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## Course Information

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**Course Title:** Gas and Oil Accounting #368624

**Number of continuing education credit hours recommended for this course:**

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

**CPA: 9** (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Pennsylvania Board of Accountancy: PX178025

Ohio State Board of Accountancy: CPE .51 PSR

Texas State Board of Accountancy: 009349

### Course Description

Oil and gas operations have some of the most unique accounting issues found in any industry. *Oil & Gas Accounting* delves into acquisition, exploration, development, and production activities, covering many industry-specific accounting issues. Topics covered include the successful efforts method, full cost method, reserve reporting, the unit of production method, severance taxes, take-or-pay arrangements, transfers of mineral interests, and joint interest accounting, as well as industry-specific controls that should be installed. In short, this is the essential oil & gas desk reference for the accountant.

### Course Content

Publication/Revision date: 4/29/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Forty-five Questions (multiple-choice).

**Program Delivery Method:** NASBA QAS Self-Study (interactive)

### Subject Codes/Field of Study

NASBA (CPA): Accounting

### Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Intermediate

Prerequisites: None.

Advance Preparation: None

### Instructions for Taking This Course

- Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

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- You will have **three attempts** to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

# Learning Objectives

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- Recognize the various steps in the process of exploring for, developing, and producing on an oil and gas property.
- Identify the different types of wells.
- Identify the documentation used to record produced oil and gas.
- Recognize the contents of a lease arrangement.
- Define the different cost classifications associated with oil and gas activities.
- Recognize the various types of production costs.
- Describe the situations in which a joint operating agreement is used.
- Define the contents of a lease database.
- Identify the different classifications of exploration costs.
- Recognize the accounting for all aspects of drilling a well and subsequent well operations.
- Identify the indicators of sufficient progress in regard to assessing the viability of a project.
- Differentiate between the successful efforts and full cost methods.
- Describe the calculation process for the unit of production method.
- Recognize the valuation rules relating to oil and gas inventory.
- Specify the contents of a run ticket.
- Identify the information contained within a division order.
- Describe the accounting for producer gas imbalances.
- List the criteria used to report proved oil and gas reserves.
- Recognize the indicators that can trigger a review of reserves.
- Recognize the accounting variations available when recording a nonmonetary exchange.
- Recognize all aspects of the accounting for joint interest arrangements.
- Describe the circumstances under which interest can and cannot be capitalized.
- State the situations in which asset retirement obligations can be deferred.
- Specify the rules used to determine the expected present value of an asset retirement obligation.
- Recognize the accounting for environmental contamination costs.
- Describe the circumstances under which impairment testing should be conducted, as well as the rules for doing so.
- Specify the situations in which an asset can be classified as held for sale.
- Describe the disclosure requirements for reserves.
- Identify the appropriate costing to be used for exploration costs associated with mineral resources, as well as the indicators for when impairment testing should be conducted on mineral resources assets.
- Recognize the audit activities in which an auditor will be engaged when auditing an oil and gas firm.
- Recognize the different types of controls that are specific to an oil and gas firm.

## About the Author

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**Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Published by AccountingTools LLC, Centennial, Colorado.

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# Preface

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Oil and gas operations trigger some of the more unique accounting transactions found in any industry. For example, there are many kinds of mineral interest transfers, each of which has a different accounting treatment. There are different approaches to how exploration costs are to be handled – either charging them to expense or capitalizing them. Also, capitalized assets are amortized based on the production level, rather than any of the more common time-based depreciation methods. In addition, several of the more difficult accounting topics apply to this industry, including interest capitalization and asset retirement obligations. *Oil & Gas Accounting* shows how to properly account for each of these transactions and many more, as well as how to disclose them in one's financial statements.

You can find the answers to many questions about oil & gas accounting in the following chapters, including:

- What are the differences between the successful efforts and full cost methods?
- When are exploration costs charged to expense?
- How do I conduct a ceiling test?
- How do I use the unit of production method?
- How do I calculate oil and gas revenue?
- What are the differences between the entitlement method and the sales method?
- What are the different types of reserves?
- What is the accounting for the sale of an interest in a proved property?
- How do I account for the transfer of materials?
- How do I calculate and account for an asset retirement obligation?
- What questions will an auditor ask during an audit?
- What types of controls are unique to the oil and gas environment?

*Oil & Gas Accounting* is designed for both professionals and students, who can use it as a reference tool for determining the most appropriate accounting treatment for various oil & gas transactions.

Centennial, Colorado  
April 2024