



Meeting Minutes
IADC Accounting Issues/Procedures Committee
24 March 2016, 2-4pm
Parker Drilling
5 E Greenway Plaza, Houston, TX 77046

Agenda Item: Next meeting & Location

The IADC has offered to host the next quarter's meeting on June 23, 2016 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: "Educational Session Presented by KPMG"

Mr. Andy Cabble, Partner, and Mr. Andrew Brownfield, Director Accounting Advisory Services, of KPMG conducted an interactive session on the new lease accounting standard. KPMG provide information on the new standard and IADC members asked questions and discussed their initial views. Having discussed the scope of the standard, members generally expressed an initial view that drilling contracts would be within the scope of the lease standard. In particular, it was noted that the "how and for what purpose" an asset is used under the lease standard is a singular concept that may make any drilling contractors' decisions over the operations of the rig subordinate to the client's decisions.

If considered a lease, members expressed initial views of how the accounting for a typical drilling contract would be impacted. It was noted that the non-lease components to be separated would be minimal, if any, consistent with the view under the revenue standard that drilling contracts provide for a single performance obligation. Additionally, members noted that dayrates (subject to zero rate due to downtime) would constitute a variable lease payment.

Agenda Item: "Update from the Revenue Recognition Sub-Committee"

Nauman Yousuf, Sub-Committee Chairman, Parker Drilling, led the discussion of the work of the sub-committee. The committee agreed the sub-committee should work concurrently to address both the revenue and lease standards. As such, the sub-committee was renamed to the "Revenue and Lease Recognition Sub-Committee." The sub-committee is focused on completing a white paper to the committee's conclusions on the implementation of the new standards. Mr. Yousuf indicated the sub-committee will work to have a draft of the white paper completed sooner rather later to provide for review finalization before the end of the 2016.

Agenda Item: "Year-end audit matters experienced"

The committee raised several topics from year-end audit experiences. Members noted varying levels of control requirements from auditors as it related to the new audit standard on related parties.

There was also discussion of whether use of a capitalization threshold constituted a non-GAAP policies. Members noted this matter did not constitute a non-GAAP policy as discussed in a previous meeting as use is contemplated in GAAP. Additionally, members expressed views that removal of their capitalization threshold would not result in a material change to their financials.

Additionally, members noted varying degrees of requirements to demonstrate level of precision in

controls testing. In particular, this was noted when using in-house experts for projections and using outside actuarial assistance.

Agenda Item: “SEC comment letter trends within industry”

The committee stated that they had no comment letters to discuss.

Agenda Item: “New Matters”

The committee had no new matters to discuss.

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

Attendance:

| Name | | Company Name |
|-------------|---------|--------------------------------------|
| Colleen | Grable | ENSCO PLC |
| Joshua | Sanchez | IADC |
| Richard | Tatum | PACIFIC DRILLING SERVICES INC |
| Eddie | Wong | PACIFIC DRILLING SERVICES INC |
| Kelly | Bludau | PARKER DRILLING |
| Leslie | Nagy | PARKER DRILLING |
| Brandili | Dehls | PARKER DRILLING |
| Nauman | Yousuf | PARKER DRILLING |
| Wayne | Fox | PARKER DRILLING |
| Christopher | Herold | PARKER DRILLING |
| David | Meliza | TRANSOCEAN |