



Current and Planned COPAS Publications:
Something for Everyone, Needed by All

PASH Education Day



Mike Cougevan
May 23, 2019

What Will We Talk About?

 What is COPAS?

 Who is COPAS?

 Our Publications

 Publications Under Construction

By the end of this session, you will be able to:

- Discuss the various types of publications COPAS offers and how each can solve problems
- Understand specific COPAS publications that will allow you to become more knowledgeable joint interest and revenue accountants
- Describe the publications COPAS is currently developing to solve evolving technology issues



What is COPAS?

It is NOT:

- ❑ “The COPAS attached to the JOA”
- ❑ “That Exhibit C stuff”



It is...

■ Council of Petroleum Accountants Societies

■ Formed in 1961 by combining individual Petroleum Accountants Societies

- | | |
|---------------|----------------|
| ■ Houston | Dallas |
| ■ OK-Tulsa | Colorado |
| ■ OK-OKC | Western Canada |
| ■ Ft. Worth | Midland |
| ■ San Antonio | New Orleans |
| ■ Kansas | Los Angeles |



Who is COPAS?

Our Vision

THE source of business and accounting **solutions** for the energy industry

Our Mission

COPAS provides expertise for the oil and gas industry through the **development of Model Form Accounting Procedures, publications**, and education. We are a forum for the active exchange of ideas which result in innovative business and accounting solutions.

Uniqueness of COPAS Organization

THINK ABOUT IT:

We write the documents we are then governed by!!!

We identify issues as they arise and write publications to address those issues

We solve our own accounting problems by creating a publication to “solve” the issue

Our publications are THE authoritative source for joint interest and revenue accounting

Governmental agencies rely on COPAS for guidance



Publications



Model Forms (Our Accounting Procedures)



MF-2 Gas Plant

MF-4 1995

MF-5 1998

MF-6 2005 (**Replaced** the 1984 and 1986 Forms)

MF-7 Deepwater Accounting Procedure (2012)

Model Form Interpretations

- Clarify intent or application of the model form(s); does not modify the model form language

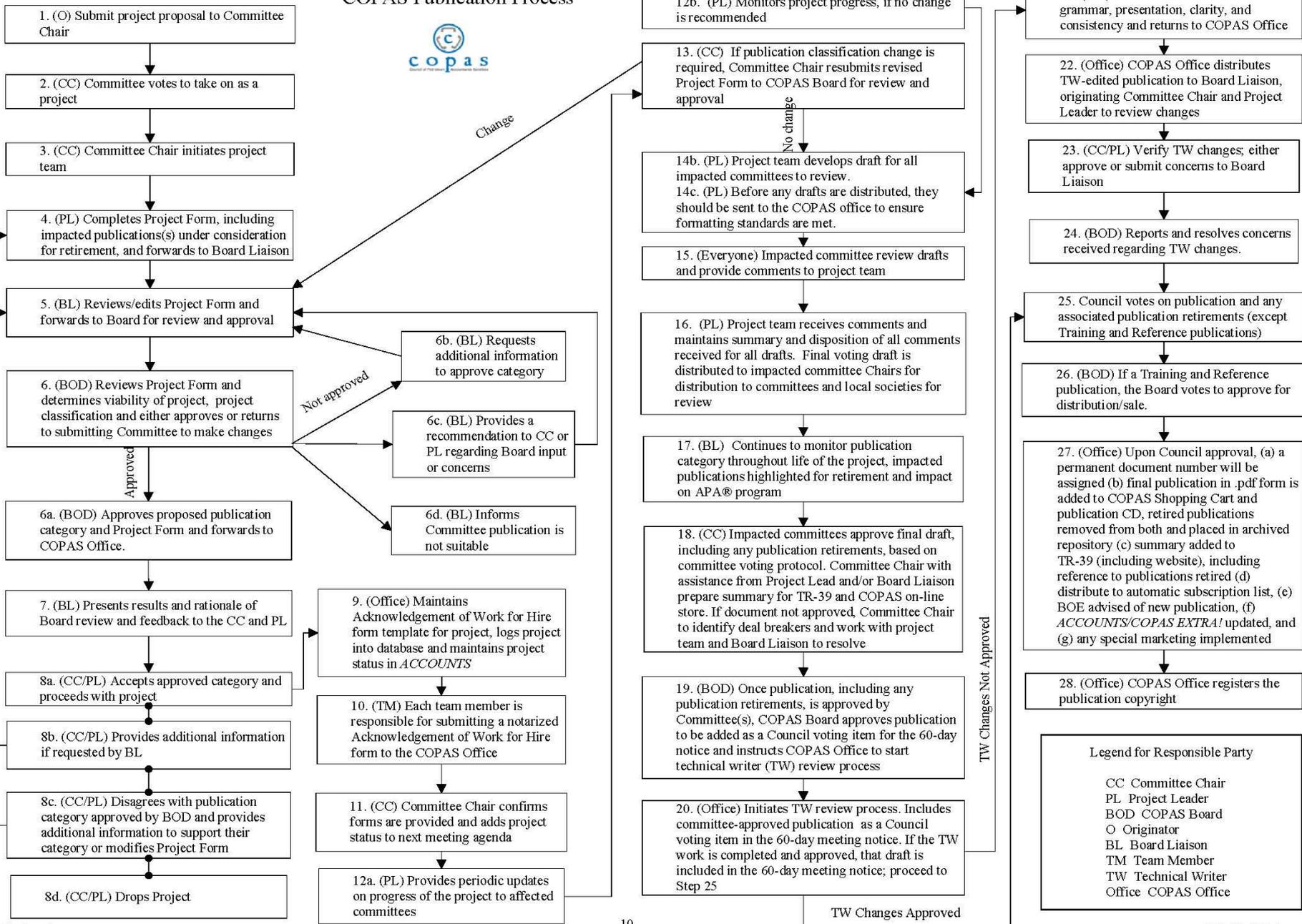
Accounting Guidelines

- Descriptions and examples of oil and gas accounting and/or auditing practices, methods, or guidelines
- Describes the processes for specific accounting-related activities or functions, and COPAS-recommended solution(s)

Training and Reference

- Primary purpose is education and reference
- Includes training modules, programs, videos, and guides
- Includes references such as data compilations, discussion papers, surveys, and assimilation of regulatory data

COPAS Publication Process



Legend for Responsible Party

- CC Committee Chair
- PL Project Leader
- BOD COPAS Board
- O Originator
- BL Board Liaison
- TM Team Member
- TW Technical Writer
- Office COPAS Office

COPAS Publications and Help for YOU



COPAS has publications that are:

- Revenue-Focused
- Audit-Focused
- Joint Interest-Focused
- General Knowledge-Focused

COPAS Committees Jump Into Action!

- Even though a volunteer organization, we provide QUICK answers to the industry's current questions:
 - After the Deepwater Horizon incident – how to charge for government-mandated marine well containment services? (MFI-54, *Marine Well Containment Service Provider Costs*)
 - Drilling moratorium cost recovery (MFI-56, *Rig Related Costs*)
 - How to share costs of multiple wells on a single pad? (AG-29, *Shared Well Cost Allocations*)
 - What happened when the Petroleum Motor Transport Association (PMTA) decided to disband? (MFI-55, *Vehicle Rates Chargeable to the Joint Account*)
 - Following Hurricane Katrina, how to allocate catastrophe-related costs? (MFI-52, *Catastrophe Costs*)

COPAS Publications and Help for YOU



COPAS has publications that are:

Revenue-Focused

-  AG-6 Oil Accounting Manual
-  AG-15 Gas Accounting Manual
-  TR-7 Annual Severance Tax Guide



Must-Have Publications

AG-6 Oil Accounting Manual

October 2012

COPAS' comprehensive guide to accounting for oil. It provides generally accepted practices for oil allocations and related revenue accounting and is intended to assist accountants and oil producers in establishing or revising oil accounting procedures and training new personnel (105 pages)



AG-6 Oil Accounting Manual

<u>Section</u>	<u>Description</u>
1	Nature and Occurrence of Crude Oil
2	Lease Acquisition
3	Storage Facilities and Service Units
4	Oil and Condensate Measurement
5	Determination of Product Volumes and Dispositions
6	Crude Oil Trading
7	Pricing of Crude Oil & Condensate
8	Ownership (Division of Interest)
9	Recording and Accounting
10	Reporting – Internal and External
11	Oil Imbalance
12	Glossary



**And You Gotta Get the
Companion
Document.....**



AG-15 Gas Accounting Manual

April 2010

This is a must have document for anyone involved in natural gas accounting. The purpose of the Gas Accounting Manual is to provide a vital reference for any accountant and others responsible for proper recording and reporting of natural gas from the wellhead to the point of sale and all related areas. Various areas addressed by AG-15 include production, measurement, processing, transportation, sales, settlements, regulatory compliance as well as a history of regulatory compliance. (314 pages)



AG-15 Gas Accounting Manual

<u>Section</u>	<u>Description</u>
1	Gas Measurement and Component Analysis
2	Production Disposition
3	Treating/Gathering/Transportation/Processing
4	Gas Marketing
5	Natural Gas and Natural Gas Liquids Valuation
6	Royalties, taxes, and Other Obligations
7	Accounting for Natural Gas and Natural Gas Liquids
8	Regulatory History
9	Electronic Data Interchange
10	Acquisitions and Divestitures
11	Glossary

COPAS has publications that are:

Audit-Focused

-  AG-9 Vendor Audits
-  AG-10 Investigation of Suspected Irregularities
-  AG-11 Internal Audits of Exploration and Production Divisions
-  AG-16 Internal Audit – Gas Plant
-  AG-19 Expenditure Audit Protocols
-  AG-21 Revenue Audit Protocols



Must-Have Publications

AG-9 Vendor Audits

April 2010

This publication provides guidance with respect to vendor audits in the petroleum industry. Included are discussions of the purpose, objectives and benefits of vendor audits as well as an audit program template the auditor can use in developing and preparing for an audit (10 pages)

AG-19 Expenditure Audit Protocols

April 2017

Comprehensive guide to suggested protocols for:

- ☐ Planning, initiating, and arranging the audit
- ☐ Conducting the audit from commencement to close, onsite or remotely
- ☐ Writing the report
- ☐ Handling audit costs
- ☐ Claims resolution
- ☐ Operator's and Non-Operator's roles in each phase
- ☐ Non-Operator guidelines for establishing audit scope, preliminary audit work, establishing an audit program, and writing the audit report
- ☐ Includes a sample audit program and templates for balloting, exceptions, and transmittal letters

AG-21 Revenue Audit Protocols

October 2016

- ❏ Companion document to AG-19
- ❏ Needed because revenue audits are not specifically addressed in existing COPAS Accounting Procedures, except in the 2005 Model Form as relating to payout audits
- ❏ Only mention of revenues in most joint venture contracts is in the JOA provision on the right to take production in-kind, or in an associated gas balancing agreement

COPAS Publications and Help for YOU



COPAS has publications that are:

Joint Interest-Focused

-  Duhs
-  Gotta Haves
-  All the Cool Kids Have `Em

Duhs

- © MFI-1 Interpretive for COPAS 1962
 - © MFI-2 Interpretive for COPAS 1968
 - © MFI-4 Interpretive for COPAS 1974
 - © MFI-5 Interpretive for COPAS 1976
 - © MFI-17 Interpretive for COPAS 1984
 - © MFI-19 Interpretive for COPAS 1986
 - © MFI-30 Interpretive for COPAS 1995
 - © MFI-39 Interpretive for COPAS 1998
 - © MFI-51 Interpretive for COPAS 2005
 - © MFI-53 Interpretive for COPAS Deepwater
-
- © MFI-21 Overhead Principles
 - © MFI-38 Materials Manual
 - © MFI-48 Application and Calculation of Drilling Overhead





MFI-21 Overhead Principles

Discusses the development of and the unique provisions for:

- ❑ District Expense
- ❑ Administrative Overhead
- ❑ Warehouse Operating and Maintenance Expense
- ❑ Combined Rates
- ❑ First Level Supervision
- ❑ Onsite Technical Labor
- ❑ Offsite Technical Labor
- ❑ Personal Expenses
- ❑ Cost of conducting Directed and Special/Other inventories
- ❑ Field computer and communication systems
- ❑ Early retirement incentive/severance compensation

MFI-21 Overhead Principles

Major Construction and Catastrophe Overhead

- Details the history of the MCO and Catastrophe overhead provisions from COPAS 1962 through 2005, explaining the evolution and reasoning for each iteration and the subtle and not-so-subtle differences among forms



MFI-48 (Application and Calculation of Drilling Overhead)

- Details provisions in all Model Forms and explains the sometimes significant differences
- Interprets terms such as “rig,” “other unit,” etc. that are critical in determining if a workover qualifies for drilling overhead
- Defines “commence” and “spud”
- Explains how to count drilling days during simultaneous operations
- Explains “operations” in the context of “suspension of operations”
- Explains the difference between “consecutive days” and “consecutive work days”
- Provides 18 examples to show application of MFI



Gotta-Have Publications

- AG-29 Shared Well Pad Cost Allocations
- MFI-18 Operator Affiliates and Related Entities
- MFI 23 Discounts
- **MFI-27 Employee Benefits and Percentage Limitation**
- MFI-31 Worker's Compensation Manual Rates
- **MFI-35 Employee and Contractor Training Costs**
- MFI-37 Incentive Compensation Costs
- MFI-40 24-Month Accounting Adjustment Limitation
- MFI-44 Field Computer and Communications Systems
- MFI-45 Marine and Aircraft Transportation
- **MFI-49 Employee and Contractor Awards**
- MFI-52 Catastrophe-Related Costs
- MFI-54 Well Containment Service Providers
- MFI-55 Vehicle Rates
- **MFI-56 Rig-Related Costs**



AG-29 (Shared Well Pad Cost Allocations)

- ❑ Economics and new requirements for “super” pads to reduce environmental impact create many previously un-encountered cost allocation issues
- ❑ New building/site regulations, especially in urban areas
- ✓ How to allocate costs among all wells to be drilled on pad?
- ✓ How to allocate costs to modify an existing pad to accommodate more wells?
- ✓ What costs are to be shared versus paid for by new or existing well?
- ✓ How to allocate costs of new or replacement equipment at a central battery?
- ✓ New building/site regulations – “grandfather” existing wells?



MFI-27 (*Employee Benefits and Percentage Limitation*)

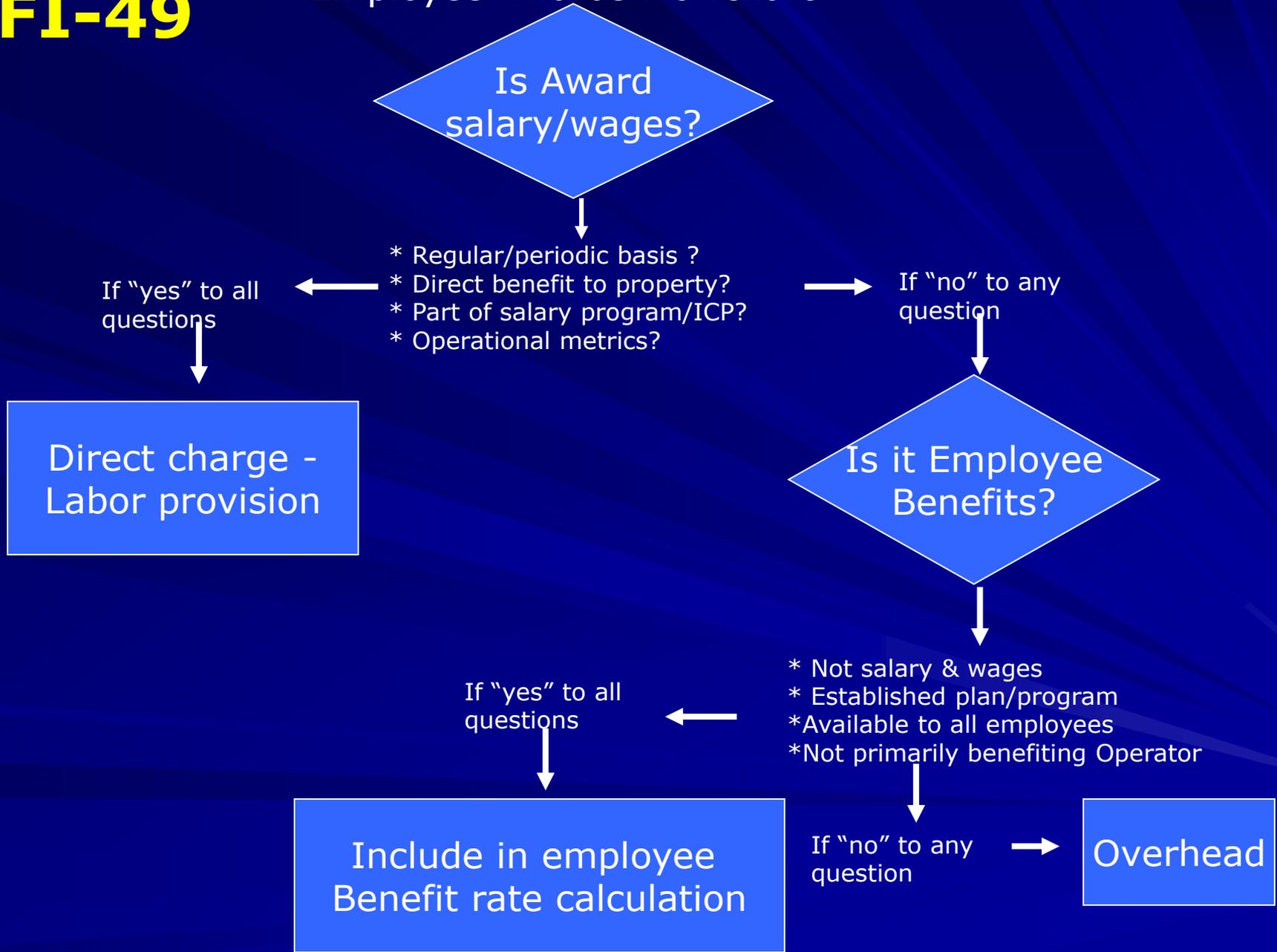
- ❑ Explains and lists the types of costs which should and should not be included in the employee benefits percentage calculation applied to chargeable labor costs
- ❑ Clarifies the benefits included in the limitation calculation and how to calculate the benefits percentage
- ❑ Maintains tenet of “Irrespective of other criteria, to be included in the employee benefits rate calculation, the item must be an established employee benefits plan that is made available to all full-time employees in the pool on a regular basis.”



MFI-35 (Employee and Contractor Training Costs)

- Updated to include chargeability of contractor training
- Table of chargeable vs non-chargeable training
- Expanded discussion on training for non-field employees
- Resolves issues on “new” types of training (“behavior-based,” etc.)

Exhibit 1 Employee Awards Flowchart





MFI-49

Exhibit 2 Contractor Awards Flowchart



* In vendor contract or documented as cost of goods/services and based on pre-determined performance or operational metrics

If "yes"

If "no"

Direct charge –
Services provision

Overhead

- * Does not fit direct charge criteria
- * Discretionary
- * Goodwill

MFI-54 (Well Containment Service Providers)

- ❏ New safety requirements for deepwater drilling
- ❏ Operators must prove access to one of the two well containment organizations
- ❏ Multi-million dollar commitment on each well

- ✓ How to allocate costs of ownership, member fees, and penalties
- ✓ How to allocate additional capital contributions
- ✓ How to allocate operating costs
- ✓ How to allocate cash calls



MFI-56 (Rig-Related Costs)

- ✓ How to allocate costs for rig moves, rig modifications, and dead time
- ✓ How to allocate costs of construction oversight, commissioning, and mobilization
- ✓ How to allocate costs when a rig is shared or loaned to another operation
- ✓ How to allocate costs during periods of moratoria
- ✓ Allocation and overhead considerations



All the Cool Kids Have 'Em

- © AG-1 Well Costs–Allocations and Adjustments ✓
- © AG-20 Extrapolated Sales & Use Tax Audit Assessments ✓
- © AG-23 Overhead Rate Negotiation and Calculation ✓
- © AG-24 Notifying Non-Operators of Accounting Procedure Deviations ✓
- © MFI-36 Audit Rights of Non-Participating and Non-Consenting Parties ✓
- © MFI-41 Electronic Invoice Documentation Requirements ✓
- © MFI-42 Procurement Card and Convenience Checks Documentation Requirements ✓
- © MFI-43 Joint Account Expenditures Documentation Requirements ✓
- © MFI-47 Overhead Rate Adjustments ✓
- © CEPS ✓

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-  General Knowledge-Focused

Great General Knowledge

- © TR-9 Petroleum Industry Accounting Education Training Guide
- © TR-12 History of COPAS ✓
- © TR-39 COPAS Publication Process and Publication Descriptions
- © TR-47 Meeting Hosting Handbook
- © AG-10 Investigation of Suspected Irregularities

How Do You Know What is Available?



Use TR-39 - at Your Fingertips

Visit the COPAS website www.copas.org



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ACCOUNTS
COPAS + Education =
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COPAS provides expertise for the oil and gas industry through the development of Model Form Accounting Procedures, publications, and education. We are a forum for the active exchange of ideas which result in innovative business and accounting solutions.

The Council of Petroleum Accountants Societies, Inc. (COPAS) is a professional organization comprised of the oil and gas industry's most knowledgeable and influential accounting professionals. COPAS has operated as a non-profit entity for 50 years and has over 3,600 members with 24

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MFI-41 Electronic Invoice Documentation Requirements (Jul-98)

Given the elimination of the traditional paper trail with electronic invoicing, this document explains the types of documentation required to support various types of electronic invoices. 3 pages

MFI-48 Application and Calculation of Drilling Overhead (Apr-12)

This document discusses which projects qualify for overhead under the various Model Forms for both fixed rate and percentage overhead, how to calculate the proper overhead due, the various equipment types qualifying for drilling overhead, what is meant by "commence," "suspension of operations" and "Force Majeure." Numerous examples are provided explaining the concepts so users can properly calculate overhead. 31 pages

AG-9 Vendor Audits (Apr-10)

This publication provides guidance with respect to vendor audits in the petroleum industry. Included are discussions of the purpose, objectives and benefits of vendor audits as well as a audit program template the auditor can use in developing and preparing for an audit. 10 pages.

MFI-21 Overhead Principles (Apr-02)

...Guidance as to the difference between Indirect Costs (covered by overhead) and Direct Costs and provides an overview of Overhead provisions specific to each Model Form...includes detailed discussions of District Expense, Administrative Overhead, Warehousing, First Level Supervision, Technical Labor, Personal Expenses, Major Construction, Catastrophe, and Project Team Overhead, and several other areas where confusion has existed

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RTOCs

(Remote Technology Operations Centers)

- ❑ **Implementation outpacing COPAS' documents**
- ❑ **Drilling operations now, but operations applications lurching forward**
- ❑ **What is onsite in 2019?**
- ❑ **Does COPAS have a document for that?**

Patience please



MFI-XX: In Progress

- ✓ Exactly what functions are performed in an RTOC?
- ✓ What Accounting Procedure section allows for RTOC direct charges ?
 - ❑ Third party – “Services”?
 - ❑ Operator-owned – “Operator-Owned Equipment and Facilities”?
- ✓ What personnel are chargeable?
 - ❑ “Dedicated”?
 - ❑ “Non-Dedicated”?
 - ❑ Supervisors?
- ✓ What hardware and software are chargeable? On what basis?
- ✓ Are office costs chargeable?



20xx Accounting Procedure

- Update COPAS 2005
- More definitions
- Maybe different approach to overhead
- Maybe sweeping changes to technical labor provisions
- Try to build for even faster technological change



Technology Allowing Traditional Field Work to be Done Offsite

- ☐ Drones
- ☐ Virtual Reality
- ☐ Artificial Intelligence
- ☐ Robotics

This is Where COPAS is going to have to get *CREATIVE*



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