

International Association of Drilling Contractors



AIP Committee Meeting

25 March 2015

2 – 4 pm

Pacific Drilling
11700 Katy Freeway
Houston, TX 77079

Minutes

Agenda Item: Next meeting & Location

Mark Smith, Vice President, Chief Accounting Officer and Controller, of Atwood Oceanics has offered to host the next quarter's meeting on June 18, 2015 from 2 to 4 P.M. at 15011 Katy Freeway, Suite 800, Houston, TX 77094. The meeting will be held in the Energy Crossing II East Building on the ground floor, i.e. "Atwood's Learning Center."

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: "Revenue Recognition Standard and other Accounting Issues"

Brad Ringleb, Audit Partner KPMG, and Molly Chilakapati, Advisory Managing Director KPMG, presented an educational session on recent developments by the FASB and IASB Boards. KPMG provided background on the purpose, core principles and five-step model of the new revenue recognition standard. KPMG noted that the scope of the standard does not apply to lease contracts. KPMG noted some potential areas for changes to current practice for drilling contracts include mobilization. KPMG also provided an update on where the Boards stand on issuing a finalized lease accounting standard. Discussion on whether a drilling contract is a lease was conducted with the Committee participants agreeing they do not believe it is. KPMG discussed the likely effective date and transition should the standard be approved as final.

Agenda Item: "Revenue Recognition Subcommittee"

The committee discussed the need for a subcommittee for the purpose of suggesting guidelines for consistent implementation of the new accounting rules. Nauman Yousef, Senior Accounting Manager of Parker Drilling, volunteered as the Chairman of the subcommittee.

Agenda Item: "Componentization Best Practices"

Some of the committee members stated that their firms have implemented componentization regarding their fixed assets. Those that have implemented componentization stated the practice is tedious. Discussion on the level to which componentization is required revealed that there is judgement involved and potential to change level so that it is practical to maintain accounting for components.

Agenda Item: "Inventories of Materials and Supplies"

The committee discussed various methods of dealing with a variety of issues impacting this accounting area. The topics discussed were: obsolescence, accounting for rebates/discounts and need for lower of cost or market assessment. Related to rebates/discounts, the Committee discussed difficulty in applying

International Association of Drilling Contractors

to materials and supply values. Discussion was conducted with view that applying a contra-asset account of rebates/discounts that is released on over time to costs over time based on inventory turnover provides a reasonable estimate. The committee largely agreed that lower of cost of market is not applicable as rig inventory is materials and supplies and does not fall under accounting standards for inventory.

Agenda Item: “New Matters”

The committee had a brief discussion of doing business in Venezuela and the issue of asset impairment.

After a full discussion of the agenda topics the committee was adjourned.

Attendance:

Name		Company Name
Jay	Paul	ATWOOD OCEANICS
Mark	Smith	ATWOOD OCEANICS
Carrie	Cumming	ATWOOD OCEANICS
Janelle	Flores	DIAMOND OFFSHORE DRILLING, INC.
Beth	Gordon	DIAMOND OFFSHORE DRILLING, INC.
Mellisa	Essary	DIAMOND OFFSHORE DRILLING, INC.
Scott	Lyon	ENSCO PLC
Ken	Smith	ENSCO PLC
Dean	Gant	IADC
Laura	Murchison	MURCHISON DRILLING SCHOOLS, INC.
Edward	Wong	PACIFIC DRILLING SERVICES, INC
Richard	Tatum	PACIFIC DRILLING SERVICES, INC
Melissa	Cobb	PACIFIC DRILLING SERVICES, INC
Shaun	Land	PACIFIC DRILLING SERVICES, INC
Kelly	Bludau	PARKER DRILLING COMPANY
Brandili	Dehls	PARKER DRILLING COMPANY
Leslie	Nagy	PARKER DRILLING COMPANY
Wayne	Fox	PARKER DRILLING COMPANY
Nauman	Yousuf	PARKER DRILLING COMPANY
Jessie	Satterwhite	PATTERSON
Andy	Hart	ROWAN COMPANIES PLC
Maria	Liapina	WEATHERFORD UNITED STATES
Anthony	DeBlanc	WEATHERFORD UNITED STATES
Chip	Schweiger	WHITLEY PENN LLP