



Meeting Minutes
IADC Accounting Issues/Procedures Committee
21 September 2017, 2-4pm
International Association of Drilling Contractors
10370 Richmond Ave., Ste. 760, Houston, TX 77042

Agenda Item: Next meeting & Location

IADC has offered to host the next quarter's meeting on November 16, 2017, from 2 to 4 P.M. at 10370 Richmond Ave., Ste. 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 on discussions with FASB regarding fixed vs. variable consideration"

Colleen Grable, Ensco, sub-committee chairwoman, brought the committee up to date on the communication with the FASB on IADC's latest interpretation of the application of the new revenue/lease standard. The FASB offered no clear direction in the application of the standard regarding the in-substance fixed revenue. The FASB stated that the revenue would be the same regardless of the allocation and was rather indecisive on the relevance of the impact of the negative variable component upon meaningful footnote disclosure. The FASB stated that it would lend assistance in giving direction on appropriate footnote disclosure. Also, the FASB did state that it reached out to the API to get their views and approach to application of the new revenue/lease standards and got no direction from them. The discussion ended with no clear direction from the FASB and IADC sub-committee will deliver a revised white paper to the FASB during October, 2017.

Agenda Item: "Letter to the FASB regarding allocation"

Colleen Grable stated that with new information the white paper would be revised to reflect the tone of the FASB as to what is relevant to proper presentation and disclosure. The new white paper would include discussion of reimbursables and the service component of the drilling contract. Colleen stated that she would submit the new draft within a week to Holly Shock for distribution to those involved with the committee. Comments and contribution of ideas are welcome in the final production of the revised white paper to the FASB. If any company wanted to be identified with the white paper all member drilling companies are welcomed to show support from the industry and demonstrate a consensus of application of the new standards.

Agenda Item: "Implementation issues; A. Fixed asset accounting policies, B. Other" The committee briefly discussed the topic. Long term leases would be considered sales type leases. Revenue would be allocated between in-service fixed revenue and the variable component. Future cash flows would be used to obtain the estimate of the present valuation of the capitalized rig. An example was discussed that it is estimated that 90% of the day rate would be considered in-service fixed and the remainder considered the variable component. It was also discussed that bonus' would be considered a variable component and de-mobilization costs would be considered fixed. The committee also discussed the cost-plus approach to calculating the revenue of the variable component. The topic was discussed of expensing long term maintenance costs and also capitalizing certification costs and delayed delivery costs. Asset retirement obligations were briefly discussed and the estimation of salvage value/scrap value.

Agenda Item: “Other business - New Matters” The committee briefly discussed the topic of accounting for professional fees paid for the restructure of debt. It was discussed that debt modification costs would be deferred and troubled debt restructuring professional costs would be expensed.

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

Attendance:

Name		Company Name
Melissa	Barron	DIAMOND OFFSHORE
Janelle	Flores	DIAMOND OFFSHORE
Colleen	Grable	ENSCO PLC
Derek	Sample	ENSCO PLC
Bill	Ballew	GULFMARK OFFSHORE INC
Dean	Gant	IADC
Diana	Monaghan	NOBLE DRILLING SERVICES
Bryce	Klug	NOBLE DRILLING SERVICES
Dennis	Lubojacky	NOBLE DRILLING SERVICES
Richard	Tatum	PACIFIC DRILLING
Edward	Wong	PACIFIC DRILLING
Kelly	Bludau	PARKER DRILLING
Asif	Minhas	PARKER DRILLING
Leslie	Nagy	PARKER DRILLING
Mark	Todd	PARKER DRILLING
Bruce	Sauers	PATTERSON UTI
Meredith	Woitaz	ROWAN COMPANIES
Nicholas	Kay	SEADRILL
David	Meliza	TRANSOCEAN
Debbie	King	VANTAGE DRILLING INTERNATIONAL