



Meeting Minutes
IADC Accounting Issues/Procedures Committee
22 September 2016, 2-4pm
International Association of Drilling Contractors
10370 Richmond Ave., Ste. 760, Houston, TX 77042

Agenda Item: Next meeting & Location

The IADC has offered to host the next quarter's meeting on December 8, 2016, from 2 to 4 P.M. at 10370 Richmond Ave., Suite 760, Houston, TX 77042.

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: "Update from revenue and lease subcommittee and group discussion"

Colleen Grable, EnSCO, chairwoman of the subcommittee, spoke about the development of the white paper and that it is being edited before sending to member auditors for review and comment within the next two weeks. The next meeting of the AIP subcommittee is scheduled for November 17, 2016 at IADC headquarters from 2pm to 4pm. IADC is building a list of all accounting personnel and their email addresses of member companies. The white paper draft will be sent to each of these contacts. The purpose is to educate, solicit comments and to promote consensus in the application of the new revenue/lease standards among member companies.

Agenda Item: "Deferral of costs to reactivate stacked rigs and amortization over new contract term"

The committee discussed the accounting treatment of costs incurred to put stacked rigs back to work. The committee expressed that costs related to deferred maintenance and repair should generally be expensed. Participants indicated though there would likely be elements of both expense and deferral for costs incurred from the time of reactivating the rig through to its contract start. The committee indicated if the costs were incurred due to readying the rig for use under the contract, the costs should be generally be deferred over the life of the contract. One view expressed was costs of readying a rig from cold stack to warm stack status would be generally be expensed and costs thereafter would generally be deferred to contract start.

Agenda Item: "Evaluation of deferred contract costs in context of negative margin contracts"

The committee discussed whether it is appropriate to defer costs when it is known that the contract will have negative margin and whether a loss for the remainder of the contract should be recognized. Participants indicated analysis would need to apply to determine the appropriate accounting treatment.

Agenda Item: "Plans to manage accounting for leases from the lessee perspective"

The committee discussed what actions members were undertaking to accumulate information on their contracts in which they are the lessee. Most participant indicated their leases are stored on a decentralized basis at regional or field levels. Some participants are preparing excel spreadsheet to accumulate and analyze this information and others are considering software solutions.

Agenda Item: "New Matters"

The committee also discussed the following matters:

- A. Q3'16 impairment triggers – The committee discussed whether any industry-wide conditions were considered to be an indication of a triggering event for the third quarter. Participants indicated that they did not believe any triggering events had occurred.
- B. Software costs – The committee discussed the useful life of software costs capitalized following the initial implementation. Participants discussed whether the incremental costs should be depreciated over a life equal to the useful life originally assigned to the initial software implementation asset. Alternatively, participants discussed whether the incremental costs should be added to the initial software implementation asset and depreciated over the remaining useful life. No consensus was reached.

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

Attendance:

Name		Company Name
Andrew	Wood	ATWOOD OCEANICS
Katie	Pence	ATWOOD OCEANICS
Melissa	Essary	DIAMOND OFFSHORE DRILLING
Janelle	Flores	DIAMOND OFFSHORE DRILLING
Jacob	Campbell	ENSCO PLC
Colleen	Grable	ENSCO PLC
Zarksis	Italia	ENSCO PLC
Dean	Gant	IADC
Richard	Tatum	PACIFIC DRILLING
Katie	Cunningham	PARAGON OFFSHORE
Elizaveta	Udilovich	PARAGON OFFSHORE
Kelly	Bludau	PARKER DRILLING
Meridth	Woitas	ROWAN COMPANIES
David	Meliza	TRANSOCEAN