

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES

ACCOUNTS

FALL 2020



FALL 2020
VIRTUAL MEETING

ISSUE FEATURE: Remeasurement of Leases
Due to Changes in Cash Flow Plan



c o p a s
Council of Petroleum Accountants Societies

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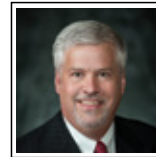
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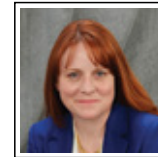
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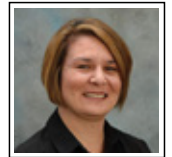
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President's Message

TAMMY MILLER-DAVISON

Hello COPAS Members! I cannot believe summer is coming to an end. Hopefully, you were able to get out of your lockdown from COVID-19 long enough to enjoy the sun and flowers. I was able to take a couple of short road trips and it was relaxing getting out of the house to enjoy some beautiful Colorado scenery.

The board has been busy this year. We have looked for alternatives to in-person meetings, reductions to our budget, while determining how to add more value to be a member vs. a non-member. We created member pricing discounts on webinars, and we are considering member pricing vs. non-member pricing for publications, etc. We are also reviewing a few contracts we currently have and negotiating lower rates or rates that are more variable vs. fixed cost based on how much we use a vendor. If you have any ideas, I would love to hear them.

COPAS had a great summer meeting virtually with Joint Interest and Audit. I know quite a few of you joined us for the meetings. Lucas Vaughn and Todd Smith led us on an Emerging Issue topic around the pandemic and whether it is considered a "catastrophe" under current COPAS definitions. We had a great discussion but no definitive agreement on if a new document or a re-write of MFI-52, Catastrophe Related Costs, is warranted. Jeff Wright and Jason Poteet did a great job leading the other discussions. Karla Bower started with a discussion on the new Model Form Accounting Procedure and Deb Retzloff updated the attendees regarding the voting draft of MFI-XX, Remote Technology Centers. Amy Whitley also presented on the preliminary discussions the project team has had regarding the re-write of MFI-40, 24-Month

Adjustments for Joint Account Adjustments. The third draft of the Model Form Accounting Procedure should be in your hands by the time you read this article. I hope you take the time to review it and discuss it with your company and your society.

I ask each one of us to please review all drafts of these documents and submit your feedback, both good and bad, to the teams. The project teams volunteer and work many hours over several years to create what they hope will be a great document. Without your feedback, early and often, the document will not be the best that COPAS can create. Let's help the project teams and do our part by reviewing the documents and submitting feedback to the teams. I encourage you to sit at the table and have a voice in the drafting of the documents.

As you may have already heard, COPAS is planning on having the Fall meeting virtually. I am disappointed we won't be in Florida but with the downturn in the industry, travel restrictions and the uncertainty of the pandemic, it was the only feasible course to take. Please help me thank Alyssa Duran, the hosting committee, and the Permian Basin Society for all their efforts in planning a great event. I know we would have enjoyed it.

The Fall 2020 Virtual Meeting will include all Standing Committee meetings and Leadership Conference. We are finalizing the schedule and will publish it on the website once completed. We are also considering a virtual "Hospitality Suite" where you provide your drink and join us for some informal networking and conversation! More information will be coming!



COPENHAGEN

I am happy to announce that the board agreed to expand our Adobe Connect license to allow more than 100 people to meet at one time. This will allow more individuals to register for the fall committee meetings and avoid the need to have a wait list. There will be a small registration fee for the Fall meeting but meeting virtually will allow more individuals to attend that are normally unable to attend in person. The General Council meeting will be Thursday, September 24 at 2:00 CST. I hope you plan to join us for the Fall meeting and attend a few of the meetings. I would love to “see” you at the Council meeting when we elect three new board members who will start their term January 2021.



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WE WELCOME READER SUBMISSIONS



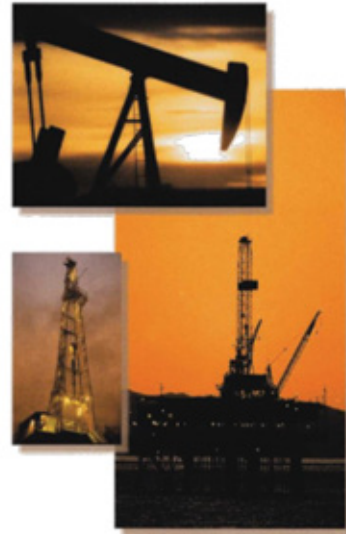
If you have articles to contribute, please contact Editor@copas.org to discuss specifics.

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HOME OFFICE MESSAGE



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

It is now September, a time when many of the societies shift back into drive after a Summer break. Membership renewal campaigns are underway, and some societies have issued meeting notices that resume in-person meetings. A few societies have begun planning for hybrid meetings, trying to reach as many members as possible during this uncertain time.

We also know some societies are struggling with what to do or how to safely resume meetings. COPAS has offered help and suggestions in a recent email to society presidents. One of the options was to offer webinar packages that allowed society members to continue to earn CPE hours when societies could not meet. Several societies have taken advantage of the opportunity. Some societies came back to buy more packages. Other suggestions and guidance were offered in that email as well. If you do not remember seeing the email, or would like to discuss it further, please contact the COPAS office.

The Summer meeting was a great success, even though we had to limit the attendance to 100. Attendance limits will no longer be an issue, as the board authorized the purchase of a new Adobe Connect license. If we have 500 attending a meeting or event, that will be a nice problem to have.

Emerging Issues met July 21. Audit and Joint Interest met jointly July 22 for project team updates, and then again separately for committee discussion of the draft publications. We successfully used the breakout room capability in the meeting tool during part of our discussions.

While we were unable to meet in Washington, D.C. due to the early stages of the pandemic, we had hoped to meet in person in St. Petersburg. We all know that

the effects of the pandemic were lingering, so again, when we saw that Summer meeting would need to be virtual, we all but assumed our Fall meeting would be in a virtual format as well. I want to take a moment to thank the Permian Basin Society, and Alyssa Duran, meeting chair, for the efforts they put forth initially planning and then renegotiating the hotel contract and re-planning a scaled-down version of the meeting. As with the efforts of the Oklahoma City Society who planned the April meeting, we cannot thank you enough for the work you put in without getting to see the final results.

Regarding the Fall meeting, the meeting schedule and details are provided on pages 18 through 21. The Spring meeting only entailed the Council meeting and a form of the Leadership Conference, but the Fall meeting is a complete schedule as if we would have met in person. We are even trying out a virtual hospitality suite to “Wine Down” after a series of informative committee meetings.

I know how much we like coming together in person for our meetings. We enjoy the knowledge networking and personal interactions. We may be in a virtual meeting mode for a while yet, however. Company travel restrictions, budget limitations and available time are limitations for many members at the current time. One benefit of a virtual meeting is that more members can participate in the discussion if they do not have to consider those company restrictions. Our publications benefit from the input provided from all our companies. I hope you can participate in the Fall meeting or any of the future meetings held.

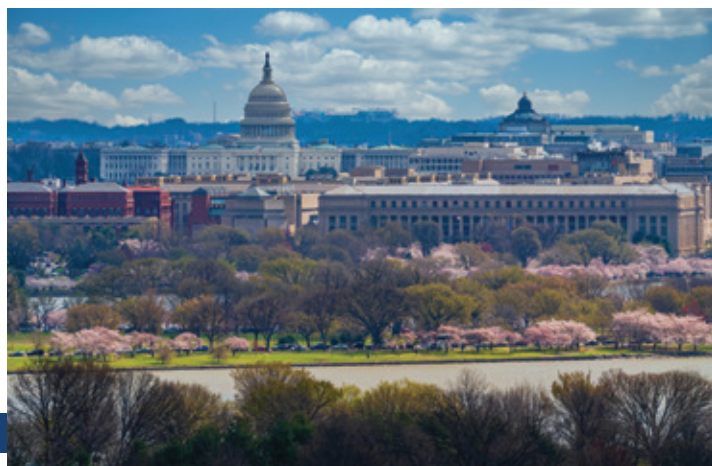
Many ePublication subscribers have not renewed their subscriptions. Yes, there has been a change in how renewals are now handled. As has been communicated several times, the renewal process has changed to an online process, and that is how you will also access the publications. If you have any questions about the status of your subscription, reach Vanessa at the COPAS office to discuss. Subscriptions that lapse are subject to substantially higher renewal rates.

The Remote Technology Centers (RTC) project team will be revisiting the organization of the draft document based on feedback provided at the Summer meeting. A new draft document is expected by October 1. Comments and discussion will take place through November. The Audit and Joint Interest Committees have been requested to hold regular meetings to review the discussion and provide feedback to the team so that a Council vote can be held in April 2021.

Speaking of publications, are you keeping up with the status of all the projects that are underway? Are you aware of all the projects in the pipeline? A quarterly project status report is prepared, posted to the website, and included in ACCOUNTS. See that latest update on page 10.

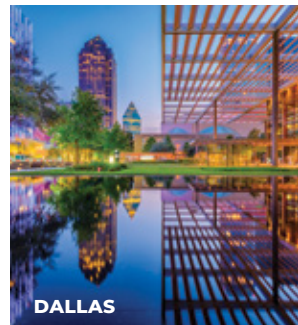
Congratulations to the new APA@s during the May and July exam windows. If you know any of the successful candidates, please contact them to offer your congratulations. As well, think about what this credential might do for your career. Read more on pages 22 and 23.

If you ever have a question or need assistance, please contact the COPAS office. The team is ready to provide fast, friendly, and superior customer service.



MEETING SCHEDULE

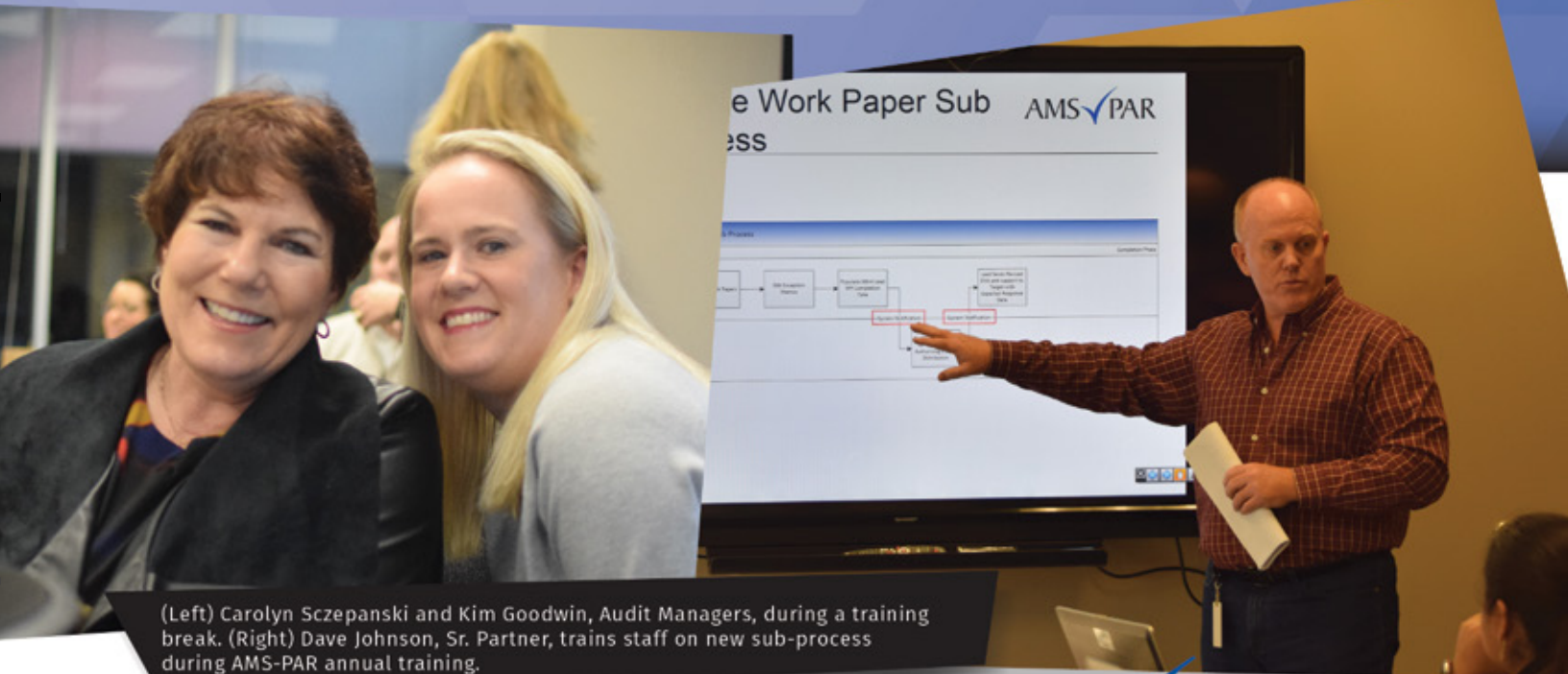
| EVENT | DATES | HOST | LOCATION |
|---------------|-----------------|----------------|--|
| <i>2020</i> | | | |
| <i>Fall</i> | September 21-25 | Permian Basin | In-Person cancelled Now fully virtual |
| <i>2021</i> | | | |
| <i>Spring</i> | April 19-23 | Houston | COPAS 60th Anniversary Meeting San Luis Resort Galveston, Texas Westin Irving Convention Center at Las Colinas Irving, Texas |
| <i>Fall</i> | October 18-22 | Dallas | |
| <i>2022</i> | | | |
| <i>Spring</i> | TBD | COPAS Office | TBD |
| <i>Fall</i> | TBD | Colorado | TBD |
| <i>2023</i> | | | |
| <i>Spring</i> | TBD | COPAS Office | TBD |
| <i>Fall</i> | TBD | Rocky Mountain | TBD |



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

ROCKY MOUNTAIN

JOINT VENTURE AUDIT



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

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PROJECT STATUS REPORT



COPAS MODEL FORMS

| COMMITTEE | PROJECT | STATUS | COMMENTS BY | ANTICIPATED COUNCIL VOTE |
|----------------|----------------------|--------------------------|-------------|--------------------------|
| Joint Interest | Accounting Procedure | Draft 3 released July 31 | | Oct. 30 |



COPAS MODEL FORMS MODIFICATIONS AND INTERPRETATIONS

| COMMITTEE | PROJECT | STATUS | COMMENTS BY | ANTICIPATED COUNCIL VOTE |
|----------------|--|---|-------------|--|
| Joint Interest | Remote Technology Centers | New draft to be distributed to JI and Audit Committees in late September. | | Comments will be accepted through November once the new draft has been issued. |
| Joint Interest | MFI to accompany new model form Accounting Procedure | Draft 1 released July 31 | | Oct. 30 |
| Joint Interest | MFI-40, 24-Month Adjustment Period for Joint Account Adjustments | Project paused. Team plans to resume work later this year. | | |



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 2020 updates – contact Revenue Committee Chair. | | |

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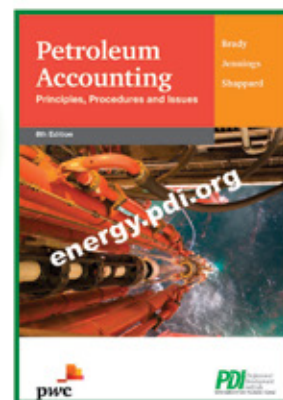
In addition, new standards on revenue recognition, leasing, joint arrangements, consolidated financial statements, and disclosure of interests in other entities are important to the petroleum industry. The 8th Edition will address new requirements and add additional guidance on developing issues.

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Materials Disclaimer

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

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Remeasurement of Leases Due to Changes in Cash Flow Plan

INTRODUCTION: LEASES CURRENT CONTEXT

The accounting lease rules changed and were adopted by public companies in 2019. As a consequence, the majority of the lease contracts greater than one year are now reflected in the balance sheet.

The ruling (specified in ASC 842) provided guidance on how to implement this new accounting lease procedures. Incorporation in the Balance Sheet of the required contracts was done based on the regulation which defined the required notions for the assessment: establish if a contract contains a lease (conveys the right of use and control of property/plant/equipment); classify lease and non-lease components (the former governed by ASC 842 while the latter handled under the applicable USGAAP ruling); classify lease components (for lessees either finance or operating, while lessors must classify leases as sales-type, direct financing, or operating leases); measure and recognition of the lease (recognition of asset and liability, measured primarily on the present value of the remaining lease payments; lessors must recognize a net investment in the lease, and derecognize the underlying asset, for sales-type and direct financing leases while in operating leases, retain the underlying asset) and recognize lease expense or lease income over the lease term.

It is clear that nowadays the times where leases were a means to keep financing outside the balance sheet are gone. And leases are precisely a vehicle used in the oil and gas business to keep the latest equipment on hand without disbursing vast amounts of cash.

For the case of lessees with contracts containing an option to purchase, they have reflected in their financials a value (asset and liability) based on their plan of when that option was going to be exercised. In other words, the value reflected in the balance sheet

reflects the timing of when the company anticipated the end of the lease period given its plan to purchase the asset.

At the same time, driven by the Covid-19 impact, we are currently in the midst of a worldwide economic downturn where fears are growing that it could be deep and lengthy. Many experts and economists are indicating that the U.S. is officially experiencing an economic recession due to its duration and due to the broad decline across the economy.

The Oil and Gas industry has been severely impacted. The second quarter of 2020 was one of the worst on record for the oil industry. Although oil prices have somewhat recovered from the lows experienced the pain still continues as economies and households are kept under lockdown slashing the demand for oil worldwide. Oil companies have decisively responded by reducing spending, switched and rearranged priorities with its associated cash flow implications.

In this current context the Federal Reserve has repeatedly stated that would keep its benchmark interest rate near zero for as long as it takes until the economy starts to recover from the coronavirus crisis. The low financing cost for corporations greatly influence the cash flow management alluded above.

OIL COMPANIES AS LESSEES

Based on the above, oil companies that have entered in contracts as lessees to get the right of use of an asset, with payments tied to floating indexes (in a market with bottom low rates showing no signs of an increase any time soon) and with an option to purchase that asset in the future, have recorded the lease based on their planned timing for exercising that purchase option. In many cases, at time of inception, they expected to buy in the short or

mid-term. The amounts recorded in their balance sheet are the reflection of the timing and amount of that assumption at the start of the lease.

However, given the current economic context where many oil companies are shifting their priorities and closely looking at cash flow management in an environment of low financing cost, many corporations will surely reassess their original purchase plan. A big disbursement may not make sense in the short/mid-term (or even to exercise the purchase option at all), especially in this low cost financing environment.

In many instances the decision would likely be to delay the purchase which would trigger the need of updating the lease recorded in the books based on the new timing and payments (delayed purchase could mean different price and would surely imply a later lease termination date)

REMEASUREMENT OF LEASES

The previous guidance (ASC 840) indicated that lessees would perform a lease remeasurement only when there was a lease modification. However, new ruling (ASC 842-10-15-36) indicates that remeasurement by the lessee can be triggered by:

- a) *"A remeasurement of the lease liability (for example, a remeasurement resulting from a change in the lease term or a change in the assessment of whether a lessee is or is not reasonably certain to exercise an option to purchase the underlying asset)" (see paragraph 842-20-35-4)*
- b) *"The effective date of a contract modification that is not accounted for as a separate contract" (see paragraph 842-10-25-8).*

The guidance further stipulates that under certain events a lessee is required to reassess its conclusion about the lease term and the likelihood that it will exercise an option to purchase the underlying asset (842-10-35-1 lists the case of a lessee that elects not to exercise an option even though the entity had previously determined that the lessee was reasonably certain to do so).

Governing procedures specify that after the commencement date, changes to the lease payments (triggered by changes in the lease term or certainty in exercising a purchase option 842-10-35-4/5) would cause the remeasurement of the lease liability which would be recognized as an adjustment to the right of use asset (if the carrying amount is reduced to zero, then the remainder of the remeasurement would impact the income statement 842-20-35-4)

The update that needs to take place in the financial statements of the lessees requires to revisit and review fundamental concepts and definitions.

REMEASUREMENT GUIDANCE

On the date when the lessee is in the situation defined above, the remeasurement would take place following the steps summarized below.

First, the contract is reassessed in order to look at the remaining

components which would be classified as lease and non-lease. Then the lease liability is remeasured in light of the revised lease payments and the discount rate is updated based on the date of the remeasurement (payments dependent upon an index or rate should be measured using the index or rate at the remeasurement date).

Then, in line with the lease liability amount adjusted, the right of use of the asset is updated. In case of a liability reduction, the right of use asset is also reduced but cannot be below zero and any excess would impact the income statement. Once updated, the amortization of the asset is also updated to reflect a straight-line (or other systematic) amortization pattern of the right-of-use asset.

The next step is to reassess the lease classification (for lessees: finance vs. operating) as ASC 842-10-25-1 states, *"a lessee...shall reassess the lease classification after the commencement date if there is a change in the lease term or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset"* which should be done on the basis of the facts and circumstances as of the date of reassessment. For instance, in the current context, the asset could have significantly changed its fair value, which could change the equation when comparing it to the sum of the lease payments, a factor that delineates lease classification. Another key variable that could impact how it is catalogued is the remaining economic life of the underlying asset on the remeasurement date in comparison with the new lease term.

In case the lease classification is changed due to the reassessment, the lessee will register a change in the configuration on how to record and present its financial statements.

CLOSING REMARKS

In light of the context outlined, management of oil and gas companies are likely evaluating all possible paths and responses to cash flow constraints. A clear option to be analyzed is to leverage the current lease contracts and to reconsider the planned cash out purchase options which, in turn, can free up resources. This alternative can specially be reasonable for contracts tied to a variable index in the current low interest rate environment. At the same time, this route would imply the described remeasurement process and would entail changes in the Financials of the company.



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Pablo M. Lutenberg has over seventeen years of experience in financial accounting and reporting mainly in the Oil & Gas industry with expertise in economic viability and business analysis of new ventures start-ups.

He earned a Bachelor's degree in Accounting from Buenos Aires University (Certified Public Accountant License in Argentina) and earned a Master of Science degree in International Business and Management from the University of Manchester, United Kingdom.

Pablo has successfully managed projects in multi-cultural environments with a diverse workforce, working in various roles in South America and the US. He currently lives in Houston with his wife and their two children.

INDUSTRY NEWS

A COLLECTION OF PUBLISHED NEWS ARTICLES

Democratic presidential nominee **Joe Biden** promised to halt permits for new oil and gas wells on federal lands if elected in November, which has pushed producers to build up inventories of drilled-but-uncompleted wells that could still be produced under the policy scenario.

Chevron entered into a definitive agreement with Noble Energy to acquire all the outstanding shares of Noble for \$5 billion. The acquisition brings Noble's low-capital, cash-generating offshore assets in Israel, strengthening Chevron's position in the Eastern Mediterranean. It also includes acreage in the DJ Basin and 92,000 acres in the Permian Basin.

National Fuel Gas completed its \$504 million all-cash acquisition of Shell's integrated upstream and midstream assets in Pennsylvania. The deal gives National Fuel Gas 450,000 net leasehold acres in PA with 350 producing Marcellus and Utica wells in Tioga County and associated facilities. It also adds 250MMcfd of current production and 142 miles of gathering pipelines and compression infrastructure.

ConocoPhillips will acquire acreage in the Montney formation in W. Canada from **Kelt Exploration** for \$375mm and assume

\$30mm in financing obligations for partially owned infrastructure. ConocoPhillips will add 140,000 net acres in the liquids-rich Inga-Fireweed asset Montney zone directly adjacent to its existing Montney position. The transaction adds more than 1 billion barrels of oil equivalent of high-value resource and adds more than 1,000 high-quality well locations.

Canadian Natural Resources struck a \$461mm deal to buy **Painted Pony Energy** as it grows its position in the liquids-rich Montney natural gas region of northeastern B.C.

Occidental Petroleum will have one active oil rig in the Permian Basin in the second half of 2020. In May 2019, Occidental had 12 rigs in the Permian, while recently acquired Anadarko had 10 rigs, representing a 95% decline in drilling. Oxy slashed its 2020 capital budget over half to \$2.5 billion. Oxy also took a \$6.6 billion write-down in the second quarter of 2020, equivalent to more than 40% of its market value.

Chesapeake will seek bankruptcy protection citing burdensome debt. CHK has entered a plan with lenders to cut \$7 billion of the nearly \$9 billion owed. Chesapeake's filing makes it the largest bankruptcy of an U.S. oil and gas producer since 2015.

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 | | 2.98 | 2.83 | 2.37 | |
| August | 48.04 | 68.06 | 54.81 | | 2.90 | 2.96 | 2.22 | |
| September | 49.82 | 70.23 | 56.95 | | 2.98 | 3.00 | 2.56 | |
| October | 51.58 | 70.75 | 53.96 | | 2.88 | 3.28 | 2.33 | |
| 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 | 36.78 | 2.98 | 3.17 | 2.57 | 1.81 |

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.

Nearly all the curtailed U.S. onshore oil volumes shut-in as Covid-19 hampered demand are set to return by the end of the third quarter amid stronger oil prices and a generally brighter market outlook. The total net curtailments peaked at 772,500 b/d in May, before dropping to 680,300 b/d in June and 306,500 b/d in July. The curtailed volumes are scheduled to decline to 73,300 b/d in August, with nearly all production poised to be reactivated by September. China is ramping up U.S. oil purchases ahead of a trade deal review. A monthly record of 32 million barrels of U.S. oil will reach **China** in August. China's state-owned oil and gas firm PetroChina and its largest refiner Sinopec Corp



← 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.

each have booked five to six supertankers, that each can hold 2mm barrels of oil, for August and September loadings. U.S. crude exporters Oxy, Equinor and Vitol, each chartered one or two vessels. The **Trump Administration** approved U.S. oil producer **ConocoPhillips'** plan for drilling in the National Petroleum Reserve in Alaska, a wilderness area along the state's North Slope oil fields. The BLM published a final Environmental Impact Statement for the company's Willow project, which could produce more than 160,000 b/d over the next 30 years. If constructed, Willow will be the westernmost development on the North Slope. The project could help offset oil production declines in the state, which has dropped to 404,000 bpd from its peak of over 2 million bpd in 1988.

Cimarex Energy is restarting production on its Permian Basin wells shut in May and plans to gradually add rigs and completion crews in the third quarter 2020. Cimarex revised its 2020 guidance to 245,000 boe/d, including 76,500 b/d of oil production. Cimarex had two rigs operating in July and plans to add one each in August and September. Cimarex has a year-end target of 46 wells in progress.

Total E&P revised downward its oil price assumptions and slashed the value of its Canadian oil sands assets, booking an \$8.1 billion impairment in second quarter of 2020. Total lowered the oil price it would deem assets financially impaired from \$50 per barrel Brent crude to \$35 per barrel in 2020, followed by \$40 per barrel in 2021, \$50 per barrel in 2022 and \$60 per barrel in 2023. The revision contributes \$2.6 billion in asset impairments. Noting the company's target of reaching net-zero emissions from its operations by 2050, it would leave a portion of its Canadian oil sands assets stranded, would book an additional \$5.5 billion impairment, and make

no further investments in capacity additions. Additionally, Total announced their withdrawal from the Canadian Association of Petroleum Producers.

Denbury Resources filed for Chapter 11 reorganization after skipping payment of \$3mm of interest on notes maturing in 2023. Denbury listed almost \$2.3 billion of borrowings in a recent filing. Existing lenders are providing a debtor-in-possession revolving loan that will roll into an exit facility with as much as \$615mm in available funds.

Castleton Resources announced the closing of the Terryville upstream assets in Northern Louisiana from **Range Resources** subsidiaries. Concurrent with the closing, Tokyo Gas America increased its ownership in Castleton Resources from 46% to approximately 70%, with the balance held by Castleton

RIG COUNTS

LOCATION | WEEK OF:

| | 5.11.18 | 7.27.18 | 2.15.19 | 5.10.19 | 7.19.19 | 2.14.20 | 5.8.20 | 7/31/20 |
|--------------------|---------|---------|---------|---------|---------|---------|--------|---------|
| Gulf of Mexico | 20 | 15 | 21 | 20 | 25 | 23 | 15 | 12 |
| Canada | 79 | 223 | 224 | 63 | 118 | 255 | 26 | 45 |
| North America | 1124 | 1271 | 1275 | 1051 | 1072 | 1045 | 400 | 296 |
| Oil | 844 | 861 | 857 | 805 | 779 | 678 | 292 | 180 |
| Gas | 199 | 186 | 194 | 183 | 174 | 110 | 80 | 69 |
| Directional | 72 | 64 | 70 | 71 | 69 | 47 | 27 | 22 |
| Horizontal | 918 | 922 | 915 | 872 | 829 | 713 | 338 | 216 |
| Vertical | 55 | 62 | 66 | 45 | 56 | 30 | 9 | 13 |
| Major State | | | | | | | | |
| Alaska | 8 | 6 | 12 | 9 | 10 | 9 | 3 | 3 |
| Arkansas | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| California | 15 | 15 | 11 | 15 | 17 | 14 | 5 | 4 |
| Colorado | 30 | 32 | 35 | 33 | 31 | 22 | 8 | 5 |
| Louisiana | 62 | 52 | 66 | 61 | 66 | 52 | 38 | 29 |
| New Mexico | 89 | 104 | 109 | 102 | 107 | 113 | 70 | 49 |
| North Dakota | 56 | 57 | 57 | 56 | 55 | 52 | 20 | 11 |
| Oklahoma | 138 | 137 | 119 | 105 | 95 | 50 | 13 | 11 |
| Pennsylvania | 39 | 39 | 44 | 43 | 37 | 24 | 23 | 20 |
| Texas | 523 | 524 | 509 | 485 | 454 | 397 | 173 | 104 |
| West Virginia | 17 | 17 | 18 | 21 | 21 | 14 | 7 | 5 |
| Wyoming | 26 | 28 | 37 | 30 | 32 | 22 | 4 | 1 |

Source: Baker Hughes at www.bakerhughes.com

MORE INDUSTRY NEWS

Commodities International. Castleton Resources now owns over 315,000 net acres of leasehold in East Texas and Northern Louisiana with total daily net production of nearly 500 MMcfe/d.

California Resources Corp., the state's largest oil and gas production company, filed for Chapter 11 bankruptcy protection seeking relief from \$5 billion in debt and looming interest payments. The company hopes to eliminate more than \$5 billion of debt and equity interest and consolidate its ownership of its Elk Hills power plant and a Kern County gas plant. CRC will continue to operate its production facilities during the process.

For the second time in a little over 2 years, **Fieldwood Energy** filed for its second Chapter 11 reorganization. It exited the first bankruptcy in 2018 within 2 months. The Houston-based company has had to shut in production due to weak economics at current pricing levels. Because of its focus on mature offshore assets, Fieldwood inherited substantial environmental liabilities versus onshore peers. At yearend 2019, Fieldwood had an asset retirement obligation of approximately \$1.22 billion.

Presidio Investment Holdings has completed the acquisition of oil and gas producing properties of **Templar Energy** and certain affiliates in the Anadarko Basin. In June 2020, OKC-based Templar filed for Chapter 11 bankruptcy. Presidio Petroleum is a portfolio company majority-owned by investment funds managed by Morgan Stanley Energy Partners. This is the second add-on acquisition for the company since MSEP's initial investment in May 2018.

Southwestern Energy Company will acquire **Montage Resources Corporation** in an all-stock transaction.

KLX Energy Services and **Quintana Energy Services** approved a merger. The new company will be Houston-based and be one of the largest providers of large-diameter coiled tubing services in North America, one of the largest independent providers of directional drilling services and one of the largest wireline providers.

Offshore drilling contractor **Noble Corporation** filed for Chapter 11 bankruptcy protection to restructure its debt, and de-leverage the company's balance sheet and position it for long term growth. The restructuring will eliminate all the company's \$3.4 billion bond debt through the cancellation and exchange of debt for new equity in the reorganized company. Noble's major bondholders also agreed to invest \$200mm of new capital in new second-lien notes. Following the restructuring, the company expects to emerge with an enhanced liquidity position supported by a new \$675mm secured revolving credit facility.



Bruin E&P Partners and its subsidiaries plan to restructure through a prepackaged Chapter 11 process. The company is focused on the acquisition and development of onshore oil and gas producing properties in the core of the Bakken shale and Three Forks formations in the Williston basin of North Dakota. The restructuring will eliminate over \$840mm of the company's funded debt and be financed by a debtor-in-possession financing facility of \$230mm.

Extraction Oil and Gas, one of Colorado's major producers, filed for bankruptcy, saddled with \$1.7 billion in long-term debt. Extraction said it secured a \$125mm financing plan that would provide \$50mm in new money when the U.S. Bankruptcy Court issues an order.

Unit Corp. filed for Chapter 11 bankruptcy to pursue a reorganization that will reduce its debt obligations by more than \$650mm. Unit expects to operate normally during the process and without disruption.

Sable Permian Resources filed for Chapter 11 protection, saying the continuing decline in energy prices has left it without the cash to keep up the payments of its more than \$1.3 billion in debt. It currently holds 127,600 acres of oil and gas leases in the Permian Basin in W. Texas.

Chaparral Energy filed for bankruptcy protection for the second time in four years, paving the way for bondholders to take control of the Oklahoma driller in the aftermath of sluggish oil prices. The proposal will swap \$300mm of unsecured notes into equity, raise a \$175mm reserves-based exit facility, and issue \$35mm of convertible notes.



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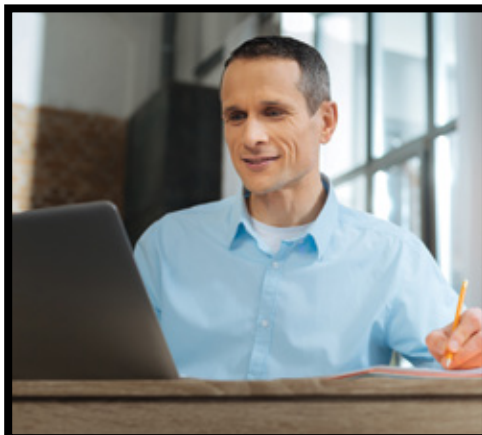




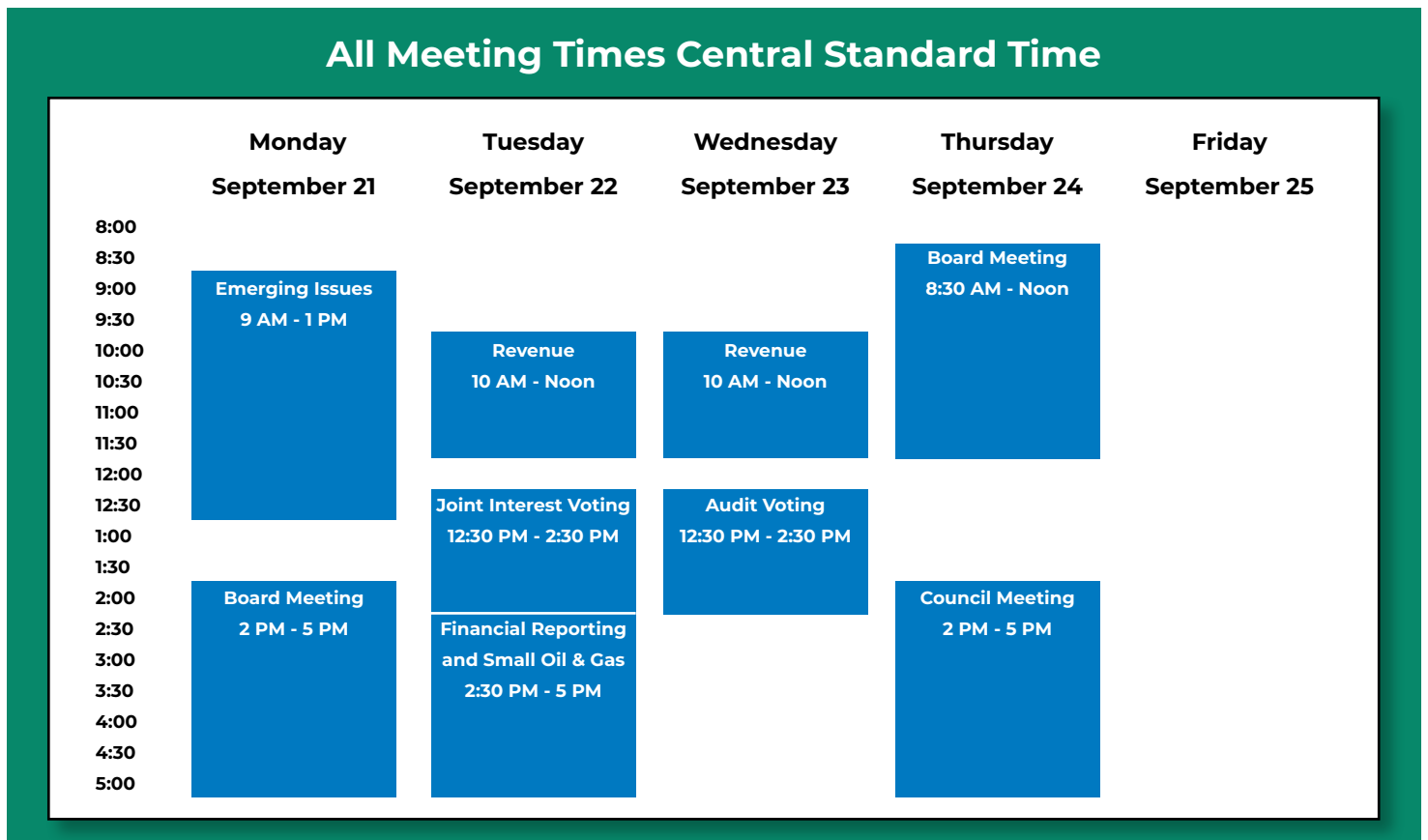
SAVE *the* DATE

FALL 2020 MEETING | VIRTUALLY - SEPTEMBER 21 - 24, 2020

REGISTRATION FEE: \$75



Most Spring and Fall COPAS meetings hold concurrent committee meetings. For this meeting there will not be that conflict. Have you always attended Joint Interest but wanted to also hear a speaker in Revenue? Now you can avoid that conflict and attend both. You might also earn some extra CPE hours at no additional cost.



With one exception, the schedule has natural breaks between events. As well, short breaks are being built into the agendas to allow for personal and stretch breaks.

Full agendas are posted on the registration page. Some committees have special events planned as part of their agenda.

Emerging Issues and Small Oil and Gas Companies are both celebrating 25-year anniversaries. Be sure to check these meeting agendas to see what has been planned!

Additional Events

Leadership Conference – Thursday, October 1, 10 AM – Noon (Central)

Virtual Hospitality Suite! – TBA

An event like this has never been attempted before, but we know how to “Wine Down.” Join us with your favorite beverage and/or snack as you catch up with your fellow attendees!

The purpose of this event is to mostly reconnect everyone after months of separation. Let us make this fun and avoid the typical shop talk. Maybe bring your pet along. Maybe you can wear the beach attire that you planned to wear in St. Petersburg. Maybe you have been working from home with family always in the background. Hey, why not let your family photobomb the event? No one will care and it is all in the name of fun!

No matter what, “Wine Down” with us. Date and time to be announced.

CPE

How are you doing with maintaining your CPE during this COVID-19 pandemic? Let this meeting take you over the finish line for the year with the available CPE offerings.

Nearly all meetings offer CPE. CPE is detailed in each agenda posted on the meeting registration page. There will not be sign in sheets for the meeting, but rather interactive polling questions per NASBA requirements to measure your attendance. You will complete the survey like always to receive your CPE credits.

Adobe Connect

Presentations will take place virtually using the Adobe Connect platform. Login details will be provided after your registration is complete.

All audio is Voice Over Internet (VOIP). There will not be dial in capabilities.

This platform has been used successfully for all COPAS webinars, but the recent COPAS virtual meetings as well. Additional licensing has been secured and there will not be limitations on meeting attendance.

For full participation in discussion sessions, attendees should have access to a microphone. Inexpensive headsets with built-in microphones can be purchased online and are recommended but is not absolutely necessary.

Not familiar with the tool? Not to worry as there will be practice sessions scheduled to test the platform and assure you of your ability to connect.

Council Meeting

Anyone is welcome to attend the Council meeting. A list of voting items was presented in the 60-Day meeting notice. If you would like to access the meeting agenda and learn about the voting items, the information packet is posted on the meeting registration page.

With this being the last meeting of the calendar year, tune in for the awards and recognition such as the Eagle Award and Ring of Honor recipients.

Three board members will be elected for the 2021-2023 term. The board candidates are:



Melissa Gruenewald



Rebecca Paris



Kirk Foreman

Original Host Society

Many thanks to Alyssa Duran and the Permian Basin Society for the countless hours that went into the in-person meeting planning. 2020 has been a year of adaptation and your flexibility has been greatly appreciated.





NEW!

ANNUAL RENEWAL PROCEDURE CHANGE

For your convenience, the annual APA® process will now be completed online via the COPAS website at the following link: www.copas.org/shop/maintaining-apa-certification/. You will have the option to pay by check or credit card during checkout.

Annual renewals were extended until April 30. A late fee of \$25 has been assessed for all outstanding renewals. If your renewal has not been completed by June 30 an additional \$50 late fee will be added. Assessments and late fees not received by September 30 will result in accreditation revocation.

If there is an issue or hardship that we should know about, please contact Vanessa Galindo so we can work with you. Email APAAdministrator@copas.org or call (303) 300-1131.

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. Please refer to the exam registration information below.

Exams are administered by Scantron using their extensive testing center network. Exams are taken on any day during that month that the testing centers are open. Test results

are provided to the candidate between four and six weeks following the examination or as soon as they are released by the testing partner. 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

November 2020
March 2021
May 2021
July 2021
September 2021

REGISTRATION DATES

August 3, 2020 - September 15, 2020
December 1, 2020 - January 15, 2021
February 1, 2021 - March 19, 2021
April 1, 2021 - May 17, 2021
June 1, 2021 - July 15, 2021



CANDIDATE HANDBOOK

All information regarding the APA® certification program can be found in the Candidate Handbook. This guidebook provides information on study resource materials, costs and responsibilities.

Visit copas.org/apa-program

ABOUT THE CREDENTIAL

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

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

ELIGIBILITY

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

Eligibility will be verified upon receipt of the exam registration.

NEW APA®S

Congratulations to the newest APA®s. These are the successful candidates from the May 2020 and July 2020 test windows:

Pamela Ehrich, APA®

Melissa Gruenewald, APA®

Lee Harper, APA®

Hunter McClure, APA®

Dawn Rouquette, APA®

Matthew Walters, 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.

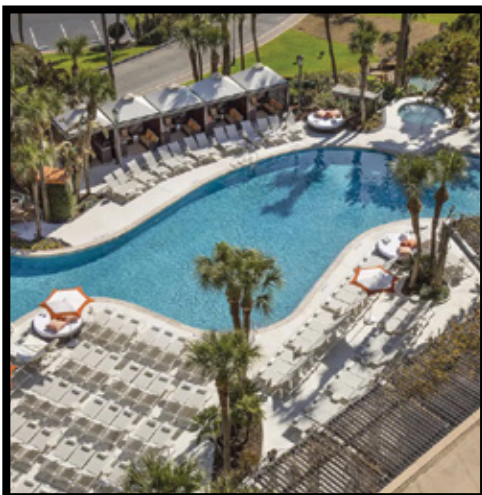


THE SAN LUIS *Resort*
SPA & CONFERENCE CENTER

SAVE *the* DATE

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

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



Hosted by Petroleum Accountants Society of Houston

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.



Join us to celebrate the 60th Anniversary!



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During these challenging times, we're discounting our courses as a way to help out. Everyone will receive 25% off. Members will receive this discount on top of their existing membership discount. Use 25OFF during checkout to apply the discount. Please visit the CEE Store under the Education menu of COPAS.org to learn more about our courses.



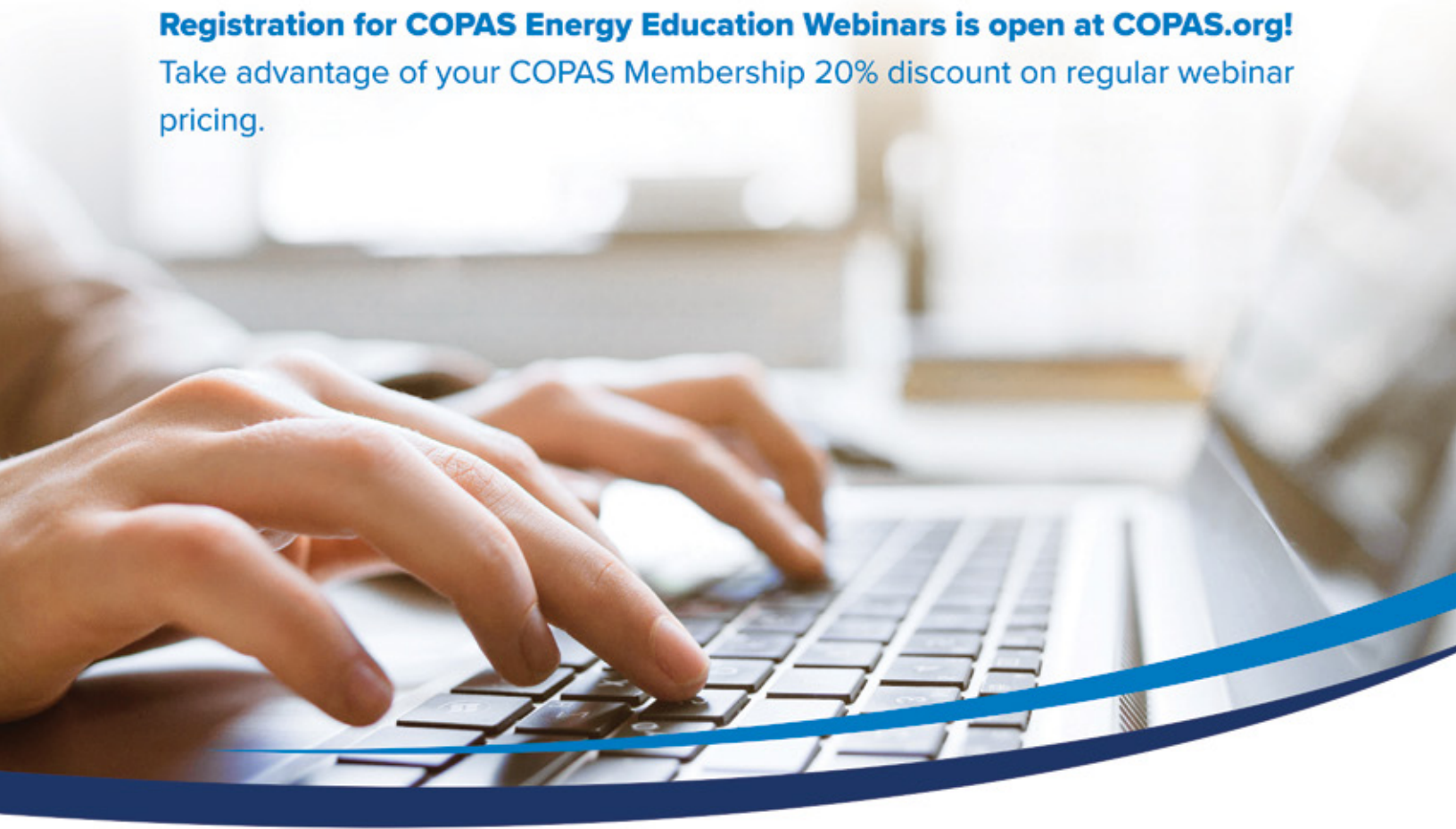
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Subscribe to our CEE Education Bulletin by completing the “Get Updates” form on the CEE Store page. Then, look out for new webinar series offerings coming soon in Calculating Payout, Revenue Audit, Tax Considerations In Oil And Gas Transactions, and 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.



PRINCIPLES OF REVENUE ACCOUNTING (REVBC) SERIES

Presented by Salomon Tristan

| | | |
|---|--------------|---------|
| Producer and Pipeline Imbalances (90 mins CPE: 1.5) | September 15 | 10AM CT |
| Production and Severance Taxes (60 Mins CPE: 1) | October 13 | 10AM CT |
| Private State and Federal Royalties (60 Mins CPE: 1) | November 17 | 10AM CT |
| Checkstub Processing (60 Mins CPE: 1) | December 8 | 10AM CT |



OIL AND GAS MARKETING AND SALES

Presented by Salomon Tristan

Scheduling & Contract Administration (75 mins CPE: 1.5)

September 14

10AM CT

Teamwork & Challenges (60 mins 1 CPE)

October 5

10AM CT

Crude Oil Upstream & Downstream (90 mins 1.5 CPE)

November 16

10AM CT

Natural Gas Upstream and Downstream (90 mins CPE: 1.5)

November 11

10AM CT

INTRODUCTION TO THE PETROLEUM INDUSTRY PRESENTED

Presented by Jeff Wright

History of Oil and Gas Industry (60 mins CPE: 1)

September 17

12PM CT

Upstream (125 mins CPE: 2.5)

October 15

12PM CT

Midstream & Downstream (80 mins CPE: 1.5)

November 11

12PM CT

Petroleum Accounting (60 mins CPE: 1)

December 10

12PM CT

PRINCIPLES OF JOINT INTEREST ACCOUNTING (JIBC) SERIES

Presented by Phil Fischer and Jeff Wright

Special Joint Venture Adjustments (60 mins CPE: 1)

September 16

12PM CT

Allocations (60 Mins CPE: 1)

October 14

12PM CT

Joint Interest Billings (60 Mins CPE: 1)

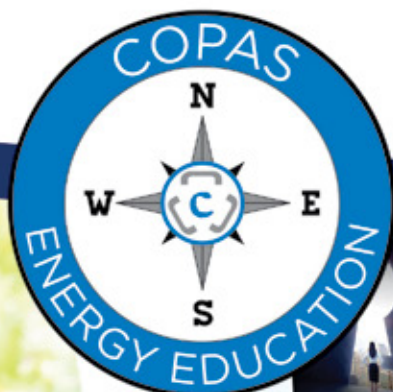
November 18

12PM CT

Accounting for Joint Venture Costs (50 Mins CPE: 1)

December 9

12PM CT



KNOWING YOUR COPAS DOCUMENTS (KYCD) SERIES

Presented by Roger Gann

| | | |
|---|--------------|--------|
| Building Joint Account Payroll Charges (60 mins CPE: 1) | September 17 | 9AM CT |
| Building Joint Account Overhead Charges (80 mins CPE: 1.5) | October 15 | 9AM CT |
| Help Me Process These Invoices (60 Mins CPE: 1) | November 19 | 9AM CT |
| COPAS Economic Factors - Behind the Numbers (60 Mins CPE: 1) | December 10 | 9AM CT |

All class and CPE information, COPAS policies, and course registration are provided in the CEE Store under the Education menu on COPAS.org



COPAS SOCIETIES

Are you looking for a way to provide your members with CPE during this “safer at home period”? We can offer deeper discounts on webinars for bulk society orders. Please contact Angie.Knipe@COPAS.org to find out more.

COURSE REGISTRATION



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

PRICING

Individual Webinars: \$50/CPE Hour (NEW!)
25% Off Webinars Extended!

COPAS Member Pricing: \$40/CPE Hour
Members get 20% OFF every webinar they take.

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

COURSES COMING NEXT YEAR

Calculating Payout
CEE Webinar

**Introduction to Oil and Gas
Transactions: Tax Considerations**
CEE Webinar

Watch for notifications in your education bulletins.

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, HB1016, 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. As a reminder, four states passed legislation last year to restrict oil and gas leasing and development including, California (AB342 prohibiting leasing on public lands), Maine (LD9555 prohibiting offshore oil and gas drilling and exploration), New Hampshire (SB76 prohibiting offshore oil and gas exploration) and New York (A2572 prohibiting offshore oil and gas development).



← **NATE WOLF**

NateWolf@copas.org



← **MIKE FOSTER**

MikeFoster@copas.org

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

○ **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, Arizona (HB2574), 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 fracturing in the Eastern Virginia Groundwater Management Area. Meanwhile, Florida (HB547, SB200), Oklahoma (HB3609, SB1435) and New Mexico (SB104) had proposed fracking ban 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 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. 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. 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 superior court were unsuccessful; however, an appeal to the state supreme court is under consideration.

○ BLM

Security and Measurement Rules

On July 29, BLM Deputy Director for Policy and Programs, William Perry Pendley, announced that the BLM was issuing a new consolidated Site Security and Measurement Rule that would presumably replace CFR 3173, CFR 3174, and CFR 3175 that were published in 2016 but all of which were subject of much confusion

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.

throughout industry. The new proposed rule is to be published soon in the Federal Register which will open a 60-day public comment period.

○ 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 subject to royalties. It is anticipated that the 2016 Final Rule will face additional legal challenges or that the District Court decision will be appealed.



○ CALIFORNIA

AB3214 requires the well owner or operator to keep a history of the maintenance and repair of the 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. On January 14, the Broomfield City Council unanimously approved an emergency noise ordinance prohibiting industrial operations from 10 pm to 7 am unless the equipment is in a fully enclosed building or unless the operator can prove the work will not exceed certain decibel levels. Additionally, on May 12, the Broomfield City Council increased

setback requirements for future wells from 500 ft to 2,000 ft from occupied buildings and other properties. On April 6 the Larimer Board of County Commissioners approved new Oil and Gas Land Use regulations requiring a 1,000 foot well setback from residential and commercial buildings, the inclusion of baseline air quality data for new facilities and the requirement that operators notify neighbors within a half-mile radius of proposed new development. On April 13, the Board of Trustees of the Town of Superior approved an ordinance to require 1,500 feet well setbacks from a specified list of residences and facilities. These actions follow 2019 actions by the Town of Erie and the City of Louisville to place temporary moratoriums on oil and gas development within their jurisdictions. Additionally, Boulder, Adams and Weld Counties have all taken actions to further regulate oil and gas permitting and development.

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.

The Colorado Legislature has postponed indefinitely **HB20-1126** to require the Oil and Gas Conservation Commission to approve an oil and gas application if previously approved by a local government and **HB20-1070** which provided compensation to a mineral lessee for loss of value due to local government banning hydraulic fracturing or placing a moratorium on oil and gas activities.

On April 15, the following initiative petitions were titled by the Colorado Title Board and must now gather and certify the required 124,632 signatures by September 2 to be placed on the 2020 general election ballot. There are five initiatives (**#173-#177**) proposing a buffer zone of either 2,000 or 2,500 feet between oil and gas extraction operations and occupied structures. Variations of the proposals allow homeowners to waive the setback requirements on their primary residence if it is a single-family home. Five other initiatives (**#307-#311**) propose to create a new Oil and Gas Board to replace the Colorado Oil and Gas Conservation Commission. Initiatives #312 and #313 propose to amend the Colorado constitution to prohibit the Oil and Gas Conservation Commission from repealing or making less stringent, various existing oil and gas operating and emission quality rules. Proponents of Initiatives **#311** and **#312** announced on June 23 that they would halt their campaign to gather qualifying signatures ahead of the November election. Initiative **#178** would require oil and gas operators to provide assurance that they are financially capable of spending \$270,000 per well to plug, reclaim and remediate the site, as well as to contribute to a fund that would clean up abandoned wells. Initiative **#300** proposes to amend the Colorado constitution to

allow counties and municipalities to assume some or all the Oil and Gas Conservation Commission's regulatory authority over oil and gas operations within their boundaries.

○ 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.

○ 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).

○ 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

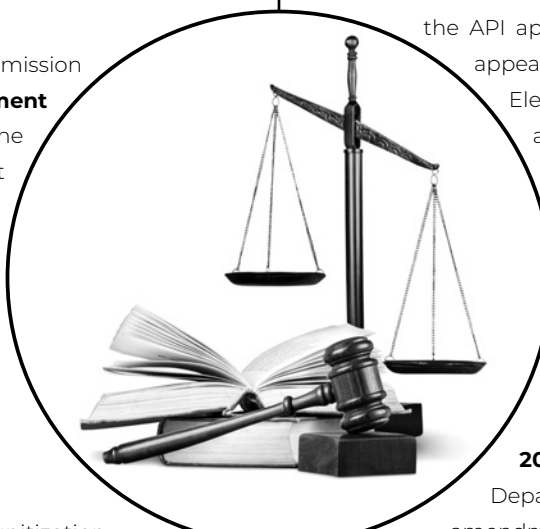
June 30, the ONRR issued a second Dear Reporter Letter further extending the compliance deadline until October 1, 2020. Royalties on coal have been stayed compliance with the 2016 Valuation Rule per an October 16, 2019 Dear Reporter Letter and a Preliminary Injunction from the U.S. District Court of 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 will be 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. All comments will be carefully considered before any final rule is published.

○ 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. The following bills were considered by the Oklahoma legislature, but failed sine die: **SB1232** Modified the royalty payment timeline. **SB1241** prescribed that should municipalities, counties or other political subdivisions interfere with the development of minerals it shall be



considered a taking pursuant to Sections 23 and 24 of Article II of the Oklahoma Constitution entitling the mineral owner to just compensation. **SB1334** related to filing waste disposal locations with the county clerk. **SB1894** Authorized the Corporation Commission to unitize a targeted reservoir for the drilling of horizontal wells **SB1557** addressed actions required by well operators to prevent surface or subsurface pollution at or from adjacent, nearby, or surrounding oil and gas wells.

○ PENNSYLVANIA

SB790 titled the Conventional Oil and Gas Well Act and pertains to conventional wells and the development of oil, gas, and coal; imposes 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

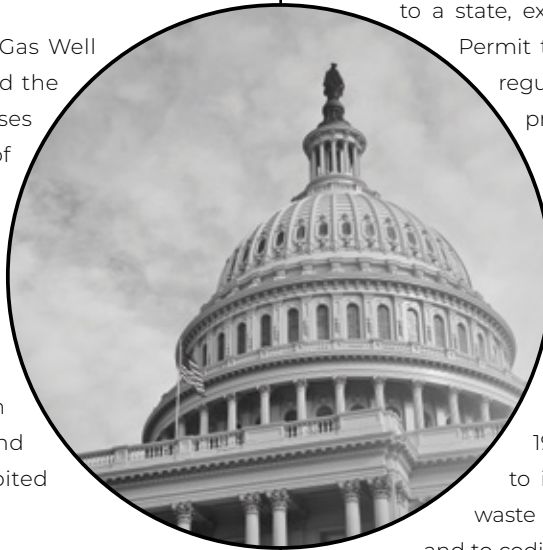
Congress is considering several Bills with potential impact upon the oil and gas industry. One bill with significant impact is **US HR4364 – the Taxpayer Fairness for Resource Development Act of 2019**. This bill introduced on September 27, 2019 by Utah Congressman McAdams and Florida Congressman Rooney 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** the Transparency in Energy Production Act of 2020. This act requires new annual reporting of fossil fuel extraction and emissions. **S3202** End Speculative Oil and Gas Leasing Act of 2020 to prohibit 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.

○ 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.

HB0014 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 **SF0045** 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.

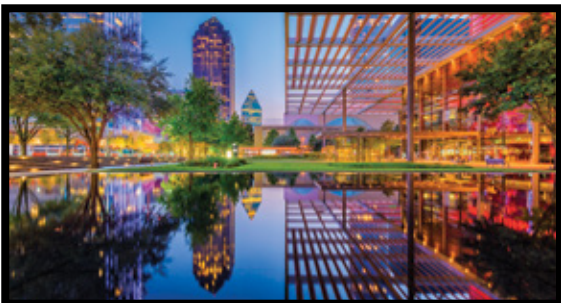
UPDATE 2020



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





Ride out the ups and downs.

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Who's yours?

BKD
CPAs & Advisors

EMERGING ISSUES SUBCOMMITTEE CELEBRATES 25 YEARS

The Fall 2020 meeting will be the 25th Anniversary of the Emerging Issues Subcommittee. “EI,” as it is known, is a subcommittee of the Audit Standing Committee. The EI Mission Statement is to:

“Seek ways to minimize the development of industry-wide audit disputes regarding new and/or differing/inconsistent accounting treatment by pro-actively identifying areas of potential dispute and, if warranted, developing recommended actions by the COPAS Audit Committee and/or COPAS Joint Interest Committee to resolve such issues before industry-wide disputes arise.

Specifically, the subcommittee seeks to identify issues and recommended actions for the COPAS Audit Committee and/or COPAS Joint Interest Committee to consider. The consideration might be a modification to an existing publication or a completely new publication. The subcommittee also coordinates activities with other subcommittees / committees of COPAS where common interest, problems, and potential solutions exist.

One of the more “lively” meetings at a COPAS meeting, the subcommittee first met in San Antonio in September 1995. The first chair was the late Howard Blunk (Houston). Today, the subcommittee is led by Lucas Vaughn (Dallas).

The subcommittee presents various “cases” or issues identified in the industry for discussion. From the straw polls taken, the subcommittee gauges the energy around advancing the topic to a standing committee for action(s). The straw polls are non-binding, but if two hands are in the air, indicating strong support for the issue, they are counted.



Howard Blunk,
inaugural
Subcommittee Chair



Lucas Vaughn, current
Subcommittee Chair



Past Subcommittee chairs
gather in 2011. From left,
Mike Cougevan, Oscar
Hartman, Howard Blunk,
and Phil Fischer.

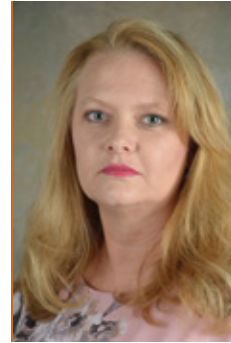


Subcommittee Chair History

| Chair | Term | Society |
|-------------------|----------------|------------------|
| Howard Blunk | 1995-1997 | Houston |
| Diane Nelson | 1998 | Permian Basin |
| Jim House | 1998-2000 | Houston |
| Cathy Ray | 2000 | California |
| Mike Cougevan | 2000-2002 | Colorado |
| Phil Fischer | 2003-2004 | California |
| Oscar Hartman | 2005-2006 | Mississippi |
| Roger Gann | 2007-2008 | Oklahoma City |
| Lynn Swan | 2009-2011 | Oklahoma – Tulsa |
| Ryan Woolery | 2012-2014 | Oklahoma City |
| Kevin Launchbaugh | 2015-2018 | Oklahoma – Tulsa |
| Lucas Vaughn | 2019 – present | Dallas |

SMALL OIL & GAS COMPANIES COMMITTEE CELEBRATES 25 YEARS

Charlene Richardson, representing West Central Texas (now Abilene), approached the Board of Directors in 1995 with the idea of starting a new committee that would address the needs of those smaller companies with accounting department employees who might wear many hats such as production marketing, treasury, Human Resources, etc. Initially established as a Special Committee in 1996, the committee received Standing Committee status in October 1999 when the Council approved that agenda item.



Nancy Brown (Arkansas) is the current committee chair.



Charlene Richardson was instrumental in creating the Small Oil & Gas Companies Standing Committee. Initially a Special Committee in 1996, the Council approved Standing Committee status in 1999.

Past Committee Chairs for the Small Oil and Gas Companies Standing Committee gathered at the 50th Anniversary meeting in Houston. From left: Jodie Ford, Jane Schulte, Cindy Heymans, Barbara Koch and Ilene Grygar.



Small Oil & Gas Companies Standing Committee Chairs

| Chair | Term | Society |
|--------------------------|----------------|------------------|
| Charlene Richardson* | 1996-1997 | Abilene |
| Lewis Cadman* | 1998 | Wichita Falls |
| Ilene Grygar | 1999-2000 | Houston |
| Barbara Koch/Nita Durant | 2001-2002 | Oklahoma City |
| Jodie Ford | 2003-2004 | Oklahoma City |
| Jane Schulte | 2005-2006 | Permian Basin |
| Craig McBeth | 2007-2008 | Rocky Mountain |
| Tristan Farel | 2009-2020 | Colorado |
| Cindy Heymans | 2011-2013 | Oklahoma City |
| Doug Schinnerer | 2014 | Oklahoma – Tulsa |
| Sandy Correia | 2015 | New Mexico |
| Michael Minyard | 2016 | Colorado |
| Nancy Brown | 2017 - present | Arkansas |

*Special Committee Chair



WRITE IT RIGHT

HONING YOUR HOMOPHONES AND OTHER PROOFREADING TIPS

This past weekend, while enjoying my favorite hobby (procrastinating), I stumbled upon a web-based publication that conducts statistical analyses of cultural trends and summarizes the results in a novel medium known as the “visual essay.” (The name of the publication is The Pudding, if anyone reading has some time to spare—or, for my fellow procrastinators, no time to spare.)

The slick, accessible aesthetic of these visual essays inspired me to focus this installment of Write it Right on numbers. Accountants and non-accountants (that’s me) alike encounter numbers in all different forms—percentages, fractions, sequences—in all areas of life. We likewise frequently include numbers in our writing.

What makes the play between numbers and digits tricky is the lack of consistent guidelines. Fortunately or unfortunately, depending on your point of view, this means writing about or with numbers is more art than science. I’ll list some of the most commonly cited rules, as well as some of my own suggestions, in order to help you decide what is best for your particular situation.

Spelling out numbers: the how

For numbers under 21, the rules about spelling are simple. 1 spelled out is one, 2 is two, and so forth.

The key point to remember about numbers between 21 and 99 that do not end in zero is that they are spelled with hyphens: 21 spelled out is twenty-one, 22 is twenty-two, and so forth (but 30 is just thirty). Hundreds, on the other hand, do not use hyphens: 100 is simply one hundred, and 200 is two hundred. The same is true for thousands below 20,000. 1,000 is one thousand, while 21,000 is twenty-one thousand.

What about numbers between 100 and 200, and 200 and 300, and so on? For instance, how would we spell out 182?

Let’s break 182 into two parts: 100 and 82. As explained above, 100 is one hundred with no hyphen, and 82 is eighty-two with a hyphen. We would then write out 182 as one hundred eighty-two.

Spelling out numbers: the when

Most grammar nerds agree that numbers between zero and nine should be spelled out. In addition, most of us suggest spelling out numbers at the beginning of sentences. Beyond these two rules is where the arguments start. Should you begin using digits at 10 or 11? What about 12?

In the end, where you draw the line doesn’t matter too much as long as you are consistent. In other words, don’t write “My favorite numbers are between twelve and 15,” and certainly don’t spell out





← MOLLY WIERMAN

Molly Wierman is an editor for Sophia Institute Press. She earned degrees in English and French at the University of Dallas. She has extensive writing and editing experience. She enjoys reading the poetry of T.S. Eliot, writing fiction and traveling whenever she can.

eleven in one sentence and use 11 in the next.

The style of your writing can help you determine when to spell out numbers where the rules aren't as clear. For instance, I've noticed that creative writers tend to spell out all numbers more often than not, unless they're trying to be experimental. Writing that is very formal in tone also avoids using digits.

On the flip side, technical writers (and sometimes journalists) conserve space and increase readability by spelling out very few numbers. If you are using numbers that include units, you can make things easy on yourself and use digits in most cases. I say this because "5 kilograms" is easier to read and retain as a data point than "five kilograms" is. Our eyes are more likely to skim over the latter.

%, \$, #: on using symbols

In general, don't.

As before, "%" is okay to use in technical documents if it follows a number. Most scientific style manuals suggest avoiding the % symbol at the beginning of a sentence and spelling out the word "percent" instead.

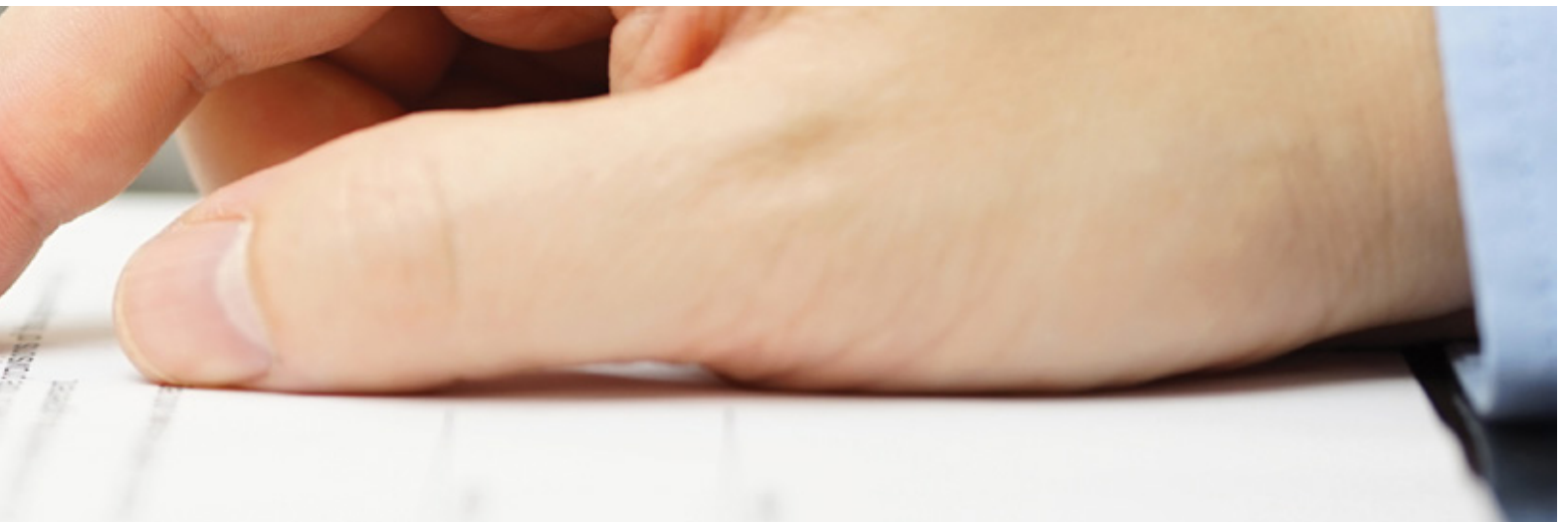
In all other documents, the % symbol should be avoided.

As for dollar signs, the rules are straightforward. Use the \$ with digits and spell out "dollars" with spelled-out numbers. I'm just mentioning it here to point out the redundancy of writing "\$20 dollars." Don't do that.

Finally: #. It gets good mileage as a hashtag symbol, but not so much as a number sign. In fact, I would argue that all forms of business writing are too formal for the # symbol. "We're #1" might look nice on a casual note or a banner, but you should stick to typing "We're number one," in that email or presentation.

That's all for today's mash-up of math and English class. Hopefully you've gotten a peek at both the art and the science of writing about numbers and are now even more confident about weaving the two together in a variety of contexts.

Editor's note: Accountants deal with numbers daily, yet sometimes do not write them correctly in written communications. This article is a repeat of a previous ACCOUNTS article on how to correctly present them.



Ring of Honor

The "Ring of Honor," for COPAS, is like those of sports teams for the best players and coaches in history. Ring of Honor is different than the "Eagle Award" in that the Eagle Award is "in recognition of the commitment of an individual who has significantly contributed to COPAS in a standing committee, special committee, or project."

Ring of Honor recipients have mentored and contributed greatly to the organization over their careers, not to just one project or year. This is an annual recognition to include one or more names per year and could include past Eagle Award winners.

The honoree of the fourth class of this prestigious award is Jeff Alcott. Jeff had many accomplishments in COPAS before his death in 2019. Here are just some of those accomplishments:

- Past COPAS President (2006)
- Eagle Award Recipient (2012)
- Joint Interest Standing Committee Chair (1997-1998)
- Past New Orleans Society President and board member
- Participant on many COPAS document drafting and review teams
- Provided invaluable written comments on other COPAS publications where he was not a team member
- Continuous COPAS advocate and mentor to many COPAS members
- Meeting hosting committee chair or member
- Accredited Petroleum Accountant®
- Educational instructor



COPAS HISTORY



COPAS has met in unusual locations in its nearly 60-year history, including locations such as the Wichita Public Library.

These photos, from the House Chambers of the Old Capitol building in Jackson, Mississippi, document where COPAS met October 11 and 12, 1990.

VOTING ITEMS

FALL 2020

- Spring 2020 Council Meeting Minutes (majority)
- Bylaws Amendment (2/3)
- Employee Benefits Upper Limitation of 35%, effective January 1, 2021 (majority)
- Election of Board of Directors for 2021 - 2023 term (top 3)
- Election of 2021 Nominating Committee (majority)



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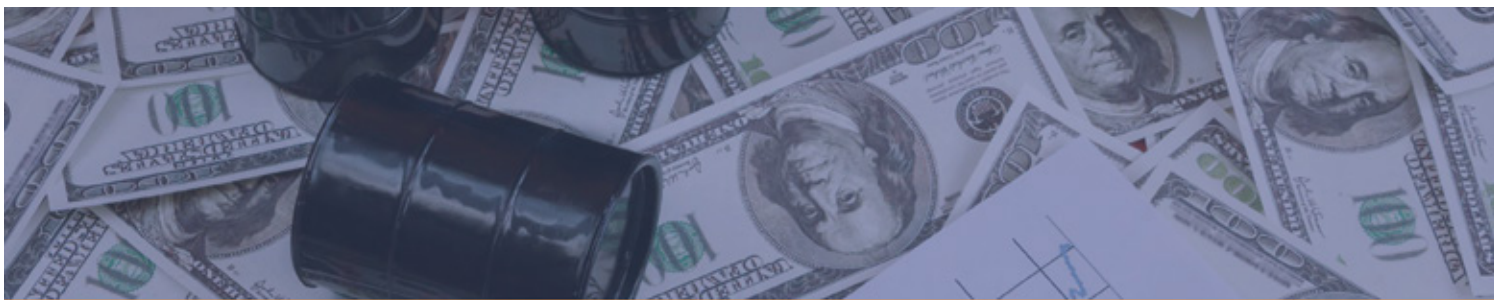
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- 18** September 21-24, 2020 /// Virtual
- 24** April 19-23, 2021 /// Galveston, TX
- 38** October 18-22, 2021 /// Irving, TX

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