

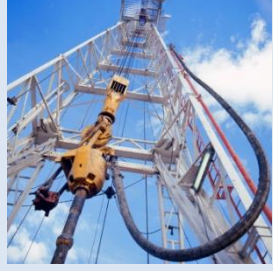
Interstate Oil & Gas Compact Commission

Welcome

International Committee

Chair: David Hardie

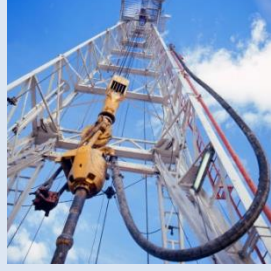




International Committee

Through IOGCC's International committee, international affiliates have full access to information and resources of the Interstate Oil and Gas Compact Commission, as well as the opportunity to participate on IOGCC committees and activities, share experiences and information, together improve our knowledge and solve common problems, and study common issues facing every nation's hydrocarbon recovery efforts.





Agenda

1:00 Introduction and Overview

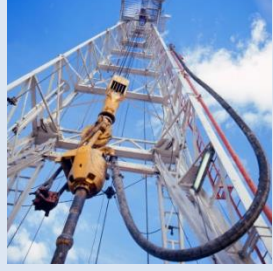
1:10 Methods and Metrics to Assess the Solvency of a Company

- 1:30 S&P Global – Thomas Watters

2:30 Break

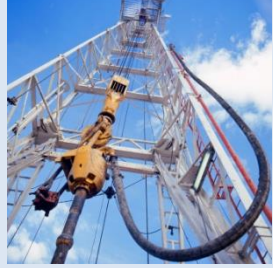
2:45 Transfer of Infrastructure and Liabilities - Assessment Criteria and Considerations

4:15 Next Steps for Annual Conference



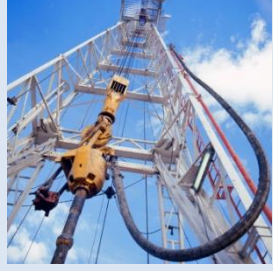
Methods and Metrics to Assess the Solvency of a Company

Why is it an issue?



Methods and Metrics to Assess the Solvency of a Company

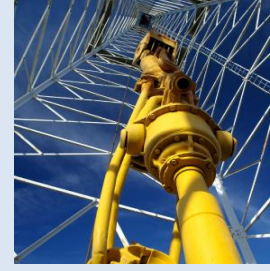
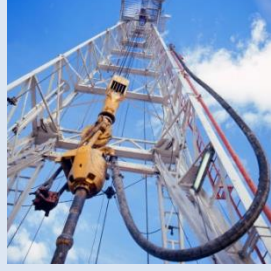
- What is measured?
- When is it measured?
- What actions in the event of concern?
- How is a solvency issue identified once it has occurred?



Methods and Metrics to Assess the Solvency of a Company - What is Measured?

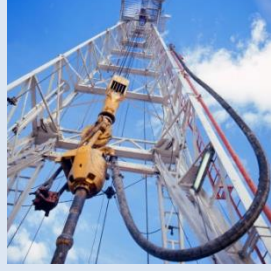
Performance of company

- Meet established plans for activity
- Pay fees or deposits
- Decrease in meeting requirements
- Increase in requests for exemption or extensions



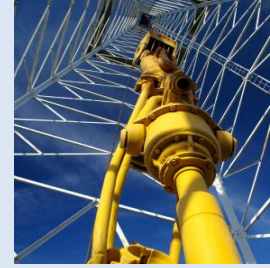
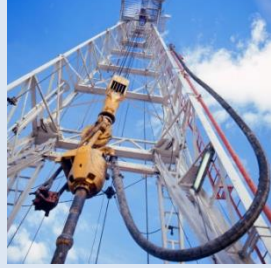
Methods and Metrics to Assess the Solvency of a Company - What is Measured?

- Third party assessments
 - S&P, Moody's, etc.
- Change in inventory
 - Increase in inactive infrastructure
 - Decrease in surface reclamation
- Change in operations
 - Decreasing production
 - Transfer of key infrastructure



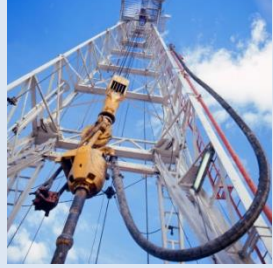
Methods and Metrics to Assess the Solvency of a Company - When is it Measured?

- Trigger based
 - Request to transfer assets
 - Metric threshold exceeded
- Regularly scheduled
 - Monthly, annually, etc.



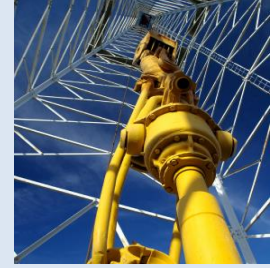
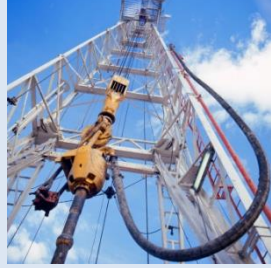
Methods and Metrics to Assess the Solvency of a Company - What Happens When Concerned?

- Security collection
- Increased scrutiny of operations
 - Inspections, audits, review of applications, etc.
- Update commitments
 - Company specific plans
- Increased schedule of meetings and formal communication



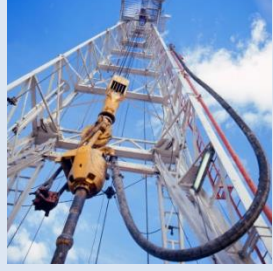
Methods and Metrics to Assess the Solvency of a Company - Identification Once it Happens?

- Receivers contact regulator
- Newspaper
- Unresponsive head office



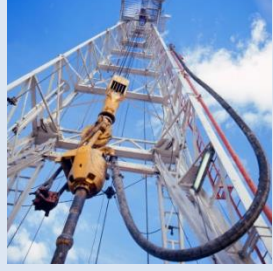
Discussion

- Do regulators need to assess the solvency of companies?
 - Directly or indirectly?
- Do third party ratings have a role to play?
- What factors affect the necessity?



Discussion

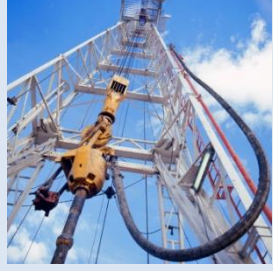
- Does the importance of this fluctuate with the amount of protection against insolvency that is in place?
 - Orphan fund, security deposits
- What has worked?



Break Time!

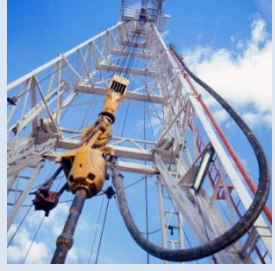
15 Minute Break





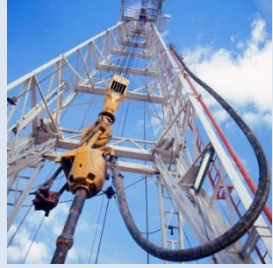
Transfer of Infrastructure and Liabilities - Assessment Criteria and Considerations

Why is it an Issue?



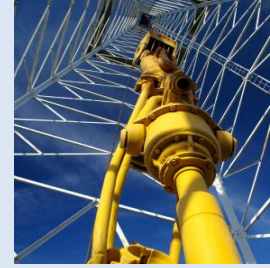
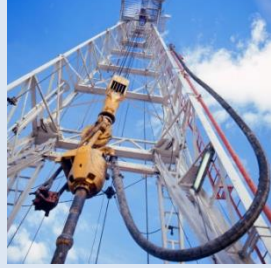
Transfer of Infrastructure and Liabilities - Assessment Criteria and Considerations

- Who is assessed?
- What is analyzed?
- When is the assessment conducted?
- What assurances are in place?



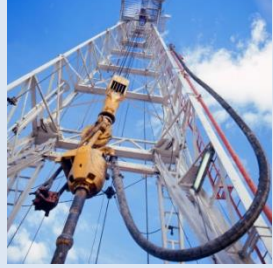
Transfer of Infrastructure and Liabilities – Who is Assessed?

- Transferor
 - The company transferring to another company
- Transferee
 - The company receiving a transfer
- Other parties with a financial interest
 - Working Interest Participants



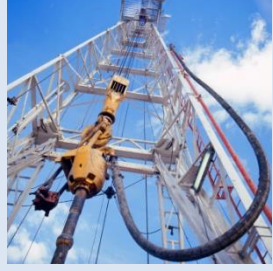
Transfer of Infrastructure and Liabilities – What is Analyzed?

- Security (also in assurance portion)
 - In place, and of sufficient value, from transferee before approval
- Solvency
 - Estimated for both parties before and \ or after transfer
- Status of infrastructure
 - Assess how many active to inactive



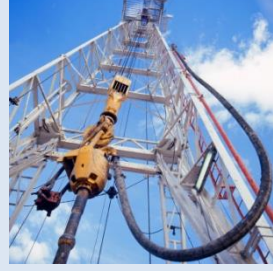
Transfer of Infrastructure and Liabilities – What is Analyzed?

- Compliance status
 - Transfer requirements
 - All requirements
- Integrity of infrastructure
 - Desktop assessment
 - Field verification



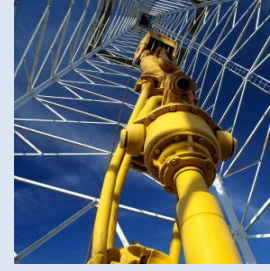
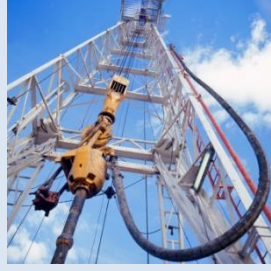
Transfer of Infrastructure and Liabilities – When is an assessment conducted?

- Identification of a pending transfer
 - Upon notification from one of the participants
- Once formal submission is made



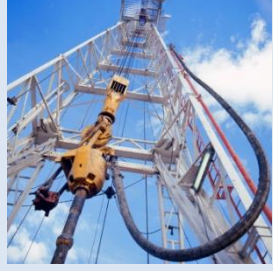
Transfer of Infrastructure and Liabilities – What assurance are in place?

- Security
 - Provided by transferee before release to transferor
 - May adjust value of security
- Conditions
 - To address issues specific situation
- Reversal or Lookback
- Stop transfers



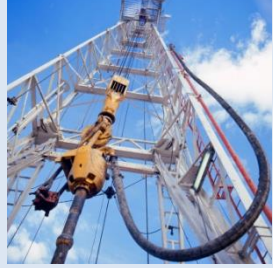
Discussion

- How much does company solvency factor in with infrastructure transfer?
- Does an assessment of the type of the companies occur?
 - Shell company?
 - Parent company location?



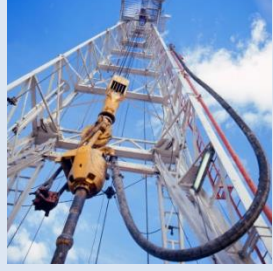
Discussion

- Federal vs State \ Provincial land?
- When transfers occur, does it include:
 - Mineral rights
 - Infrastructure
 - Leases
 - Other elements of a development



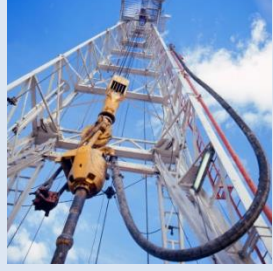
Discussion

- Does timing of an assessment matter?
 - Does it matter when the company being held responsible for infrastructure may be different than the company of ownership due a transfer not being permitted?
- Is there value in not processing a transfer officially when the transfer has already occurred by contract?



Discussion

To what extent are liabilities factored into corporate acquisitions and divestiture assessments?



Next Steps

Survey members for topics of interest

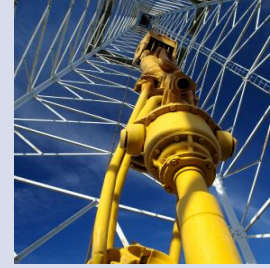
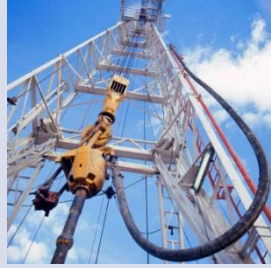
Annual Meeting

- Oct 1st to 3rd Pittsburgh



Interstate Oil & Gas Compact Commission

Thanks For Coming!



Contact Information

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