate your flexibility and willingness to listen to ideas and try new things. I remember back to the first time that we met, and you took the time to talk to me and get to know me. You were a leader in the organization who took the time to listen and share. I appreciate you being a deliberate leader who took the time to learn about me. I appreciate your inclusiveness with ideas and people. I also appreciate your quiet, humble demeanor, and how that has impacted the organization and me. Thank you for making a profound impact on COPAS and on its many members...including me.

Melissa Gruenewald



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COMMITTEE NEWS



AUDIT STANDING COMMITTEE

JEFF WRIGHT,
CHAIR

Like everything in our lives, COPAS has been upended because of COVID-19. We last met in person in Houston, Texas on January 23, 2020. Since that meeting, we have met virtually through COPAS Adobe Connect. This technology gave us the opportunity to continue the progress of our draft documents and give committee members a platform to discuss various issues. It has been a learning experience and each meeting has presented challenges. Kudos to the COPAS Office team, Tom, Angie, and Vanessa, for their continued commitment to making COPAS flexible and available for its members during these uncertain times.

On April 23, 2020, the COPAS Audit Committee commenced with its inaugural virtual meeting. This meeting was required to vote on the COPAS Audit Per Diem rate of \$980/day effective April 1, 2020. In hopes that this would be the only meeting held remotely, no other business was conducted. With 19 voting representatives in attendance, the new rate was approved 18-1-0.

On July 23, 2020, the committee again met via Adobe Connect. Updates were presented from the 202X Accounting Procedure and MFI-40, 4 Month Adjustment Period for Joint Account Adjustments drafting teams. The initial voting draft of the RTC MFI was also presented. During that presentation discussion, the team solicited feedback on any deal killers in the draft scheduled for vote at the fall meeting.

One of the drawbacks to meeting virtually is our inexperience with time management. In this meeting, there was very little time to work

on any of the documents during our breakout sessions. Because of this, we received feedback from committee members suggesting an additional work session dedicated solely to the RTC draft. Since the Audit Committee is all about providing great customer service, on August 13, 2020 we met again for this purpose and provided the RTC MFI drafting team with great conversations and debates for their consideration.

COVID-19 continued to hinder our ability to meet in person. On September 21, 2020, the Audit Committee met virtually again in place of our in-person fall meeting. Brief presentations on the progress of the 202X Accounting Procedure and MFI-40 drafting teams were given. The RTC MFI drafting team deferred voting on the document with the goal of adding team members to help with document clarity and flow purposes. The team presented their findings from the working session in August and addressed changes and additions to the document to help achieve their goal.

We had 14 voting reps in virtual attendance for the fall meeting. The minutes from Fall 2019, Winter 2020, and Spring 2020 were approved unanimously. The Summer 2020 meetings were not submitted for voting as a request to add more detail on those was made prior to the meeting. An error was identified in MFI-38, Materials Manual. The Audit Committee was asked to approve the correction under the Publication Errors Clean-Up Project (CAPECUP) guidance. The proofing changes to MFI-38 were approved.

As the year ends and terms expire, it was time to plan the succession of the committee positions. Cecil Sprague from the Houston Society was approved as Audit Committee Secretary effective January 1, 2021. Matt Pilkington will move to the role of Audit Chair and Tanya Harris will step up to Audit Vice-Chair at the same time. Jeff Wright completes his term as Audit Committee Chair and (again) rides off into the sunset.

Tanya Harris, Secretary



FINANCIAL REPORTING STANDING COMMITTEE

LARISA FIALKOVA,
CO-CHAIR



KEN NOLLSCH,
CO-CHAIR

The Financial Reporting committee continues to engage its COPAS membership during these uncertain times.

We wrapped up the 2019 – 2020 COPAS year with a webcast on May 27 on accounting issues related to COVID and commodity prices overview presented by Ken Nollsch, Controller and Raza Rizvi, VP of Accounting from Opportune LP – Outsourcing.

We held a joint virtual meeting with the Small Oil & Gas Committee on September 22 as part of the COPAS Fall 2020 conference. 82 members were in attendance. FR speakers Sean Keller and Brad Ulrich, assurance managers, Moss Adams, presented on COVID-related Impacts on Financials and provided a recap of ASC 606 and 842 implementations. Small Oil & Gas committee speakers Rob Opitz and Brinn Serbanic, BKD, discussed the PPP program and COVID-19-related tax updates. We awarded 2 hours of CPE for this meeting.

At our September meeting we conducted a survey to determine how severely the pandemic has impacted our members' close and financial reporting process. Forty-five percent have seen slight disruptions and delays and 36% continued business as usual. We also asked for suggestions to improve the FR committee performance. Members asked for more webcasts naming these topics of interest:

- PPP FR Reporting handling and other COVID-related changes that may be coming up
- Updates to accounting standards
- Accounting software for small oil and gas companies
- Technology, particularly robotics and cloud computing, RPA, and AI
- All things DD&A
- Best practices on tracking ARO

We will continue to bring knowledge, best ideas, and practices to our members. The FR committee will hold two webcasts this winter and spring of 2021. Webcast topics and dates will be announced soon. Stay tuned.



EDUCATION STANDING COMMITTEE

AMY WHITLEY,
CHAIR

The Education Committee plans to resume meetings and continue reviewing potential projects in the coming months. We are seeking volunteers to assist with these new initiatives!

Currently, our primary project is an effort to put together a 'Matrix' of the existing (and upcoming) COPAS Model Form Accounting Procedures for use by the membership and also to potentially serve as a study tool for the APA® Exam. We plan to hold a working session during the Spring 2021 meeting in Galveston, TX.

Any members interested in being involved with the Education Committee are encouraged to contact Amy Whitley at awhitley@hilcorp.com. Physical attendance is not required to be a team member on the upcoming projects or otherwise be involved with the committee.



SMALLOIL&GASCOMPANIES STANDING COMMITTEE

NANCY BROWN,
CHAIR

The Small Oil & Gas Companies Committee celebrated its 25th Anniversary this year. The committee was created during the 1995 Fall Conference and was a Special Committee until being elevated to Standing Committee status in 1997. The first meeting was held at the 1996 Spring Conference at the San Luis Hotel in Galveston, Texas. Charlene Richardson was the committee's first chairperson. The committee was created to give smaller oil and gas companies a voice and networking opportunities. Employees of small oil and gas companies usually perform many functions within the organization. A tradition that was started in 1996 and continues today is the networking sessions at every meeting. This encourages idea sharing and networking among attendees. The meetings are always attended by diversified accountants from different societies and different companies.

The committee last met virtually on Tuesday, September 22. It was a combined meeting with the Financial Reporting Committee. Tom Batsche gave the Small Oil & Gas board report and Craig Buck gave the Financial Reporting report. There were two presentations during the meeting. One was on "COVID Related Impact on Financial" presented by Sean Keller and Brad Ulrich with Moss Adams. The last presentation was on the PPP program and COVID-related tax updates by Rob Opitz and Brinn Serbanic with BKD. Two hours of CPE were awarded.

The next meeting of the Small Oil & Gas Committee will be in April 2021 at the Spring Conference in Galveston, Texas. If you have any suggestions for topic or speakers, please email nbrown@stephenspro.com.



JOINT INTEREST STANDING COMMITTEE

JASON POTEET,
CHAIR

2020 has been quite a year! We have seen a one-two punch in the industry with a pandemic that got into full swing as we also saw a historic pricing collapse. Negative oil? Who would have thought that was even possible? But when we see adversity, we manage it and come up with solutions. The Fall 2020 meeting was the third virtual COPAS meeting since the pandemic began. Even being virtual, we have still been able to conduct our business, including a virtual hospitality suite. The Fall 2020 JI Committee Meeting had 133 members representing 19 societies.

Deb Retzloff and the RTC Drafting team gave an update on the Remote Technology Centers MFI. Some of the key points were the addition of Tom Batsche, Mike Cougevan and Dalin Error. They were brought in to provide some new perspective to the team. While the team made some changes to the document, none of the chargeability concepts were changed. The new draft was distributed in mid-October with comments due by November 20. The new Voting Draft should be distributed by January 15, 2021, with a vote during the Joint Interest and Audit Standing Committees' Spring 2021 meeting.

Mr. Marlon Wells from Wells Consulting gave a presentation on horizontal and directional drilling. The presentation discussed the drilling of a horizontal well and the key roles and responsibilities of the personnel involved. Mr. Wells was even gracious enough to be open to the possibility of giving future presentations.

As a result of the discussion on whether COVID-19 is considered a Catastrophe, as defined by the various Accounting Procedures, the Emerging Issues Sub-Committee recommended COPAS provide guidance. The majority in attendance did not feel COVID-19 met the definition of a catastrophe for the purposes of assessing additional overhead. We will be discussing this issue during the Winter 2021 meeting. Please join us in January.



REVENUE STANDING COMMITTEE

PAM AKPOTAIRE,
CHAIR

The COPAS Revenue Committee held our first ever virtual sessions the week of September 22 and 23. We heard from four speakers who provided four hours of CPE on revenue related topics and associated reporting. Both days were well attended with 70 to 80 participants each day from 16 societies across the country. Wade Hopper provided the board liaison report that included the news of Pam Akpotaire's appointment to committee chair. Dan Hodgson, our Midstream Subcommittee Chair, provided a detailed presentation of Midstream Gas Settlement focused on Natural Gas Liquids (NGLs). He walked us through the flow of the products and how the NGLs are extracted from the gas stream and subsequently transported and valued. Mike Foster, our Federal Subcommittee Chair, took the stage and provided us with an update on royalty legislation that impacts reporting requirements for both State and Federal royalties. The Office of Natural Resources Revenue continues to roll out changes and new proposed regulations that Mike monitors and distills down for us.

Day two was focused on Severance Taxes. Nate Wolf, our State Regulatory Subcommittee Chair, provided an update on severance tax bills that passed and some that didn't in states from Mississippi to Alaska. He also provided some clarity on changes to Wyoming Ad Valorem tax reporting that are confusing due to the structure of the bill. After Nate, Sarah Magruder with Safire Oil and Gas Consulting then took us on a deeper dive into the severance tax regulations that govern the Appalachian states. She taught us that Pennsylvania is the only oil and gas producing state that does not have a severance tax (it has an impact fee instead) and it's such a hot topic in Pennsylvania that they talk about it on the radio!

We had a successful series of virtual meetings thanks to the support of the COPAS team, Tom, Angie, and Vanessa. We are looking forward to the Spring meeting and hope you will plan to join us!

Jeremy Norton, Vice Chair





EMERGING ISSUES SUBCOMMITTEE

LUCAS VAUGHN,
CHAIR

The Emerging Issue Sub-Committee (“EI”) meetings provide a place for COPAS members to discuss and get help with handling new, unique, and/or challenging situations and topics we experience (or expect to experience) in our industry. Our discussions are focused on topics and issues submitted by YOU that may cause or have caused disputes in our industry, so please send an email to ei@copas.org and let us know what challenging issues facing our industry we should discuss at upcoming EI sessions.

EI met during the Summer 2020 national meeting and was the very first virtual committee meeting session for COPAS. The EI team adjusted the meeting format in many ways as we attempted to adapt to the virtual setting, which provided some great takeaways to apply at the next virtual meeting. The EI meeting was attended by 92 people and included valuable discussions of several pandemic-related topics, with a focus on how the industry is adapting to challenges resulting from COVID 19. The groups discussed whether wells shut in due to COVID-19 should be included in allocations, the chargeability of costs related to standby, deep cleaning, PPE, medical screenings, idle labor, project cancellation fees, and previously expended costs of cancelled projects.

EI met again at the Fall 2020 meeting. The virtual meeting was well attended by 152 people from 86 different companies, representing 20 local COPAS societies. The virtual format was well received, with many improvements from the Summer meeting. We were excited to recognize the 25th anniversary of the EI sub-committee, including recognition of our previous chairs. After 25 years, the EI discussions remain strong and continue to provide thought provoking comments and insight from all members who participate!

The Summer EI polling question results indicated current COPAS documentation may not offer clear guidance on the treatment of COVID-related costs. Many respondents were unsure of whether a pandemic qualified as a catastrophe under the COPAS accounting procedure. Identification of costs to restore the joint account to damages from pandemic, allowing application of catastrophe overhead, was a challenge as well. The majority in attendance at the EI sub-committee meeting felt COVID-19 does not meet the definition of catastrophe for the purposes of assessing additional overhead; however, attendees felt it would be appropriate for COPAS to clarify. As a result of the discussions, the EI Sub-Committee recommended COPAS provide guidance on whether COVID-19 is considered a catastrophe as defined by the various Accounting Procedures.

The Committee continued with a discussion of the chargeability of costs related to cyberattacks on energy infrastructure. Topics of discussion included payment of ransom, insurance, and recovery of systems, as well as actions to prevent or detect cyber attacks. Attendees discussed the potential for claims of operator negligence in cases of insufficient preventative measures. Application of Catastrophe overhead was also debated. The attendees finished the discussion with a request for a technical expert on cybersecurity to help educate the group on the costs and activities in this area.

The Committee followed these discussions with a “Lightning Round” of topics, allowing attendees to vote their opinions based on short discussions of seven topics. Topics discussed included application method and documentation of charges for incidental supplies, documentation and audit of small dollar allocations resulting in minimal charges to the joint account, future meeting formats of local societies, chargeability of marketing fees, the Pollution Act of 1990 (OPA), the appropriate level of due diligence by parties in an audit, and the appropriate terminology to describe an operating agreement in an audit report. Results of the short discussions and straw polls will help develop strong Emerging Issues discussion topics at future meetings.

We would like to thank you for attending the EI sessions and for participating in the discussions. The opinions shared are so helpful to those working through the issues discussed, and we encourage you to keep sharing your thoughts at future meetings. Remember, EI is about helping YOU succeed, so please let us know what we could discuss at future meetings that would help YOU find success by sending us an email to ei@copas.org. We look forward to seeing you the next time we emerge!

Carole Tear, Secretary



APA® BOARD OF EXAMINERS

MIKE MAY,
CHAIR

Some exciting new changes are coming to the APA® exam process. Live Online Proctoring will now be available. Using your own computer, you may test from home or the office -- whichever is more convenient. As well, exam scores will be provided immediately upon completion of the exam. No more waiting for test results!

The Board of Examiners will also have a change in leadership with Mike May becoming the BOE Chair and Dan Hodgson the Vice-Chair. We greatly appreciate the service given by the former Chair, Charlene Lutkenhaus. Six new members will join the Board of Examiners in January.

The BOE did not meet during the latest COPAS National Fall Conference but has plans to meet virtually between conferences.

Three candidates passed the APA® exam in September: Marlet Enow, Matthew Hayward and Veronica Reyes. Congratulations for this challenging but rewarding accomplishment!

There are twelve candidates taking the November exam. Study hard - we wish you good fortune!

Dan Hodgson, Vice Chair

AWARDS



Roger Gann, President of Martindale Consultants, Inc., was named the 2020 recipient of the COPAS Eagle Award.

The COPAS Eagle Award originated in 2002 and is in recognition of the commitment of an individual who has significantly contributed to COPAS in a standing committee, special committee, or project.

Gann has been a member of COPAS since 1995 and has accomplished much during that time. Some of Gann's activities include:

- President of COPAS – Oklahoma City
- Chair of COPAS – Oklahoma City Audit committee
- Chair of COPAS Emerging Issues subcommittee
- Chair of COPAS' Computerized Equipment Pricing System (CEPS) Control Panel
- Participant on many COPAS publication drafting teams, including MFIs and three Model Form Accounting Procedure teams
- Teaching COPAS courses via COPAS-M PACT, classroom courses and webinars for COPAS Energy Education



Jeff Wright presents the Ring of Honor plaque to Toni Alcott, wife of Jeff Alcott.



Tammy Miller-Davison received her Past President plaque following the Fall meeting.



Tammy Miller-Davison completed two terms as a Director. Tammy will serve an additional year as exofficio member of the board.

COPAS HISTORY



Spring 2004 – April 19 – 23, 2004
Hosted by Mississippi and Acadiana
Beau Rivage Hotel, Biloxi, Mississippi.

You never know what you will encounter at a COPAS meeting! The “Bird Lady” provided evening entertainment. (Thanks to Polly Marek (Dallas) for being a good sport.)

Imagine going through the buffet line at the banquet and encountering a “salad head!”



VOTING RESULTS

FALL 2020

- Spring 2020 Council Meeting Minutes (majority) - Approved
- Bylaws Amendment (2/3) - Approved
- Employee Benefits Upper Limitation of 35%, effective January 1, 2021 (majority) - Approved
- Election of Board of Directors for 2021 - 2023 term (top 3) – Kirk Foreman, Melissa Gruenewald, and Rebecca Paris
- Election of 2021 Nominating Committee (majority) – Mark Alder, Sarah Ray, and Jeff Wright

SAVE

the

DATE

WINTER COMMITTEE MEETING

The Winter Committee meeting will be virtual rather than in person. Planning is in progress and details will be posted to the website when final.

TENTATIVE MEETING DETAILS

WEDNESDAY, JANUARY 20, 2021 (TIME TBA)

Combined Joint Interest & Audit Standing Committee Meeting

- A roll-up your sleeves, deep dive, working session, continuing to discuss the three draft publications in progress
 - 20XX Accounting Procedure
 - Remote Technology Centers
 - MFI-40, 24 Month Adjustment Period for Joint Account Adjustments

THURSDAY, JANUARY 21, 2021 (TIME TBA)

- Joint Interest Meeting – continued committee discussion of the publications project team presentations
- Audit Committee Meeting – continued committee discussion of the publications project team presentations

REGISTRATION WILL OPEN DECEMBER 1

A REGISTRATION MEETING FEE WILL APPLY

CPE WILL BE OFFERED

PROJECT STATUS REPORT



COPAS MODEL FORMS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Accounting Procedure	Team is addressing draft 3 comments. Draft 4 expected Q1 2021		



COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

COMMITTEE	PROJECT	STATUS	COMMENTS BY	ANTICIPATED COUNCIL VOTE
Joint Interest	Remote Technology Centers	Voting draft expected mid-January, committee vote in April 2021		April 2021, contingent on committee approval
Joint Interest	MFI to accompany new model form Accounting Procedure	Team is addressing draft 1 comments. Draft 2 expected Q1 2021.		
Joint Interest	MFI-40, 24-Month Adjustment Period for Joint Account Adjustments	Draft 1 expected Q1 2021.		



COPAS ACCOUNTING GUIDELINES

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



COPAS TRAINING & REFERENCE

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



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SAVE THE DATES

- 18** April 19-23, 2021 /// Galveston, TX
- 24** October 18-22, 2021 /// Irving, TX
- 45** January 20-21, 2021 /// Virtual Meeting

! NEXT ACCOUNTS DEADLINE !

FEBRUARY 1, 2021

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