

International Association of Drilling Contractors



**Accounting Issues/Procedures
Committee Meeting
20 March 2014
IADC
10370 Richmond Ave., Suite 760
Houston, TX 77042**

Minutes

Agenda Item: Next meeting date and location

Beth Gordon, Diamond Offshore, has offered to host the next quarterly meeting on June 19, 2014 from 2 to 4 p.m. at 15415 Katy Freeway, Houston, TX 77094.

Note: Anti-Trust Statement

It is the policy of IADC committees that no discussion of any specific proprietary information will be exchanged. It is also strictly forbidden that any promotion of or solicitation for participation in agreements between IADC members be allowed.

Agenda Item: Unbilled reimbursables – accounting practices prior to markup determination

The committee members exchanged information regarding their own practices for recording reimbursable items prior to markup. Some stated that the markup takes place at the time of receipt of the service and some stated the markup takes place at the time of the billing to the customer.

Agenda Item: Interest rate swaps – capitalization of realized gains and losses

The committee members discussed capitalization of realized gains and losses. Participants generally agreed that the gains and losses should be capitalized and depreciated with the assets for which capitalization was recorded.

Agenda Item: Long-lived assets – impairment indicators for carrying amount or remaining useful lives

Various committee attendees discussed their method of assessing impairment. Participants discussed various approaches to assessing indicators of impairment based on the market observations. Participants also discussed whether they assess each rig individually or groups of rigs.

Agenda Item: Long-lived assets salvage values

The committee members discussed policies regarding estimated salvage value for drilling rigs. Most participants agreed that 10% was common industry practice, and one participant had recently compiled validate the assumption.

Agenda Item: Key performance measures – revenue efficiency

The committee members discussed perspectives on discussing key performance measures, and in particular, revenue efficiency, in management's discussion and analysis in the annual and quarterly reports. The discussion progressed to SEC comment letters for performance measures, which then led into more general discussion of comment letters.

Agenda Item: New Matters

Topic 1: Impact of foreign currency on income tax calculations

The committee members discussed the methods of the calculation of the foreign currency exchange gain or loss with regard to income taxes, specifically with regard to the translation rates used. Participants discussed practices of calculating the income taxes using the spot rate on the balance sheet date or

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using the average rate over the period. Other participants included exchange rate changes in the tax provision.

Topic 2: Update on ASC 840, accounting for leases

The members acknowledged recent FASB discussions with regard to the accounting standards update for lease accounting. Members noted continued uncertainty as to whether drilling contracts would be within the scope of the update.

Topic 3: Direct cash flows

The committee members discussed their various approaches to the estimating of sources and uses of cash in their financial statements for purposes of explaining changes in cash flows from operations between periods.

Topic 4: Proxy statement preparation

The committee members briefly discussed department responsibilities for preparing the proxy statement. In some cases, the responsibility belonged with financial reporting, and in others, it was the responsibility of the legal departments or a joint responsibility among legal, human resources, and accounting.

The committee meeting was adjourned after full discussion of these matters.

Attendance:

Name		Company Name
Katie	Cunningham	Atwood Oceanics
Janelle	Flores	Diamond Offshore
Beth	Gordon	Diamond Offshore
Melissa	Essary	Diamond Offshore
Kristin	Wadsworth	Ensco plc
Scott	Lyon	Ensco plc
Dean	Gant	IADC
Timothy	Keller	Pacific Drilling
Richard	Tatum	Pacific Drilling
Nicholas	Brown	Seadrill Americas
Phil	Rider	Sidewinder Drilling
David	Meliza	Transocean