



Meeting Minutes
IADC Accounting Issues/Procedures Committee
8 November 2018, 2-4pm
International Association of Drilling Contractors
3657 Briarpark Drive, Ste. 200, Houston, TX 77042

Agenda Item: Next meeting & Location

The next meeting will be on December 13, 2018 at IADC from 2 to 4pm, 3657 Briarpark, Ste 200, Houston, TX 77042. The 2019 1st quarter meeting is to be held at IADC from 10am to noon central time on March 21, 2019.

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: Election of 2019 AIP Chairman and Vice-Chairman – Colleen Grable, EnSCO has been elected as the 2019 Chairwoman of the AIP committee and continues to be the Chairwoman of the Lease/Revenue Sub-Committee. Melissa Baron of Diamond Offshore has been elected Vice-Chairwoman of the AIP Committee. Eddie Wong, Pacific Drilling is the Chairman of the IFRS Sub-Committee.

Agenda Item: Update from lease Sub-Committee – Colleen Grable, Sub-Chairwoman of the Lease Sub-Committee discussed a brief overview of the last meeting (Sept. 2018) of the Sub-Committee. The Sub-Committee compiled a list of affirmative and disaffirming elements regarding the qualitative assessment of the predominate element of the drilling contract. She shared with their accounting firm KPMG her understanding of the determination of the predominant element of the drilling contract. The major accounting firms discussed the topic at their early October 2018 group meeting. The firms stated that the approach that the Sub-Committee was proposing was more of an audit issue rather than a technical accounting issue. KPMG issued a lease accounting booklet which included a specific example of the application of the new lease standard for the drilling industry. The audit firms were generally supportive regarding the difficulty of the application of the standard and the qualitative arguments proposed. The focus of the audit firms will be to observe the documentation which supports the qualitative arguments for the application of the standard. Each drilling contract will be assessed on a contract by contract basis. The service element of the contract could be interpreted as the predominate element. The future issuance of SEC comment letters will provide the direction for the IADC member firms regarding uniformity in the application of the lease standard. The committee did discuss the future IFRS sub-committee meeting which is being headed up by Eddie Wong of Pacific Drilling. Emails will be sent regarding the first meeting, time and place of this sub-committee. The committee discussed the evaluation of leases as long term and short term.

Agenda Item: “New Matters” –

- A. The committee discussed the issue of impairment for the current quarter. The fair value of the asset based on future cash flows as compared to book value was discussed. Some members of the committee gave examples of their current impairment issues and the issues regarding the booking impairment using Oracle and SAP.
- B. The committee discussed recent SEC comment letters with no response.
- C. The committee briefly discussed the timing of future meetings (i.e. morning vs.

afternoon). The 1st quarter meeting of the AIP committee will be in the morning from 10am to noon.

- D. The committee briefly discussed the format for reporting in 2019 complying with the new lease standard.
- E. Appreciation was expressed for Kelly Bludau for her 2 years of service as Chairwoman of the AIP committee.

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

Attendees:

First Name	Last Name	Company Name
Melissa	Barron	DIAMOND OFFSHORE DRILLING, INC.
Colleen	Grable	ENSCO PLC
Kristen	Nunez	ENSCO PLC
Derek	Sample	ENSCO PLC
Frank	Fults	GULFMARK OFFSHORE INC
Bill	Ballew	GULFMARK OFFSHORE INC
Luis M	Lopez	IADC
Derek	Stanart	NOBLE DRILLING SERVICES INC.
Elizabeth	Dagostino	NOBLE DRILLING SERVICES INC.
Marian	Sabat	NOBLE DRILLING SERVICES INC.
Edward	Wong	PACIFIC DRILLING
Asif	Minhas	PARKER DRILLING
Kelly	Bludau	PARKER DRILLING
Wayne	Fox	PARKER DRILLING
Elizaveta	Udilovich	PARKER DRILLING
Jeff	Courtright	SHELF DRILLING OFFSHORE HOLDINGS LIMITED