



PETROLEUM ACCOUNTANTS SOCIETY OF CANADA

JOINT INTEREST RESEARCH COMMITTEE

REPORT ON COMMITTEE ACTIVITIES SEPTEMBER 2008

The Mandate of the Joint Interest Research Committee is to represent PASC in all matters studies or projects pertaining to the accounting for joint operations. To accomplish its mandate, the Committee is responsible for:

- Analyzing, reviewing, studying and reporting on joint interest accounting problems or proposals as deemed necessary or as assigned by the PASC Board of Directors.
- Reviewing, updating or developing model form accounting procedures for joint operations as required or as directed by the PASC Board of Directors.
- Liaising with other industry associations and providing input on matters pertaining to joint interest accounting.
- Publishing industry guidelines and other publications as appropriate on matters pertaining to accounting for joint operations and related issues.

On behalf of the Joint Interest Research Committee members, I am pleased to provide the following update on the various projects and activities undertaken by the Committee since our last report. The Committee adjourned for the summer and has just reconvened to resume work on its various projects. Welcome back to the Committee members after a much-deserved summer break!

Specific questions relating to these projects or inquiries relating to participation on a Project Team may be directed to the JIR Committee contact for the specific initiative. General inquiries on the activities of the JIR Committee, or relating to membership on the Committee, may be directed to the JIR Committee Chair.

Lynda MacNeill, CMA
Chair, PASC Joint Interest Research Committee
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PUBLISHED

The PASC Board approved the publication of the following documents for use by Industry:

WAGE INDEX ADJUSTMENT (OVERHEAD ESCALATION FACTOR)

Joint Interest Research Committee Contact: Wayne Fuller (fullerw@telus.net)

Certain versions of the PASC Accounting Procedure provide for an annual escalation of fixed dollar amount overheads, effective July 1st of each year following contract execution. The escalation factor to be applied effective July 1st, 2008 is 5.70% for those Accounting Procedures where the election has been made.

The document can be found on the PASC Website at:
http://www.petroleumaccountants.com/resource/wage_index_adjustments.php

PROPOSED FOR RELEASE FOR INDUSTRY COMMENT

The Joint Interest Research Committee recommended to the PASC Board that the following document be released for Industry review and comment:

PAYOUT ACCOUNTING GUIDELINE:

“GUIDE TO ACCOUNTING AND REPORTING FOR FARMOUTS/FARMINs, PENALTY INTERESTS, NET PROFITS INTERESTS AND NET REVENUE INTERESTS “

Target Release Date for Comments: Q4 2008

Deadline for Comments: Q1 2009

Target Publication Date: Q2 2009

Joint Interest Research Committee Contact: Larry Yasman (Larry.Yasman@dvn.com)

This accounting guideline is being prepared to update the 1991 PASC document to provide more detail on how various payouts should be handled, especially in light of recent changes to requirements under the 2007 CAPL Operating Procedure and the proposed PASC Accounting Procedure. The Payout Guideline Sub-Committee in conjunction with the Joint Interest Research Committee reviewed and updated the preliminary draft. As well preliminary comments were received from CAPL and incorporated in the draft. Upon approval of the PASC Board, the draft expects the document to be released for Industry review and comment in the Fall. shortly via the PASC Website. Individuals interested in participating in this Project Team may contact the Joint Interest Research Committee Contact above.

PROPOSED FOR PUBLICATION

The Joint Interest Research Committee recommended to the PASC Board that the following documents be published for Industry's use:

JOINT VENTURE GREEN HOUSE GAS COST/CREDIT ALLOCATION GUIDELINE FOR FACILITY OPERATORS AND OWNERS

Joint Interest Research Committee Contact: Tunde Yusuf (Tunde.Yusuf@shell.com)

This document was developed by the CAPP Working Group on Industry JV GHG Cost Accounting Practices which is a group comprised of representatives from various Associations, disciplines and companies. This preliminary guideline is being proposed to encourage as much consistency amongst Facility Operators and Owners as possible regarding the methodology for cost allocation to comply with the Alberta Government's greenhouse gas (GHG) emission reduction program and regulatory compliance. The guideline is intended to be applied to Facilities in the upstream oil and gas industry only. As the Industry has not gone through a fiscal compliance period, the published version is scheduled for review and updating in late 2008.

The preliminary draft was released to Industry for review and comment in March. Comments received were reviewed and either incorporated in the final version or will be addressed by the CAPP Working Group and the PASC GHG Sub-Committee when they reconvene this Fall. The publication package includes the response of the CAPP Working Group to the comments received.

Individuals interested in participating in this project may contact the Joint Interest Research Committee Contact above.

CHARGEABILITY OF COMMUNICATION SYSTEMS FOR JOINT OPERATIONS

Joint Interest Research Committee Contact: Larry Yasman (Larry.Yasman@dvn.com)

This document was developed to provide consistency among Operators regarding the type of communications systems costs that are charged to the Joint Account when the Agreement is silent, or where conflicts may exist between the Operator's and Non-Operator's interpretations of existing Accounting Procedures. The guideline is intended to bring uniformity regarding the charging of communications systems costs to the Joint Account.

CHARGEABILITY OF FIELD COMPUTER SYSTEMS FOR JOINT OPERATIONS

Joint Interest Research Committee Contact: Larry Yasman (Larry.Yasman@dvn.com)

This document was developed to provide consistency among Operators regarding the type of computer systems costs that are charged to the Joint Account when the Agreement is silent, or where conflicts may exist between the Operator's and Non-Operator's interpretations of existing Accounting Procedures. The guideline is intended to bring uniformity regarding the charging of field computer system costs to the Joint Account.

UNDER DEVELOPMENT

PASC ACCOUNTING PROCEDURE UPDATE

Target Publication Date: Q1 2009

Joint Interest Research Committee Contact: Lynda MacNeill (lmcnl@telus.net)

This document is being developed as an update to the 1996 PASC Accounting and is designed for use with various head agreements including (but not limited to) land contracts (poolings, farm-ins, farm-outs, Joint Operating Agreements), Construction, Ownership and Operating Agreements governing major facilities, and Unit Operating Agreements. It is intended as a starting point for negotiations, establishes a base or default position and can easily be tailored to meet the needs of the parties to a specific joint venture agreement through the use of the Rates, Elections and Modifications Page.

During Q2, additional in-house company presentations on the impact of the proposed update to the PASC Accounting Procedure were made with a positive response. Feedback and comments from these sessions was gathered for consideration in preparing the final version. The previous deadline for comments was extended at the request of interested stakeholders and resulted in a number of comments on significant areas of concern being identified. Work will continue throughout the summer months with a target completion date of December 2008 when the document will be referred to the JIR Committee for review and recommendation to publish. A summary response to comments received is being prepared concurrently.

PASC PUBLICATIONS CATEGORIES

Target Completion date: Q4 2008

Joint Interest Research Committee Contact: Wayne Fuller (fullerw@telus.net)

The Committee is proposing an update to the publication categories used by PASC. In place of the current Bulletin and Discussion Paper categories, the Committee is considering the following categories:

1. Accounting Procedures
 - Contract Version – Contains provisions only and intended to be attached to execution copies of contracts, along with the Rates, Elections & Modifications page
 - Interpretations – Contains the provisions of the Accounting Procedures and associated annotations. May also be issued for clause specific guidelines
 - Amendments – Contain recommended amendments to previously issued Accounting Procedure wording.
2. Accounting Guidelines – Provide descriptions and examples of oil and gas accounting and/or auditing practices, methods, or guidelines. May also describe the processes for specific accounting-related activities or functions and PASC recommended solution(s)
3. General Publications – Topic specific publications primarily for education, training or reference purposes. Typically includes Modules, Programs, Videos, Guides, data compilation surveys, discussion papers, or assimilation of regulatory data and generally items that do not fit into any other category.

Along with each category is a proposed naming convention and recommended distribution and retention practice. The Project Team is also preparing a mapping of existing publications to the proposed categories.

OTHER ACTIVITIES

AFELINK: WEB-BASED ELECTRONIC AFE INTERCHANGE (RED DOG SYSTEMS LTD.) Joint Interest Research Committee Contact: Larry Yasman (Larry.Yasman@dvn.com)

The Joint Interest Research Committee continues to actively participate in this initiative to construct a web-based electronic interchange for AFEs between oil and gas companies, which is targeted to go live in late 2008.

BC CARBON TAX

The Joint Interest Research Committee reviewed and discussed recent developments in the legislation. A project has been initiated to determine the need for a guideline to address how the tax will be flowed through to third party/custom users of facilities and whether a guideline is needed.

COUNCIL OF PETROLEUM ACCOUNTING SOCIETIES (COPAS) PUBLICATIONS

1. Proposed Publications

Joint Interest Research Committee Contact: Wayne Fuller (fullerw@telus.net)

Proposed documents under consideration by the Council of Petroleum Accountants Societies are:

- a. MFI-38 Material Pricing – 1st draft due Fall 2008
- b. AG-15 Gas Accounting Manual – 1st draft due July 2008
- c. AG-6 Oil Accounting Manual – Identified
- d. AG-7 Guidelines for Cash Flow Budgeting – Identified
- e. TR- COPAS Canadian and Tribal Tax Guide – Identified
- f. TR-9 Accounting Education Training – Identified

The Joint Interest Research Committee flagged items a, b and c to be evaluated for relevance to the Canadian oil and gas industry.

2. AG 28 (Real Time Operations Centers for Drilling and Completion Activities)

Joint Interest Research Committee Contact: Dave Sandeman (sandemdr@bp.com)

In reviewing this recently released publication, the Committee concluded that it was more relevant to off-shore operations, and would not be releasing a Canadian guideline at this time.

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PASC JOINT INTEREST RESEARCH COMMITTEE MEMBERS

Lynda MacNeill (Chair)
Wayne Fuller, Independent
Larry Yasman, Devon
Jim Taylor, CNRL
Tunde Yusuf, Shell Canada Dave
Bill Lewington, Spry Energy
Aya Watt, Petro-Canada
Gwen Montgomery, Petro-Canada
Debbie Reinholdt, Imperial/ExxonMobil
Earl Robins, Encana
Dave Sandeman, BP
Bill Bruggencate, Husky
Maurice Bernard (Conoco) PASC Board Liaison