



**Meeting Minutes**  
**IADC Accounting Issues/Procedures Committee**  
**AIP Revenue Recognition Sub-Committee**  
**18 August 2016, 2-4pm**  
**Ensco**  
5847 San Felipe, Houston, TX 77056

**Agenda Item: Next meeting & Location**

The next meeting date will be on September 1, 2016, at Parker Drilling from 2 to 4pm. (5 Greenway Plaza, Suite 100, Houston, TX 77046)

**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: "Discussion of Summary of the Lease/Revenue Standard"** – Attached below is the draft of the summary of the lease/revenue standard discussed in the sub-committee. The document includes discussion points raised at previous meetings. The document will be the basis for the production of the white paper to be presented in the fourth quarter meeting of the AIP Committee. The objective of the meeting is to review the draft and reach agreement with the conclusions drawn and to identify where agreement can be reached on discussion points raised. Jacob Campbell, Ensco, lead the discussion of the draft and the following comments were made during the discussion:

1. The members of the committee discussed the adoption dates and a general consensus was reached on early adoption of the lease standard (effective 1/1/2018) to coincide with the adoption of the revenue standard. The committee then discussed the need to incorporate the discussion of adoption and transition method into the white paper along with the need for retrospective comparative financial reporting for the years 2016 and 2017 when adopting the revenue and lease standards.
2. The discussion identified that the first determination in recognizing revenue is whether the drilling contract contains components of a lease under Topic 842.
3. The members concluded on the standard drilling contract terms and that the standard drilling contract has the elements of a lease, i.e. customer control of an identified asset. The committee agreed to revisit the documentation of substitution rights to ensure the argument was supported by the standard contract terms.
4. Land drillers are still evaluating an argument to support whether their contracts contain sufficient terms that preclude the inclusion of a lease.
5. The committee discussed the lease and non-lease components of the drilling contract as well as items that are not considered a component, and concluded that mobilization payments are not a component and should therefore be deferred until commencement of the lease and amortized over the lease period.
6. The committee discussed that day rates were variable lease payments under Topic 842 and should be recognized as they are earned. Further analysis and vetting will be required on this topic to differentiate the consideration from an in-substance fixed payment.
7. Discussion included that performance bonus' would have an impact on the day rate and would therefore be recognized as it is earned. Consideration was also given to the possibility of performance bonuses unrelated to the leasing component and would therefore be considered under the revenue standard. As most performance bonuses pertain to the rig or to the safety of the crew in operating the rig, it was determined that

most performance bonuses would be evaluated as additional variable consideration under the leasing standard.

8. The committee discussed the allocation of consideration between the lease and non-lease components, (i.e. consideration for the rig and consideration for drilling services) as well as the presentation on the face of the income statement.
9. The committee discussed the need for disclosure consistency and will evaluate the need to incorporate any disclosures into the white paper as the drafting process progresses.
10. The committee discussed the evaluation of the lease criteria for operating vs. sales-type or direct financing lease.
11. The remainder of the discussion was regarding the development of the white paper and the necessity of the feedback regarding early adoption, variable consideration regarding revenue recognition and allocation of lease and non-lease components and the determination of variable consideration, i.e. how rates are defined, repair rates and standby rates.

Action items for the next meeting include the following:

Provide edits/comments on the current draft.

Evaluate the most appropriate and supportable position on variable consideration.

Evaluate the methods and level of precision of the allocation of consideration between lease and non-lease components.

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

**Attendance:**

<b>Name</b>		<b>Company Name</b>
Katie	Pence	<b>ATWOOD OCEANICS</b>
Melissa	Barron	<b>DIAMOND OFFSHORE</b>
Jacob	Campbell	<b>ENSCO PLC</b>
Colleen	Grable	<b>ENSCO PLC</b>
Derek	Sample	<b>ENSCO PLC</b>
Zarksis	Italia	<b>ENSCO PLC</b>
Ken	Smith	<b>ENSCO PLC</b>
Bill	Ballew	<b>GULFMARK OFFSHORE, INC</b>
Dean	Gant	<b>IADC</b>
M	Jawad	<b>NOBLE</b>
Diana	Monaghan	<b>NOBLE DRILLING SERVICES INC</b>
Edward	Wong	<b>PACIFIC DRILLING</b>
Katie	Cunningham	<b>PARAGON OFFSHORE</b>
Kelly	Bludau	<b>PARKER DRILLING</b>
Bruce	Sauers	<b>PATTERSON-UTI ENERGY</b>
Meredith	Woitas	<b>ROWAN COMPANIES</b>
Glenn	Smith	<b>ROWAN COMPANIES</b>
David	Meliza	<b>TRANSOCEAN</b>