

The COPAS Exhibit: An Operational Perspective

Russell W. Hawkins

The Louisiana Land and Exploration Company Denver, Colorado

Synopsis

§ 12.01. Introduction.

§ 12.02. History of the Council of Petroleum Accountants Societies (COPAS) of North America.

[1]ÑOverview.

[2]ÑResponses to a Need for Standardization.

[a]ÑRegional Standard Forms.

[b]ÑNationally Recognized Standard.

§ 12.03. Survey of Difficulties Commonly Encountered with Provisions of the Printed Form Accounting Exhibit.

[1]ÑSection I, Paragraph 3: Advances and Payments by Non-Operators.

[a]ÑAdvance Payment Provisions ð Conflict Between the Joint Operating Agreement and COPAS Exhibit.

[b]ÑReceipt of Invoices and Payments.

[c]ÑElectronic Funds Transfer.

[d]ÑStatements After Termination of a Contract.

[2]ÑSection I, Paragraph 4: Adjustments.

[3]ÑSection I, Paragraph 5: Audits.

[4]ÑSection I, Paragraph 6: Approval by Non-Operators.

[5]ÑSection II, Paragraph 1: Direct ChargesÑEcological and Environmental.

[6]ÑSection II, Paragraph 3: Direct Charges ð Labor.

[7]ÑSection II, Paragraph 7: Direct Charges ð Services.

[8]ÑSection II, Paragraph 9: Direct Charges ð Damages and Losses to Joint Property.

[a]ÑTypes of Incidents and Standard of Care.

[b]ÑNotification Requirements.

[c]ÑLoss of Production as Repair or Replacement.

[9]ÑSection II, Paragraph 10: Direct Charges Ð Legal Expenses.

[10]ÑSection II, Paragraph 11: Direct Charges Ð Taxes.

[11]ÑSection II, Paragraph 13: Direct Charges Ð Abandonment and Reclamation.

§ 12.04. General Comments.

[1]ÑAuthorization for Expenditure.

[2]ÑNew Remedies for Default.

[3]ÑGas Marketing Complications.

[4]ÑInterfacing in Exploration and Development Operations.

§ 12.05. Conclusion.

§ 12.01. Introduction.

Virtually every expenditure or action taken under an oil and gas joint venture agreement results in the need for the Operator to account for such expenditures and actions to the Non-Operators. The Council of Petroleum Accountants Societies (COPAS) has established uniform practices and procedures which have become widely accepted by the domestic oil and gas exploration and development industry as the benchmark for standardized financial accounting to Non-Operators.

Model, or standardized, forms are the product of committee deliberations utilizing the important tools of compromise and consensus. This process frequently results in issues being addressed at various points along a scale between the ideal and the practical. Industry users may develop practices which ignore specific provisions within standardized forms because such provisions are either impractical or projects do not normally progress as the form's originators contemplated. Because of the extraordinary efforts required to revise a standardized form, the sponsoring organization rarely responds to these situations by updating the form, until deficiencies are widely recognized.

This Chapter will examine how many of the provisions of the COPAS accounting procedure may not adequately address some of the practical considerations of current joint venture operations.⁽¹⁾

COPAS, through its bulletins and interpretations, has written extensively about the subject matter covered by Sections III, IV, and V of their procedures. A list and brief description of the COPAS bulletins and interpretations is included on Attachment No. 1. This is excellent material which provides detailed discussion of the specific subject matter; due to this material being available, this paper will concentrate on a discussion of Sections I and II of the 1984 onshore procedure and will conclude with a few general comments dealing with the accounting procedure.⁽²⁾

§ 12.02. History of the Council of Petroleum Accountants Societies (COPAS) of North America.

[1]ÑOverview.

In the early stages of a developing oil and gas industry the use of joint venture agreements proliferated. The main objective of the increased use of such agreements was the desire of the individual or company to share the risks and costs of exploration. During this development, several standard form joint operating