

whitleypenn 

# 2023 ENERGY CONFERENCE



**AUGUST 23<sup>rd</sup>**  
11:00 AM - 4:00 PM



**PETROLEUM CLUB  
OF MIDLAND**  
501 W. Wall Street  
Midland, TX 79701

**\*4.5 HOURS OF CPE**  
pending approval



**Thank you to our sponsors  
and speakers!**

# Housekeeping Items

- If you need CPE, please make sure to sign via Conference i.o QR Code. You can find on your tables and at registration table. If you need CLE Credit, please see the registration table.
  - Survey & Certificates will be sent to email after the conference concludes from LCVista.
  - Please fill out survey, your feedback is appreciated.
  - Sign-in located at registration table. Please make sure to sign out!
- Materials will be sent out after the event.
- Join us for Networking hour immediately following the conference.
- Other questions? Email [Marketing@whitleypenn.com](mailto:Marketing@whitleypenn.com)

# WHITLEYPENNCPE.CNF.IO

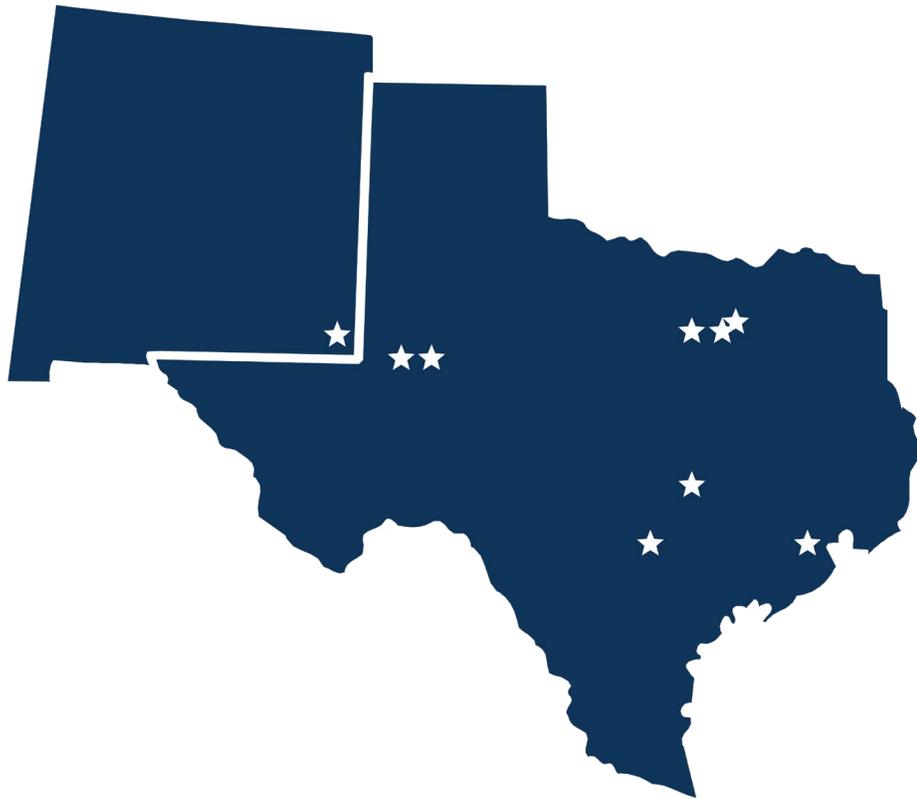
- ▶ Navigate to <https://whitleypenncpe.cnf.io/> and tap the session titled "2023 Whitley Penn Energy Conference - Permian Basin"
- ▶ OR just point your phone's camera at the QR code to join directly or utilize QR Code on Table.



# About the Firm

Whitley Penn is the 37th largest firm in the nation based on 2023 rankings in Accounting Today, 39th in the nation based on 2023 rankings in INSIDE Public Accounting's "Top 100 Firms", and one of the fastest growing firms in the nation. We have an extensive team of experienced audit, tax, consulting, and valuation professionals that we will be able to draw upon as needed.





800+  
Professionals

#37  
by Accounting  
Today

9  
Offices

# Our Services

- Audit
- Consulting
- Forensic, Litigation & Valuation
- Client Accounting & Advisory Services
- Risk Advisory Services
- Tax
- Transaction Advisory Services
- Wealth Management (WPWealth)

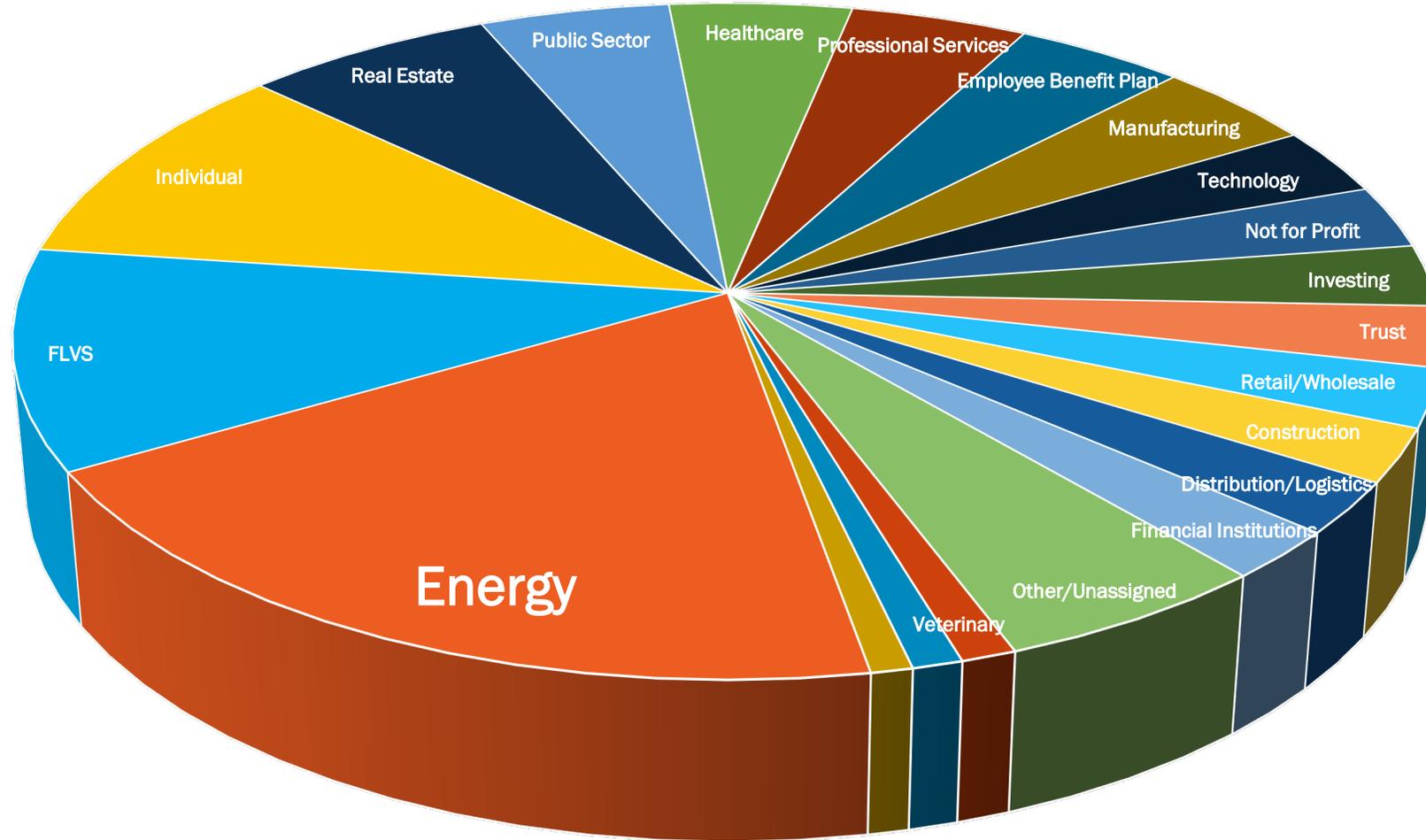
# Our Industries

- Agriculture
- Construction
- Employee Benefit Plans
- **Energy**
- Estate & Gift Planning
- Family Office & High-Net-Worth Individuals
- Financial Institutions
- Healthcare
- Manufacturing, Distribution & Logistics
- Nonprofit
- Private Equity & Investment Funds
- Professional Services
- Public Sector
- Real Estate & Construction
- Restaurant, Entertainment, Retail & Hospitality
- Technology
- Transportation
- Veterinary

# Who we work with in the Energy Industry

- Upstream
- Midstream
- Oilfield Services
- Renewables

# WP Industry Breakdown



# *Up Next:* Cyber Resilience in the Digital Age

John Williamson, RAS Partner  
Raily Rincon, RAS Sr. Associate  
Whitley Penn

# CYBER RESILIENCE IN THE DIGITAL AGE

JOHN WILLIAMSON, CPA.CITP, CIA, CFE, CISA

RAILY RINCON, CPA, CIA, CISA

# JOHN WILLIAMSON



## Risk Advisory Services Partner

- 12 years of experience in public accounting
- Internal Audit, IT Audit, SOX 404, SOC Reporting, and Cybersecurity services
- Information Security Risk & Controls, Data Governance, & Privacy experience
- Board of Governors, IIA Dallas Chapter
- IIA Manager Roundtable, Steering Committee
- Bachelor of Music from Southern Methodist University
- Master of Music from Rice University
- Master of Accounting from University of Texas at Dallas

# RAILY RINCON



## Risk Advisory Services Manager

- 5 years of experience in public accounting
- SOC 1, SOC 2, and SOC for cybersecurity engagements
- IT internal Audit
- SOX 404 consulting and testing
- Master of Accounting from University of Texas at Dallas

# CYBERCRIME AND THE TRENDING THREAT LANDSCAPE

# CYBERCRIME IN THE CURRENT CLIMATE



Costs of  
Cybercrime  
(2022)

Losses over \$10.3 billion

Business Email Compromise  
("BEC") \$2.7 billion

\$4.35M average cost of US  
breach

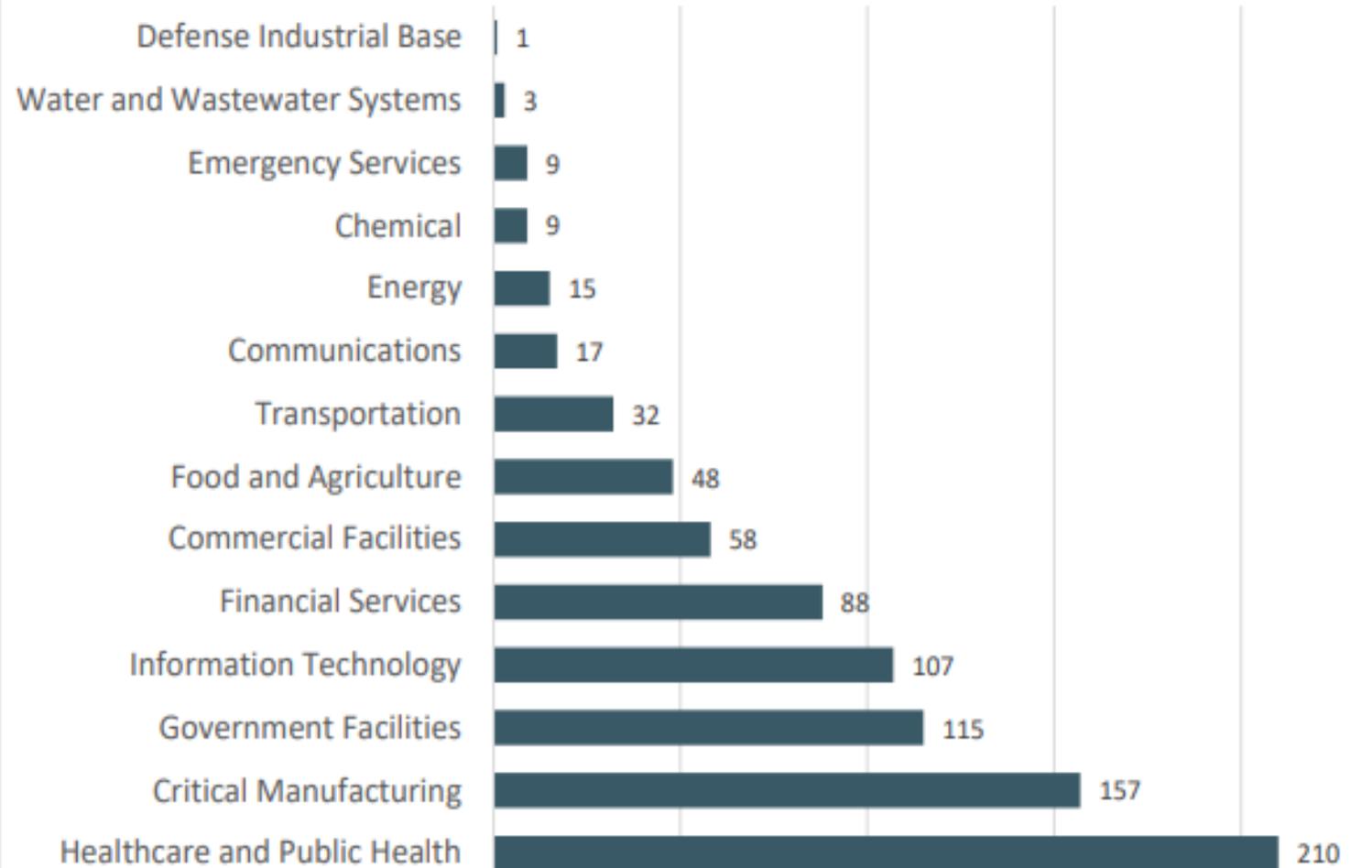
# CYBERCRIME IN THE CURRENT CLIMATE

## Infrastructure Sectors Victimized by Ransomware

Source: Federal Bureau of Investigation

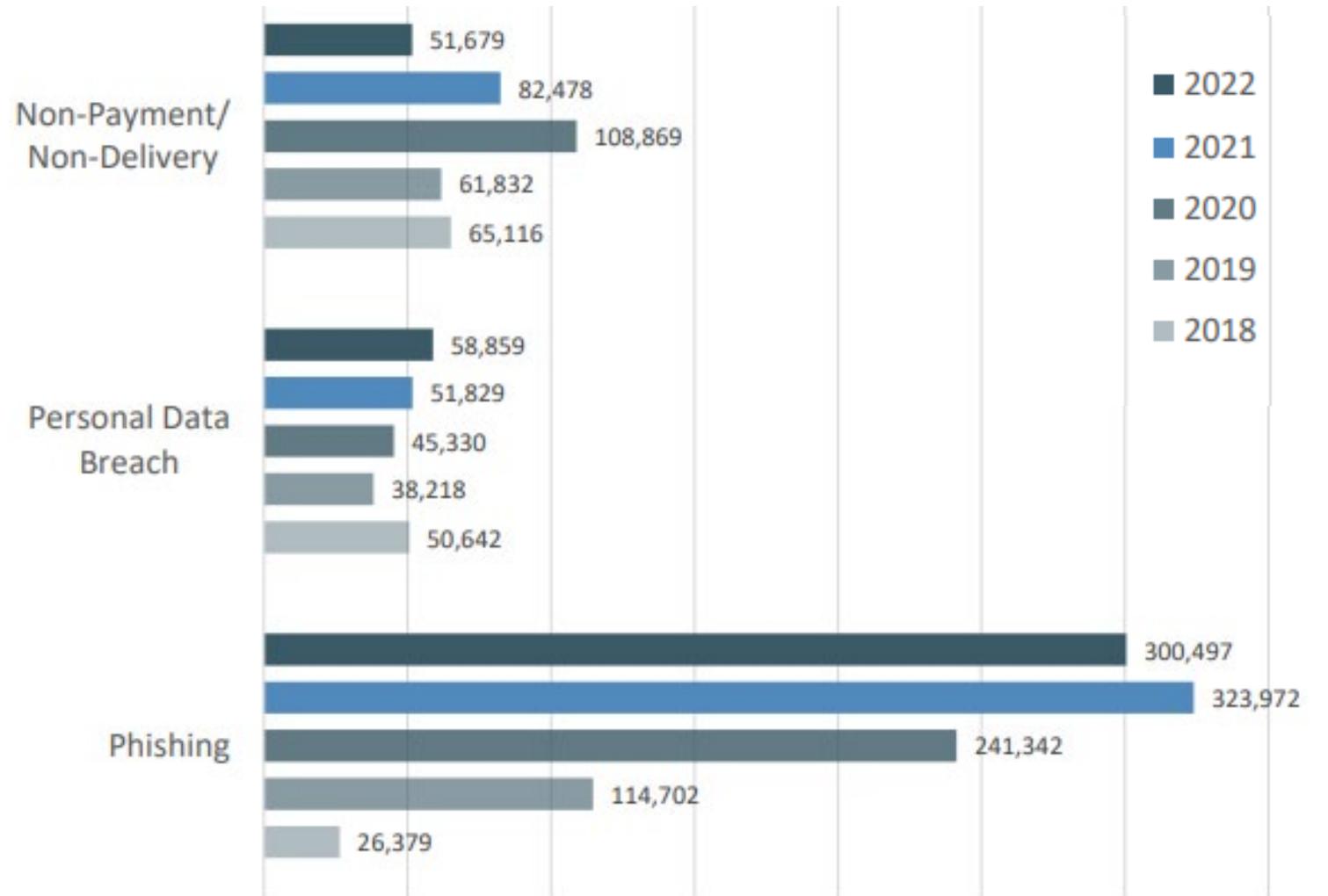
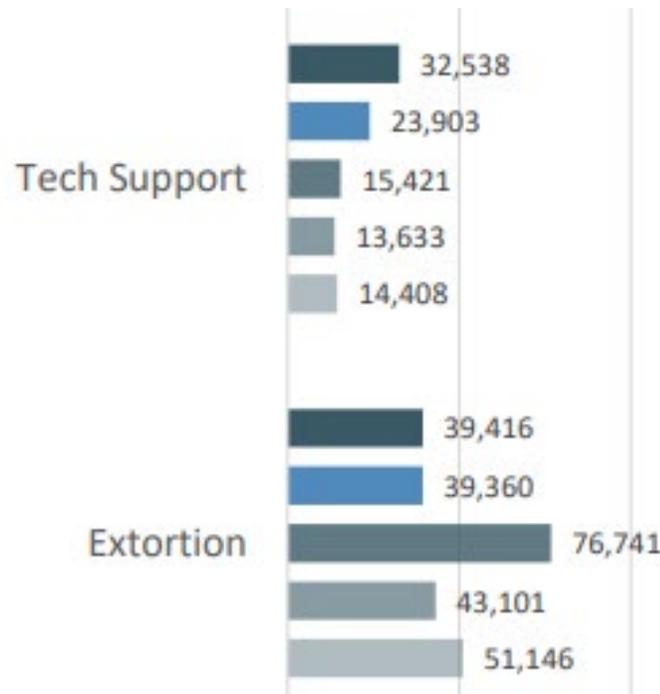
2022

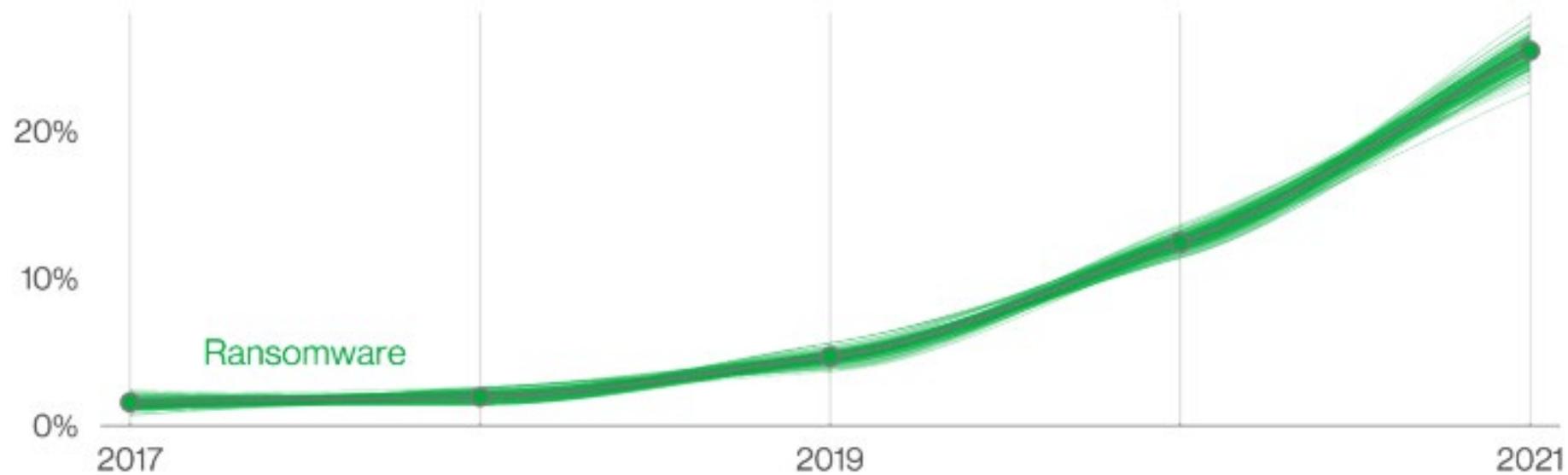
### Infrastructure Sectors Victimized by Ransomware



## Top #5 Crime Types

Source: Federal Bureau of Investigation  
2022



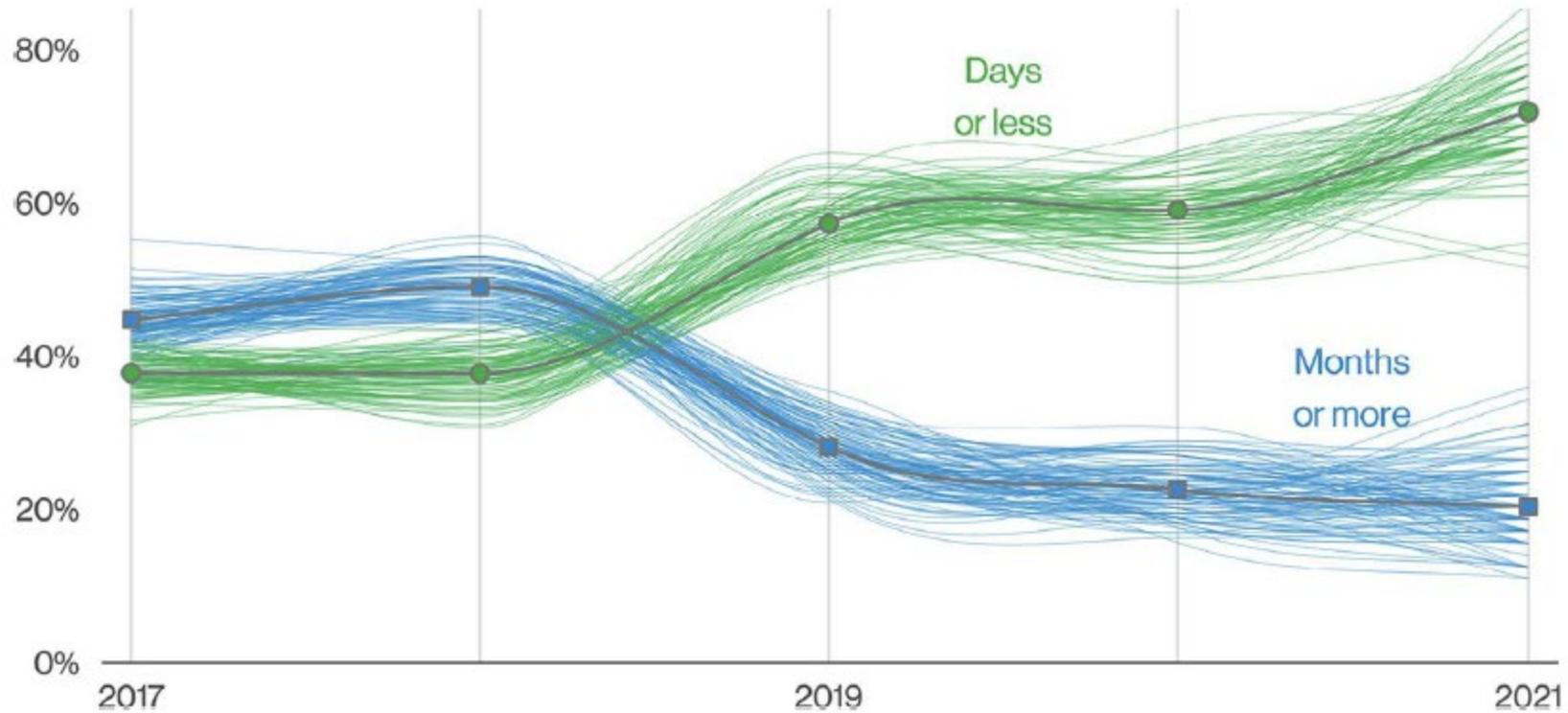


## TRENDS IN CYBERCRIME

- 13% increase in ransomware attacks year over year
- 62% of system intrusions due to the supply chain
- 82% of breaches were attributed to the human element

Source: Verizon Data Breach Investigation Report

# TRENDS IN DATA BREACHES



Amount of time to detect a breach from the point of compromise.

# EMERGING ENERGY CYBERSECURITY RISKS



1. Espionage and intellectual property (IP) theft
2. Ransomware
3. Phishing and electronic vendor fraud
4. Nation-state actors seeking supply chain disruption
5. Vulnerabilities in operational technology (OT)
6. Increasing use of artificial intelligence (AI) and automation

# 1. ESPIONAGE AND IP THEFT

- Data classification and protection of sensitive data:
  - Production trends
  - Revenue trends
  - Geological data
- Collection of personally identifiable information (PII):
  - Landowners
  - Employees

## 2. RANSOMWARE

- Phishing is the largest attack vector
- Lack of multi-factor authentication (Colonial Pipeline)
- Unpatched vulnerabilities
  - Internet facing applications
  - Microsoft Server 2008
  - Security misconfigurations
  - SQL Injection
- Lack of incident response planning and operational resiliency

### 3. PHISHING & ELECTRONIC VENDOR FRAUD

- Increase in phishing and spearphishing (use of social engineering)
- Vendor maintenance controls and awareness training
- Lack of multi-factor authentication
- Use of stolen credentials to compromise mail servers
- Case Study

## 4. SUPPLY CHAIN DISRUPTION

- Rise in hacktivism (DDoS and other attack vectors)
- Nation state actors and political motivation
- Industrial Control Systems/SCADA at highest risk
- Case Study: Colonial Pipeline

## 5. VULNERABILITIES IN OT SYSTEMS

- On-prem applications with disaggregated network architecture
- Decentralization of technology support and decision making (“Shadow IT Departments”)
- Patch and vulnerability management is the responsibility of operational personnel
- Network segmentation and isolation of corporate/financial assets
- Case Study: Whitley Penn Client Solution

## 6. AI AND AUTOMATION

- Generative AI uses for attackers:
  - Enumeration and application discovery
  - Malware code writing
  - Reconnaissance
  - Phishing
- Managing risk of data loss prevention/protection of intellectual property
- Generative AI uses for security practitioners:
  - Vulnerability scanning and patching
  - Secure coding practices
  - Converting technical code into plain English

# BASELINE AND TRENDING CYBERSECURITY CONTROLS

# WHITLEY PENN LLP

## BASELINE CYBERSECURITY BEST PRACTICES:



1. Cybersecurity Governance
2. Data Classification and Mapping (Bridging the IT/OT gap)
3. Third-Party Risk Management
4. Security Awareness Training
5. Incident Response Planning
6. Asset Inventory
7. Vulnerability Management
8. Restriction of privileged access
9. Perimeter defenses and anti-malware
10. Operational Resiliency



# BASELINE VENDOR MAINTENANCE BEST PRACTICES



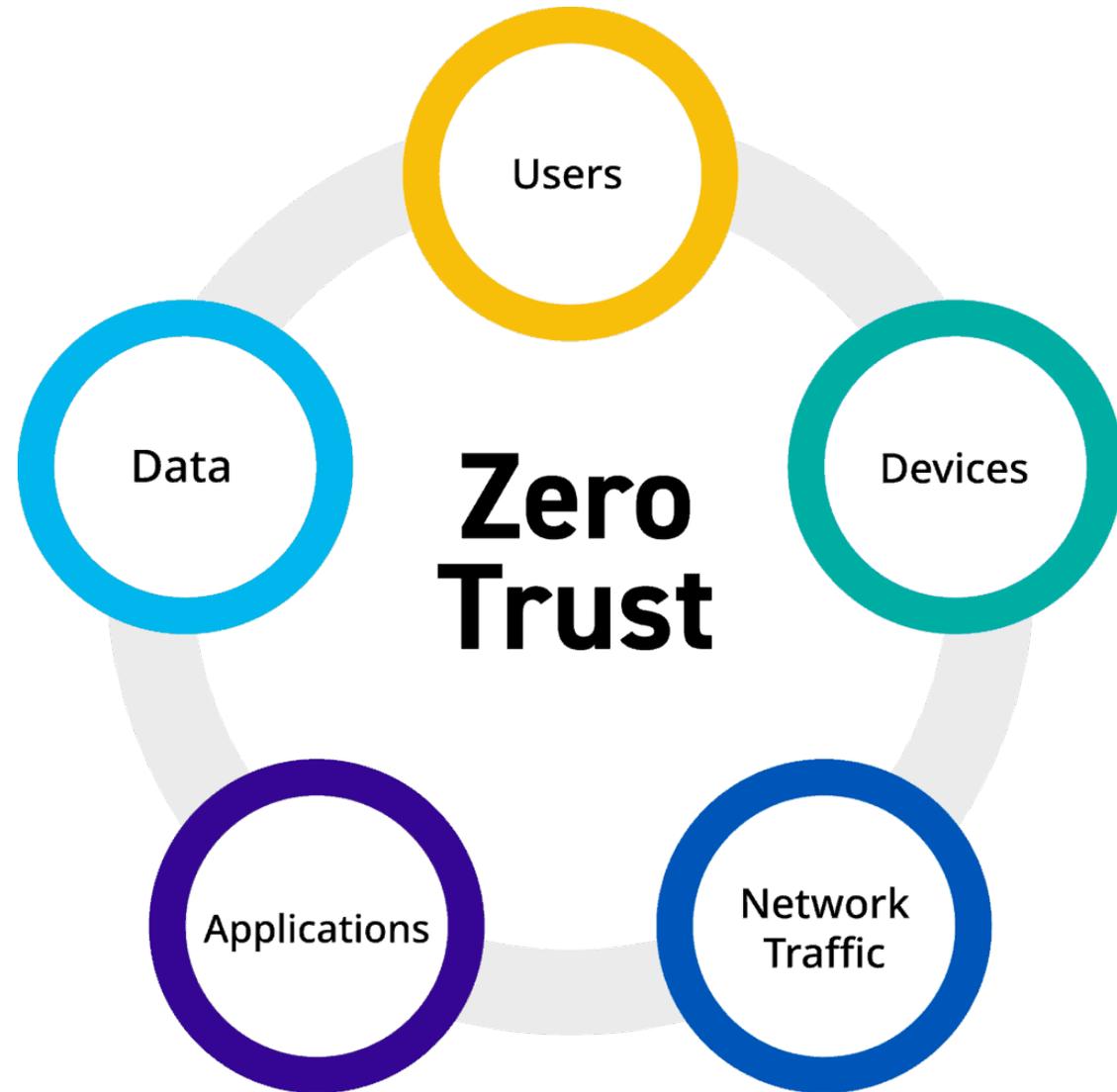
- Email sandboxing for all inbound emails & MFA.
- Corroborate all request for changes to vendor address and/or banking information by phone, NOT email. Use previously known numbers you know are correct and not the numbers provided in an email or text request.
- Revise forms to require vendors to provide BOTH old and new bank routing and account numbers or billing addresses when requesting a bank change or a payment mailing change.
- Remove vendor change forms from website. Have vendors contact staff directly for forms.
- Consider two-party sign-off on payment instructions.
- Require documentation (specific forms/voided checks/bank letters).
- Conduct end user training.
- Incident response planning.

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# TRENDING CYBERSECURITY CONTROLS

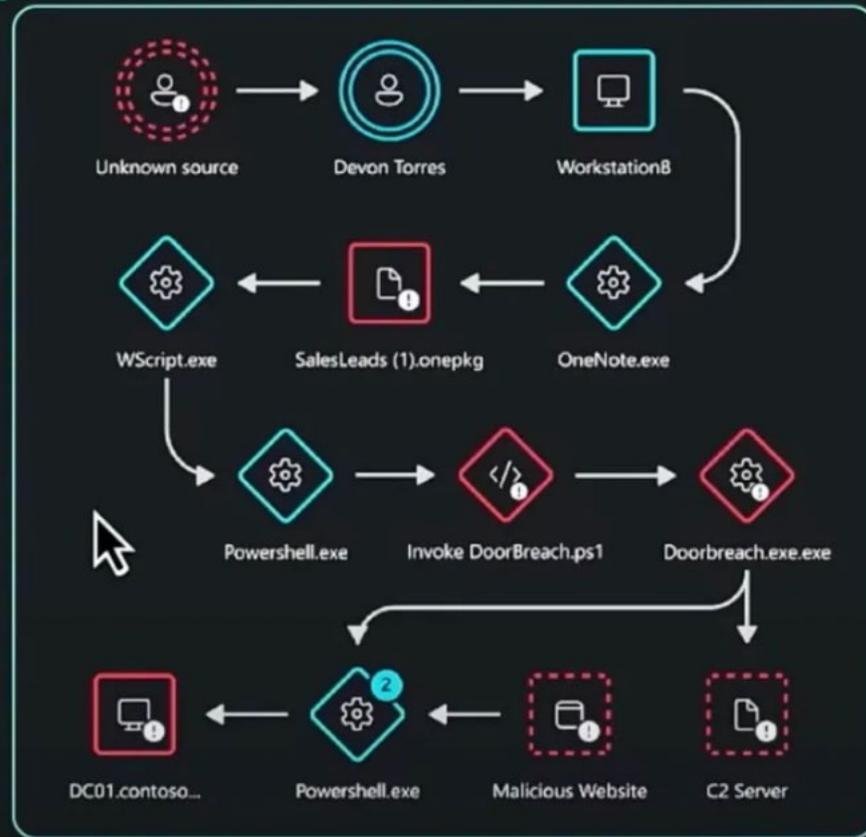
Zero Trust is a high-level strategy that assumes that individuals, devices, and services that are attempting to access company resources, even those inside the network, cannot automatically be trusted. Core principles:

- No traditional network edge
- Continuous and adaptive verification
- Limit blast radius
- Automated collection and response



Produce a visual to explain the activity of the download, the exploit and how it moved through the incident.

12:40 PM



## AI ENABLED SECURITY

Microsoft Security Copilot

- Powered by ChatGPT-4 generative AI
- Used by security professionals through dialogue/chat functionality to identify, investigate, and remediate vulnerabilities/incidents
- Includes an immutable audit trail
- Can build prompt books for others in the organization to use
- Reverse engineer exploits, incident response, threat hunting, and security reporting

# AUDIT AND COMPLIANCE CONSIDERATIONS

# SEC CONSIDERATIONS



## Final Rule Highlights

- Form 8-K Item 1.05 will require registrants to disclose any cybersecurity incident they determine to be material within 4 business days after materiality determination.
- Regulation S-K Item 106 will require registrants to describe their processes for assessing, identifying, and managing material risks from cybersecurity threats in their 10-K in item 1-C. The rule also requires the registrant to describe board of directors' oversight of cybersecurity risks and management's role and expertise in assessing and managing material cybersecurity risks.
- Published in the Federal Register 8/4/2023
  - 8-K reporting effective on 12/18/2023
  - 10-K reporting effective for registrants filing after 12/15/2023

## Key Actions

- Align cybersecurity and risk management processes, controls, and communications across IT, financial reporting, management, and the board of directors, including:
  - Materiality definition
  - Incident response, evaluation, and reporting / disclosures
  - Roles, responsibilities and oversight of management and the board
- Document the company's processes for assessing, identifying, and managing material risks from cybersecurity processes, including:
  - Integration into the company's overall risk management system or processes
  - Use of consultants and other third-parties in relation to these processes
  - Oversight of third-parties, including cloud service providers, to identify material risks cybersecurity threats associated with these third-parties.

# SEC CONSIDERATIONS



- Cyber Incident Reporting for Critical Infrastructure Act of 2022:
  - Cyber incidents likely to result in harm to national security interests, the US economy, or public interests are required to be disclosed.
  - Ransom payments made to cyber criminals for qualifying incidents (listed above).
  - Disclosures made to the Cybersecurity and Infrastructure Agency (CISA) within 72 hours.

# TSA UPDATES: SECURITY DIRECTIVE PIPELINE 2021-02D



- Applies to owner/operators of TSA-designated hazardous liquid and natural gas pipelines or liquified natural gas facilities.
- Maintains the requirements to enhance cyber resilience through implementation of a TSA-approved Cybersecurity Implementation Plan (“CIP”).
- Goal is to reduce the risk that cybersecurity threats pose to critical pipeline systems and facilities.
- Implements layered security measures.

# KEY ACTIONS



- Develop network segmentation policies and controls to ensure that OT system can continue to safely operate in the event that an incident.
- Create access control measures to secure and prevent unauthorized access to critical cyber systems.
- Build continuous monitoring and detection policies and procedures to detect cybersecurity threats and correct anomalies that affect critical cyber system operations.
- Reduce the risk of exploitation of unpatched systems through the application of security patches and updates for operating systems, applications, drivers and firmware on critical cyber systems in a timely manner using a risk-based methodology.

# CENTER FOR INTERNET SECURITY



- The CIS Top 18 offer a streamlined version of critical cybersecurity controls for organizations.
- The most recent version combined controls, reducing the total number of controls from 20 to 18.
- Built on a foundation of basic cyber hygiene guidelines, which companion guides on self assessments, risk assessments, mobile device companion guides, cloud companion guides, and mappings to other regulatory frameworks.

# CIS TOP 18 CONTROLS

**CONTROL 01** Inventory and Control of Enterprise Assets

5 Safeguards | IG1 2/5 | IG2 4/5 | IG3 5/5

**CONTROL 02** Inventory and Control of Software Assets

7 Safeguards | IG1 3/7 | IG2 6/7 | IG3 7/7

**CONTROL 03** Data Protection

14 Safeguards | IG1 6/14 | IG2 12/14 | IG3 14/14

**CONTROL 04** Secure Configuration of Enterprise Assets and Software

12 Safeguards | IG1 7/12 | IG2 11/12 | IG3 12/12

**CONTROL 05** Account Management

6 Safeguards | IG1 4/6 | IG2 6/6 | IG3 6/6

**CONTROL 06** Access Control Management

8 Safeguards | IG1 5/8 | IG2 7/8 | IG3 8/8

**CONTROL 07** Continuous Vulnerability Management

7 Safeguards | IG1 4/7 | IG2 7/7 | IG3 7/7

**CONTROL 08** Audit Log Management

12 Safeguards | IG1 3/12 | IG2 11/12 | IG3 12/12

**CONTROL 09** Email and Web Browser Protections

7 Safeguards | IG1 2/7 | IG2 6/7 | IG3 7/7

**CONTROL 10** Malware Defenses

7 Safeguards | IG1 3/7 | IG2 7/7 | IG3 7/7

**CONTROL 11** Data Recovery

5 Safeguards | IG1 4/5 | IG2 5/5 | IG3 5/5

**CONTROL 12** Network Infrastructure Management

8 Safeguards | IG1 1/8 | IG2 7/8 | IG3 8/8

**CONTROL 13** Network Monitoring and Defense

11 Safeguards | IG1 0/11 | IG2 6/11 | IG3 11/11

**CONTROL 14** Security Awareness and Skills Training

9 Safeguards | IG1 8/9 | IG2 9/9 | IG3 9/9

**CONTROL 15** Service Provider Management

7 Safeguards | IG1 1/7 | IG2 4/7 | IG3 7/7

**CONTROL 16** Applications Software Security

14 Safeguards | IG1 0/14 | IG2 11/14 | IG3 14/14

**CONTROL 17** Incident Response Management

9 Safeguards | IG1 3/9 | IG2 8/9 | IG3 9/9

**CONTROL 18** Penetration Testing

5 Safeguards | IG1 0/5 | IG2 3/5 | IG3 5/5



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*Up Next:*

# Estate Planning and Probate Considerations for Energy & Business Owners

Gregory E. Martin, J.D., LL.M.

Stubbeman, McRae, Sealy, Laughlin & Browder, Inc.

# Estate Planning & Probate Considerations for Energy & Business Owners

2023 Energy Conference  
August 23, 2023  
Midland, Texas

GREGORY E. MARTIN  
Stubbeman, McRae, Sealy Laughlin & Browder, Inc.  
[www.stubbeman.com](http://www.stubbeman.com)

# Agenda

- Real Property Fundamentals
- LLC vs Trust
- Marital Property
- Estate Planning
- Probate
- As Seen on TV
- Takeaways

# Pop Quiz



# Question #1

Does everyone in this room have an estate plan?

a) Yes

b) No

# Question #2

How many witnesses are needed to make a valid will in Texas?

a) 0

b) 1

c) 2

d) 3

# Question #3

Does your property automatically transfer to your spouse at your death?

a) Yes

b) No

# Question #4

Does your property automatically transfer to the people named in your will at your death?

a) Yes

b) No

# Question #5

Does your will have to be probated?

a) Yes

b) No

# Real Property Fundamentals

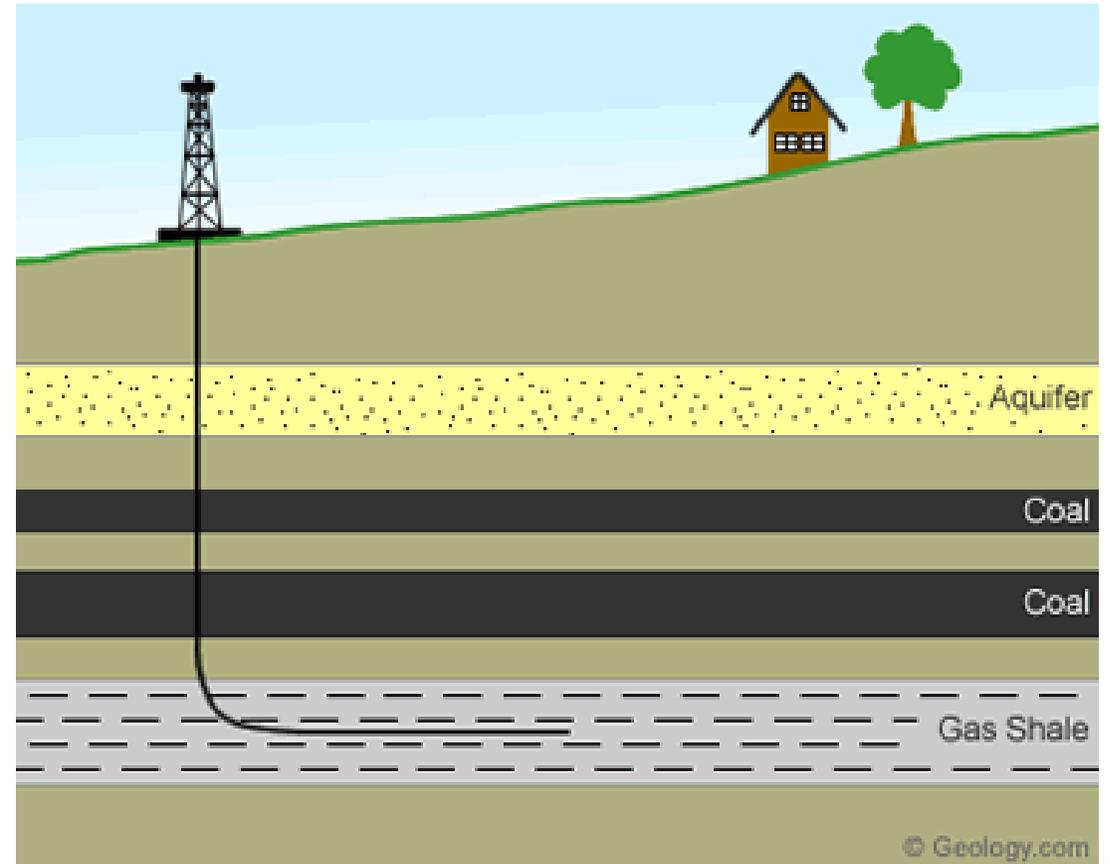
# Real Property

- Surface Estate

- Coal
- Timber
- Water
- Wind & Solar

- Mineral Estate

- Oil & Gas
- Uranium



# Mineral Estate - 5 Rights

1. Develop
2. Lease (a/k/a Executive Right)
3. Receive Bonus
4. Receive Delay Rentals
5. Receive Royalty

# Mineral Lease

- Lessor
  - Royalty Interest (RI)
  - Nonparticipating Royalty Interest (NPRI)
  - Possibility of Reverter in Mineral Estate (a/k/a Reversionary Interest)
- Lessee (a/k/a Oil Company)
  - Fee Simple Determinable in the Mineral Estate
  - Right to Develop
  - Working Interest (WI)
  - Overriding Royalty Interest (ORRI or ORI)

# Recordkeeping

- Deed(s)
- Memorandum of Oil and Gas Lease
- Oil and Gas Lease(s)
- Division Order(s)
- Transfer Order(s)
- Certified Copies of Last Will and Order Admitting Last Will to Probate

# LLC vs Trust



# Holding Vehicle

- Limited Liability Company (LLC)
- Trust
  - Revocable
  - Irrevocable

# Lifespan of the Holding Vehicle

- Formation
- Operation
- Exit

# Formation

- Complexity
- Organizational Documents
  - ↑ Revocable Trust
  - ← LLC and Irrevocable Trust
- Capitalization
  - Initial
  - Additional
    - ↑ LLC & Revocable Trust
    - ↓ Irrevocable Trust

# Operation

- Control

- Current

-  LLC & Revocable Trust
    -  Irrevocable Trust

- Beyond the Grave

-  Revocable & Irrevocable Trust
    -  LLC

- Modification

-  LLC & Revocable Trust
  -  Irrevocable Trust

# Operation - Taxes

- Estate Tax
  -  LLC & Irrevocable Trust
  -  Revocable Trust
- Income Tax
  -  LLC & Revocable Trust
  -  Irrevocable Trust

# 2023 Income Tax Brackets

Tax Rate	Trust (Taxable Income)
10%	\$2,900
24%	\$10,550
35%	\$14,450
<b>37%</b>	<b>\$14,451+</b>

Tax Rate	Single	Married Filing Jointly	Head of Household
10%	\$11,000	\$22,000	\$15,700
12%	\$44,725	\$89,450	\$59,850
22%	\$95,375	\$190,750	\$95,350
24%	\$182,100	\$364,200	\$182,100
32%	\$231,250	\$462,500	\$231,250
35%	\$578,125	\$693,750	\$578,100
<b>37%</b>	<b>\$578,126+</b>	<b>\$693,751+</b>	<b>\$578,101+</b>

# Operation – Tax Returns

- Quarterly Deposits of Estimated Tax
  -  LLC & Revocable Trust
  -  Irrevocable Trust
- Texas Franchise Tax
  -  Revocable & Irrevocable Trust
  -  LLC

# Operation – Creditor Protection

- Veil Piercing
  -  LLC
  -  Irrevocable Trust
  -  Revocable Trust
- Reverse Veil Piercing
  -  LLC & Irrevocable Trust
  -  Revocable Trust

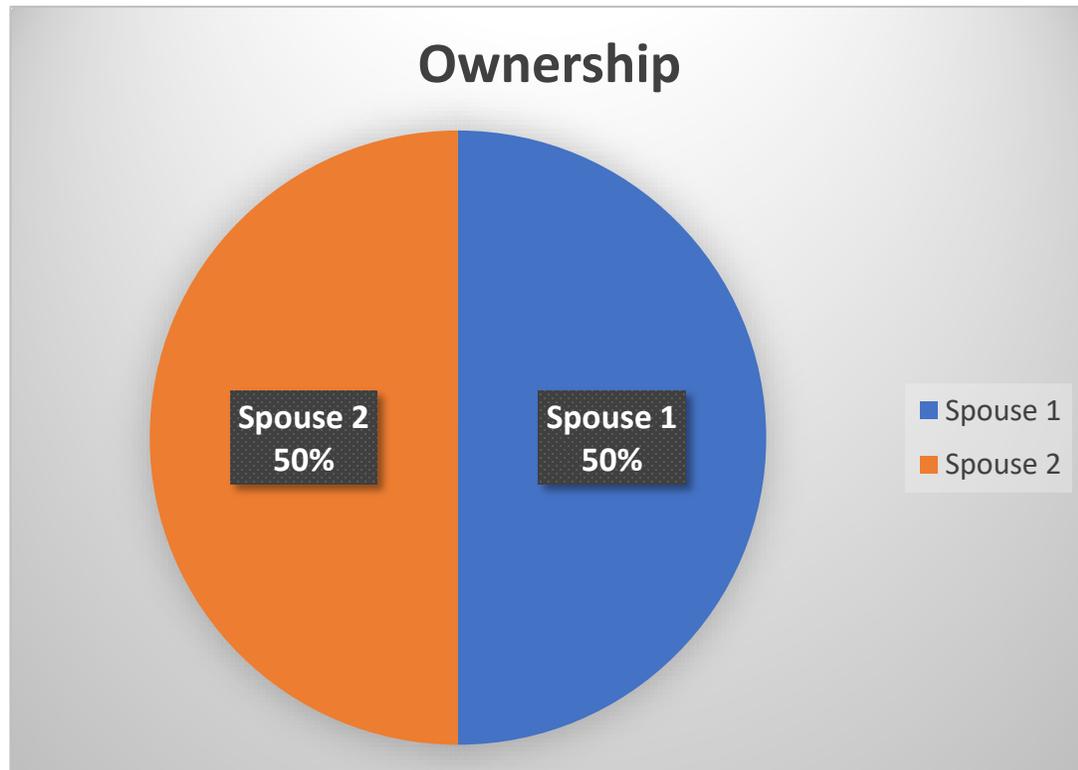
# Exit

- Duration
  -  LLC
  -  Revocable & Irrevocable Trust
- Extracting money or property
  -  Revocable Trust
  -  LLC (SECA concern)
  -  Irrevocable Trust

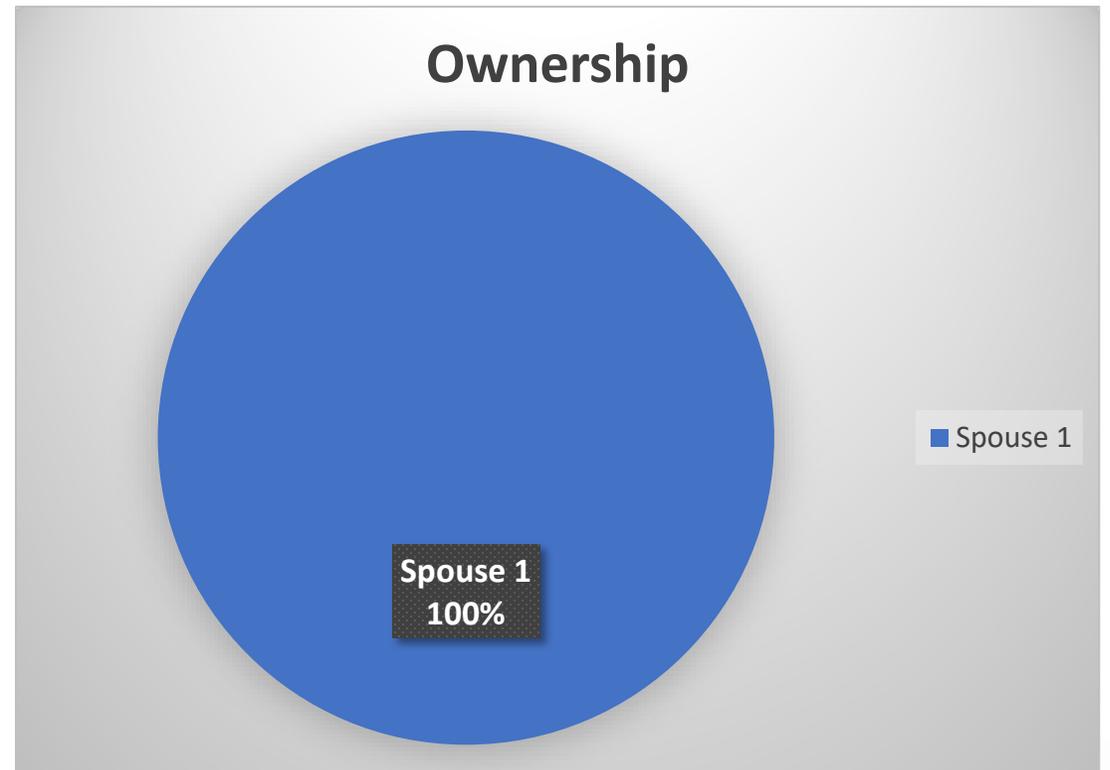
# Marital Property

# Marital Property

## Community Property



## Separate Property



# TX Property Tracing

- Conduit Method
- Community-Out-First Method

# *Estate of Tillotson* (Tex. App.-Dallas, 2020)

- 1980 – Married
- 2017 – W dies intestate
- W's daughter from a prior marriage appointed estate administrator
- Assets:
  - H's Rollover IRA = \$1.3 million
    - Earned during marriage
    - Funded with community property
    - (\$650K community interest)
  - H's Roth IRA = \$23K
    - Earned during marriage
    - Funded with community property
    - \$11.5K community interest

# Estate Planning

# Property Analysis

- **Location**

- Texas
- Anywhere else

- **Type**

- Personal
- Real (i.e., Land)

- **Classification**

- Community or Separate
- Probate or Nonprobate

# Gift vs Inheriting

- Amount Realized – Cost Basis = \$\$\$
- Cost Basis
  - Carryover
  - Basis Adjustment
- Thresholds:
  - Gift Tax
  - Estate Tax Return

# Estate Tax Exemption Amount

Year of Death	Basic Exclusion Amount
1987 – 1997	\$600K
2002 – 2003	\$1 million
2017	\$5.49 million
2018	\$11.18 million
2019	\$11.4 million
2020	\$11.58 million
2021	\$11.7 million
2022	\$12.06 million
2023	\$12.92 million
2024	> \$13 million
2025	> \$13 million
2026	\$7 million???

# Business Considerations

- Ownership
  - Valuation
  - Transfer Restrictions
  - Compensation
- Management
  - Key Employees
  - Access to Bank Accounts
  - Major Decisions

# MythBusters: Life Insurance

- Income Tax
- Estate Tax

**STATUS: BUSTED**



# Asset Traps



- **Car Title**: Lien(s)
- **Home**:
  - Lien(s)
  - Gift but still living there
  - Property tax exemptions
- **Bank Account(s)**: Signature Card
- **Retirement Account**:
  - SECURE Act
  - SECURE Act 2.0

# Tools

- During Life:
  - Powers of Attorney
  - Trust(s)
  - Loans
    - Intrafamily loans
    - AFR rates
    - Imputed income
    - How to document loans
- Death:
  - Will
  - Transfer-on-Death Deed
  - Joint Tenants with Rights of Survivorship
  - Beneficiary Designation

# Applicable Federal Rates (AFR) for Sept. 2023

	Annual	Semiannual	Quarterly	Monthly
Short-term AFR	5.12%	5.06%	5.03%	5.01%
Mid-term AFR	4.19%	4.15%	4.13%	4.11%
Long-term AFR	4.19%	4.15%	4.13%	4.11%

# Unusual Assets

- Cryptocurrency
- National Firearms Act (NFA) Firearms (e.g., “Class 3 Weapons”)
- Brothels
- Illegal Drugs
- Semen
- Pocket Knife

# Probate

# Overview

- Important Time limits
  - 3 years
  - 4 years
- Executor / Administrator Duties
  - Court
  - IRS
  - Distributing the Estate

# Probate Complications

- Illegitimate children
- Formula clauses
- Testate vs Intestate
  - Affidavit of Heirship
  - Determination of Heirship
- Ancillary Probate



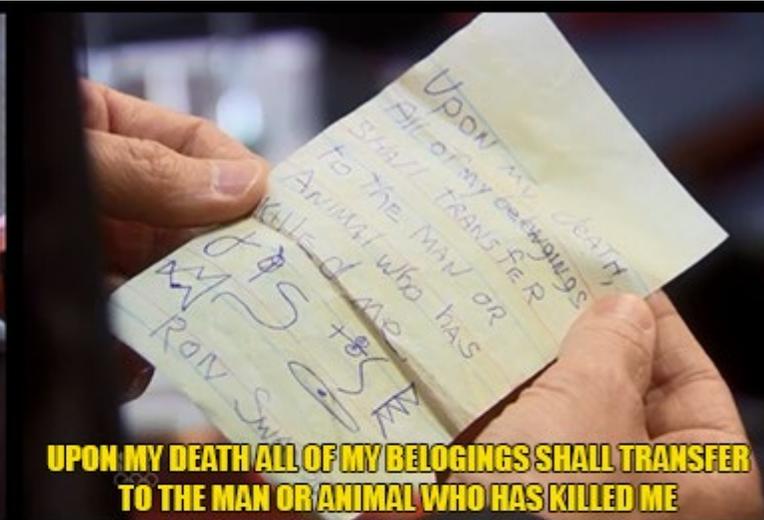
# *Newman v. U.S.* (D. Mass., 2023)

- 02/16/2017 – Father (settlor) died
- Trust Agreement required division of trust into two subtrusts:
  - Good son: Albert Todesca
  - Bad son: Paul Todesca
  - Total trust value = \$764,483.12
- 01/02/2020 – IRS levied trust
- 10/14/2020 – bank deposited funds with court (\$304,754.16)

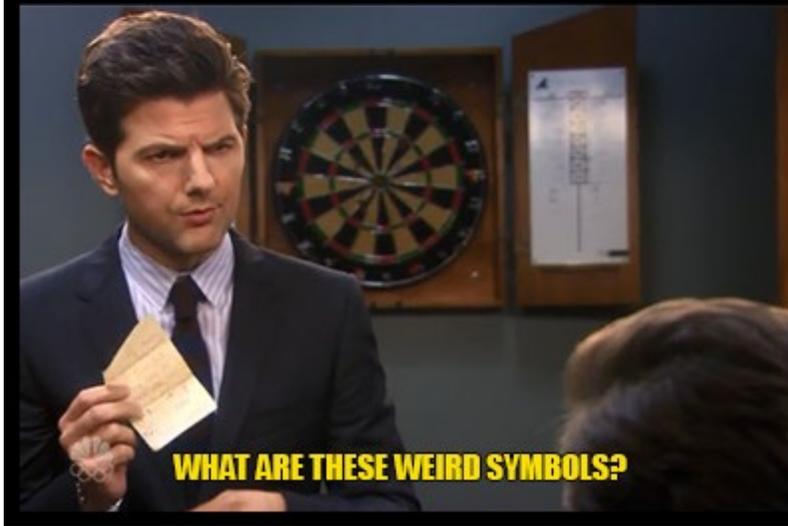
As Seen on TV



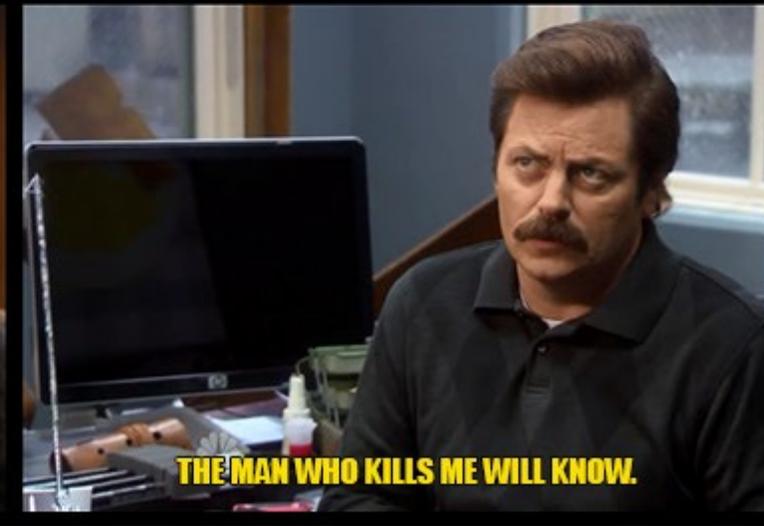
**I'VE HAD THE SAME WILL SINCE I WAS 8 YEARS OLD**



**UPON MY DEATH ALL OF MY BELOINGS SHALL TRANSFER  
TO THE MAN OR ANIMAL WHO HAS  
KILLED ME**

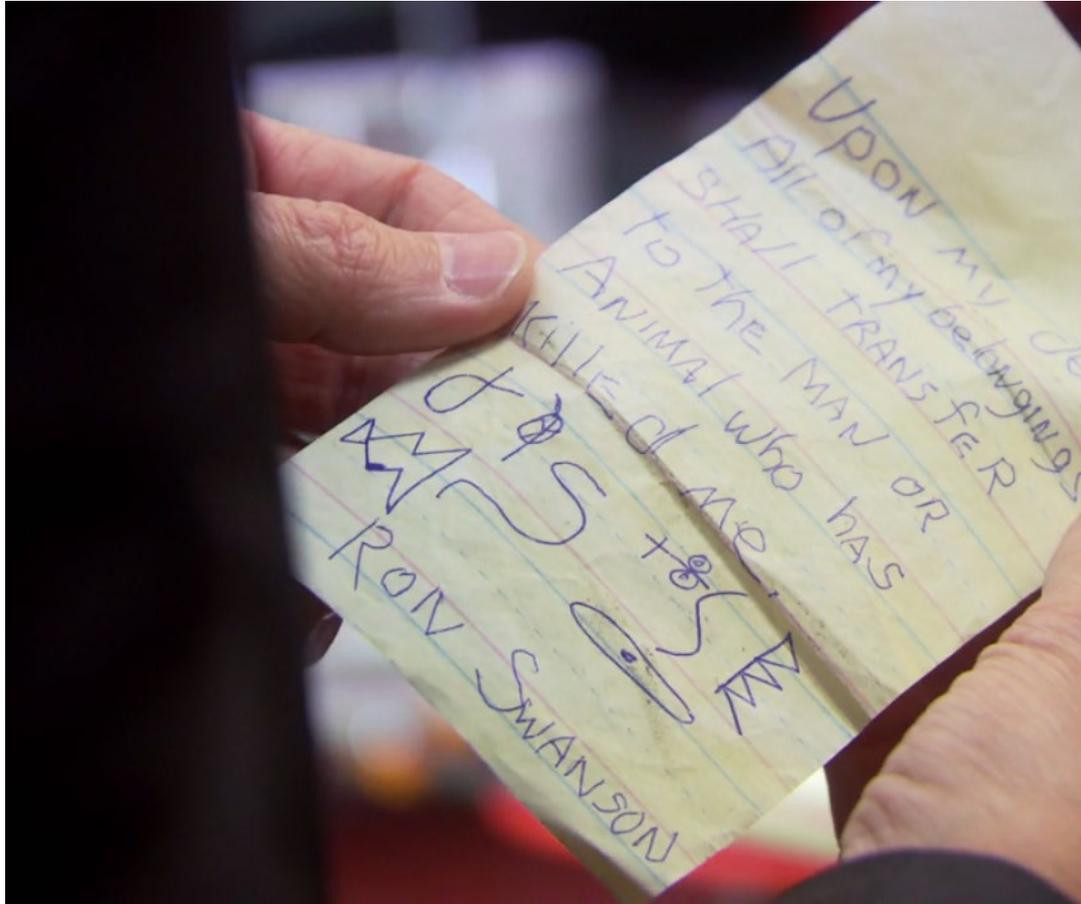


**WHAT ARE THESE WEIRD SYMBOLS?**



**THE MAN WHO KILLS ME WILL KNOW.**

# Parks and Recreation Scene



- I've had the same will since I was 8 years old.

- Ron Swanson

- You know if you die and don't have a real will most of what you own will go to the government.

- Ben Wyatt

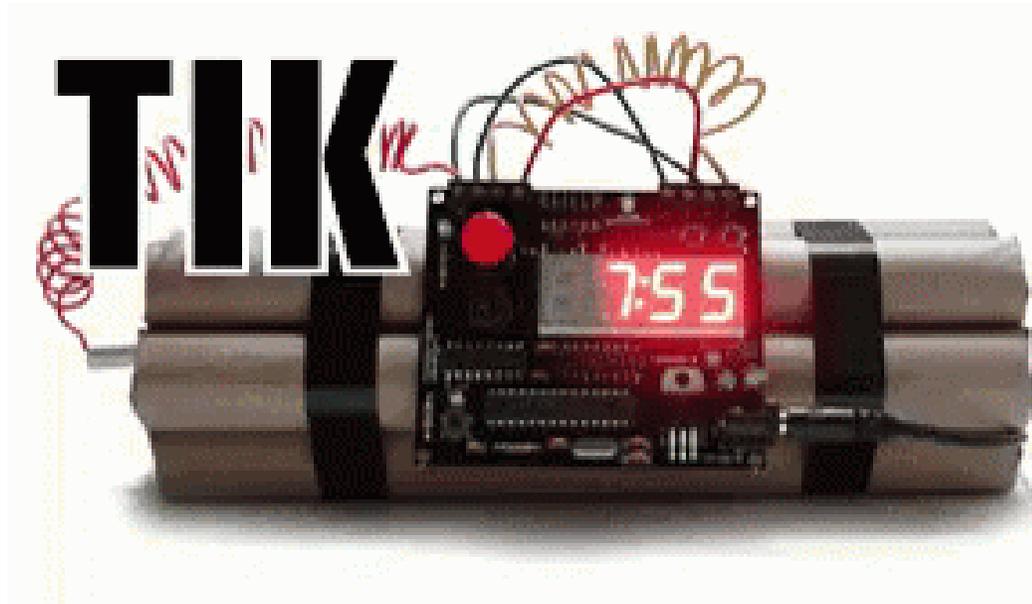
# Takeaways

# Review Your Will

- Major life changes
- Major changes in the law
  - 1990s
  - 2018
  - 2026
- Every 5 – 10 years

# People and Timing

- Nothing is Wrong
- Recognize the Problem
- Solve the Problem



# Build a Team

- Accountant
- Attorney
- Financial Advisor





# The End

GREGORY E. MARTIN

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gmartin@stubbeman.com

# Break

# *Up Next:* Navigating the Insurance Market

David Artzerounian

USI

# *Keynote Spotlight:* Issues & Challenges in the Energy Industry

Ben Shepperd

Stephen Robertson

Michael Lozano

Petroleum Basin Petroleum Association

# Issues & Challenges in the Energy Industry

Presented by Ben Shepperd, Stephen Robertson, & Michael Lozano



# Break

*Up Next:*

# On Demand: The Importance of a Modern Technology Suite in Oil & Gas

Ryan Monahan

Kevin McArthur

Quorum Software



# Upstream On Demand

A Modern Technology Suite in Oil & Gas

August 23, 2023



# Introductions



**Ryan Monahan**  
Director, Channels & Global Alliances



**Kevin McArthur**  
Senior Solutions Architect

# Transforming the Business of Energy through Technology

## Industry Leadership

**95%**  
Top 20 E&P companies  
in the US trust Quorum

**1,300+**  
Customers from  
emerging operators to  
supermajors & NOCs

**1,450+**  
Team members with  
centuries of combined  
energy experience

## Technology Leadership

**25 Years**  
Of developing and  
delivering Energy Solutions

**25%**  
Annual budget for  
R&D as a percentage  
of software revenue

**500+**  
Employees dedicated  
to product development  
and innovation



Energy IQ: Master Data Management | Visualization & API Integration | Document Management

**Services & Support**

Consulting | Implementation | Upgrades | Managed Services | Quorum University

Self Service | Help Desk | Incident & Service Requests | Out of Scope Support | Core Engineering Support | Hypercare

# Upstream On Demand

Upstream Energy Software with the Simplicity of the Cloud

Planning,  
Economics &  
Reserves

**Execution &  
Well Operations**

**Production  
Management**

**Land & Lease  
Management**

**Accounting**

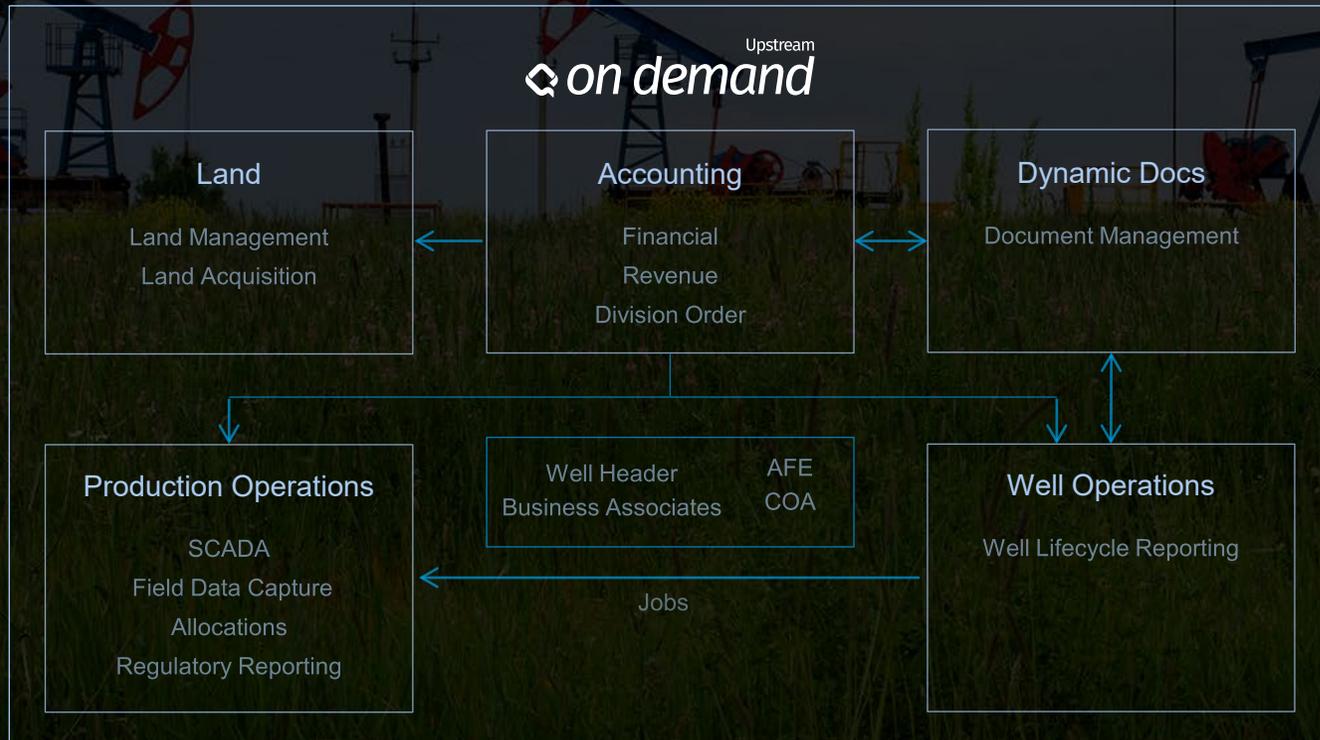
Measurement

Midstream

LNG &  
Distribution

Logistics  
Management

OGsql



# Key Highlights

500+

Companies (and Counting)  
Trust One or More On  
Demand Products

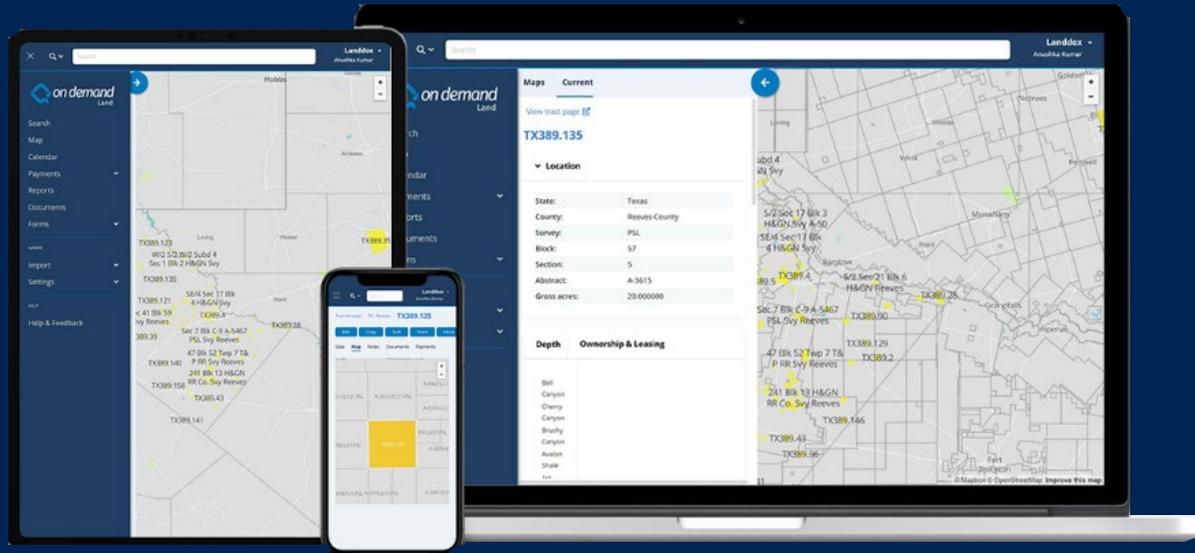
95%

Average CSAT Score Across  
On Demand Suite of  
Solutions

# Some of Our Customers...



# Delivering Decision-Ready Data Anywhere, Anytime



**Platform that Speaks the Language of Innovation**

Connect Your Teams & Systems from Daily Drilling Reports, SCADA, Field Data Capture, Production Allocations, Land Payments, Accounting, Revenue, & Division Order

SaaS

Functionality  
Delivered with  
Zero Downtime

Always on the  
Same Version

Flexible Customer  
Configuration

Transparent  
Subscription  
Model

Prompt Onboarding  
Supporting Startups  
and A&D

# On Demand | Architecture

**Native Web UI** | Okta enabled secure access from anywhere, no IT infrastructure required



**Self-Service Tooling** | Custom forms, fields, imports, reports, and maps; all without calling Quorum



**Purpose Built Integration** | GIS, OpenInvoice, Check Printing



**Audit Service** | enterprise class; every change, who made it, when it happened



**API Layer** | Easily share information with 3rd party apps. Enables you to be in control of your integrations and utilize bots and AI to automate workflows



**Data Hub** | A secure Azure hosted data store. Connect your own DW or BI solutions.



# Core Capabilities

On Demand  
Land (formerly  
Landdox)

On Demand  
Accounting  
(formerly OGsys)

On Demand Well  
Operations  
(formerly Wellez)

On Demand  
Production  
Operations

Dynamic  
Docs

On Demand  
Data Hub

# Delivering Flexible & Intuitive Land Management

On Demand  
Land (formerly  
Landdax)

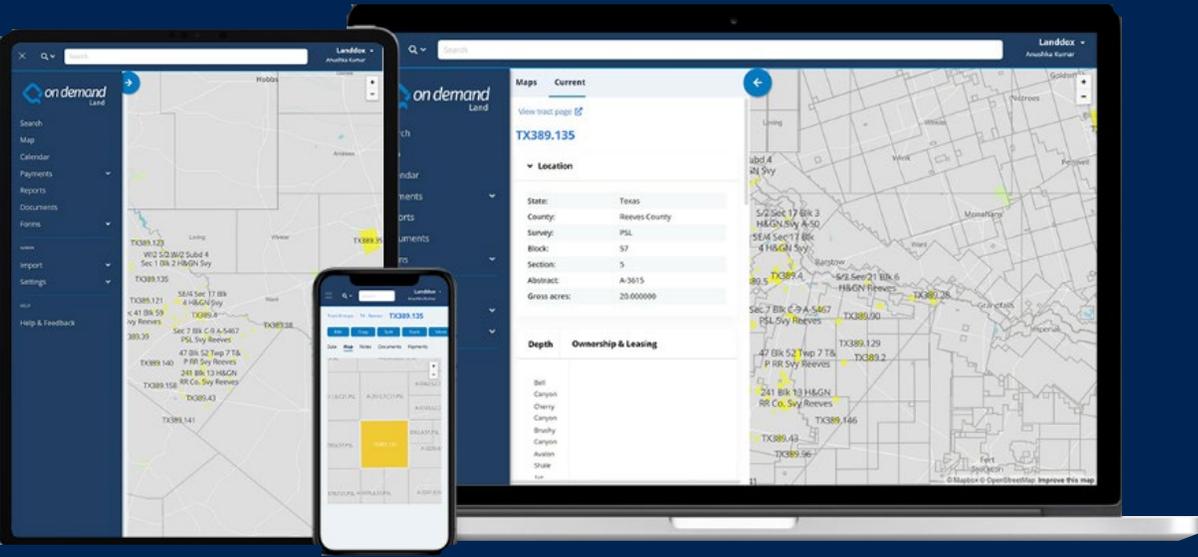
On Demand  
Accounting

On Demand  
Well Operations

On Demand  
Production  
Operations

Dynamic  
Docs

On Demand  
Data Hub



**Stay Lean, Agile & Compliant at Any Size**

Account for Every Acre at Any Depth With Flexible, Tract-based Analytics, Combines Lease Management, Lease Acquisition, Obligation Management, Right of Way & GIS

# Delivering Purpose-Built & Modern Accounting

On Demand  
Land

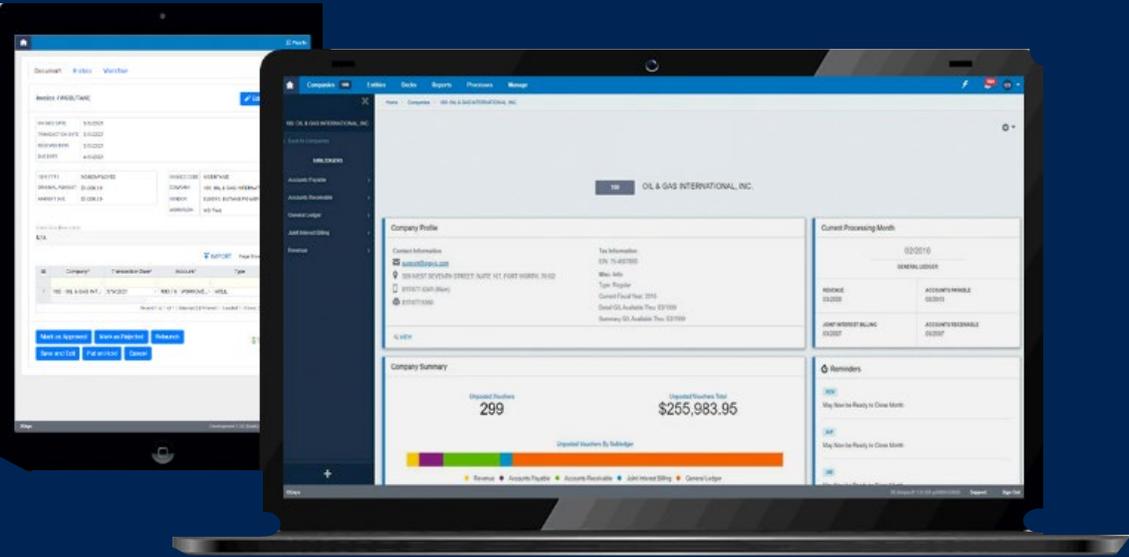
On Demand  
Accounting  
(formerly OGsys)

On Demand  
Well Operations

On Demand  
Production  
Operations

Dynamic  
Docs

On Demand  
Data Hub



**Track Your Financials & Revenue from Exploration to Distribution**

Streamline Your Daily Accounting Activities by Utilizing Modern Technology, Tools Such As Fully Integrated AP Workflow, Self-Service Import/Export Tools & On Demand Data Hub Puts All The Power In Your Hands to Meet Your Unique Business Needs

# Delivering Automated Well Lifecycle Operations

On Demand Land

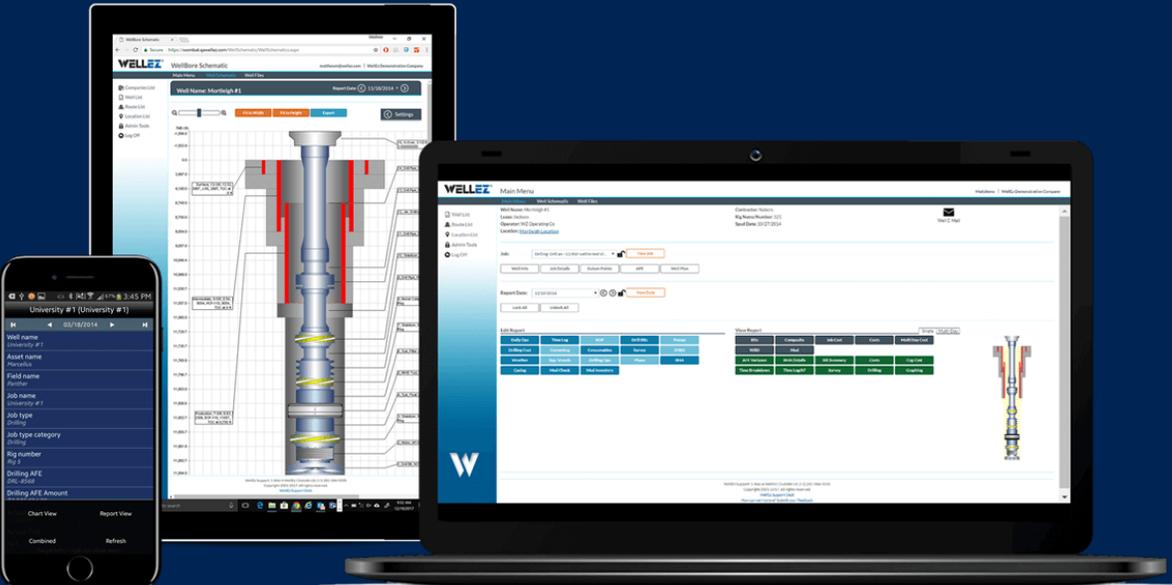
On Demand Accounting

On Demand Well Operations (formerly Wellez)

On Demand Production Operations

Dynamic Docs

On Demand Data Hub



**Make Confident Decisions During Every Phase Of the Well**

Enable Your Operations Team with Automated Cloud-based Drilling, Completion, Workover Reporting, Facility/LOE Cost & Activity Data

# Delivering End-to-End Production Management

On Demand  
Land

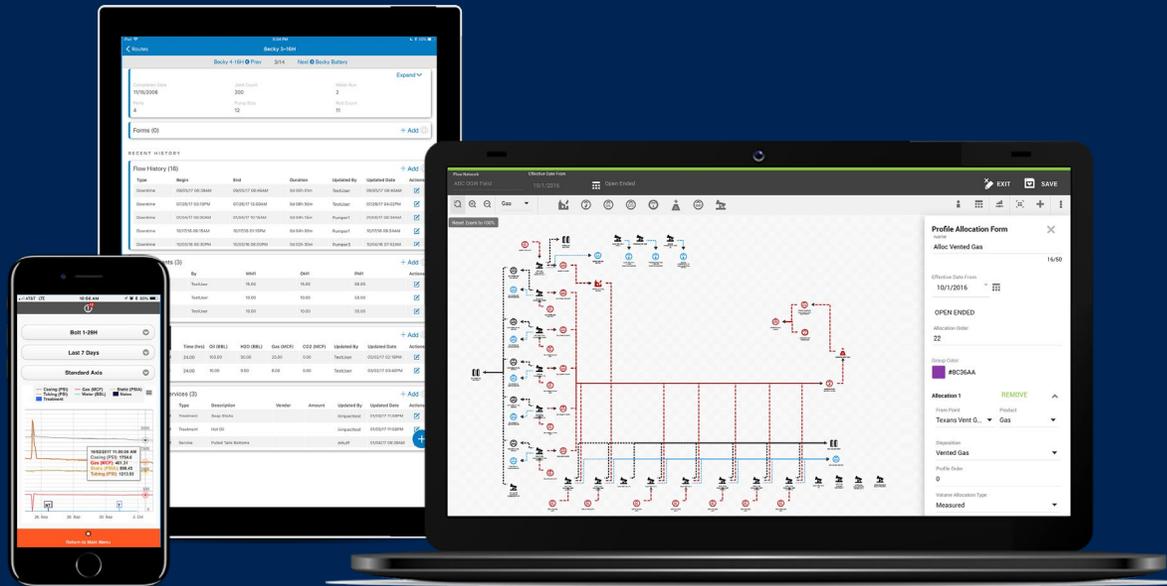
On Demand  
Accounting

On Demand  
Well Operations

On Demand  
Production  
Operations

Dynamic  
Docs

On Demand  
Data Hub



**Automate Dataflow from the Wellhead to the Back-Office**

Advance Production with One Integrated Solution Combining SCADA, Field Data Capture, Production Allocation & Regulatory Reporting

# Delivering Centralized Location for All Documents

On Demand  
Land

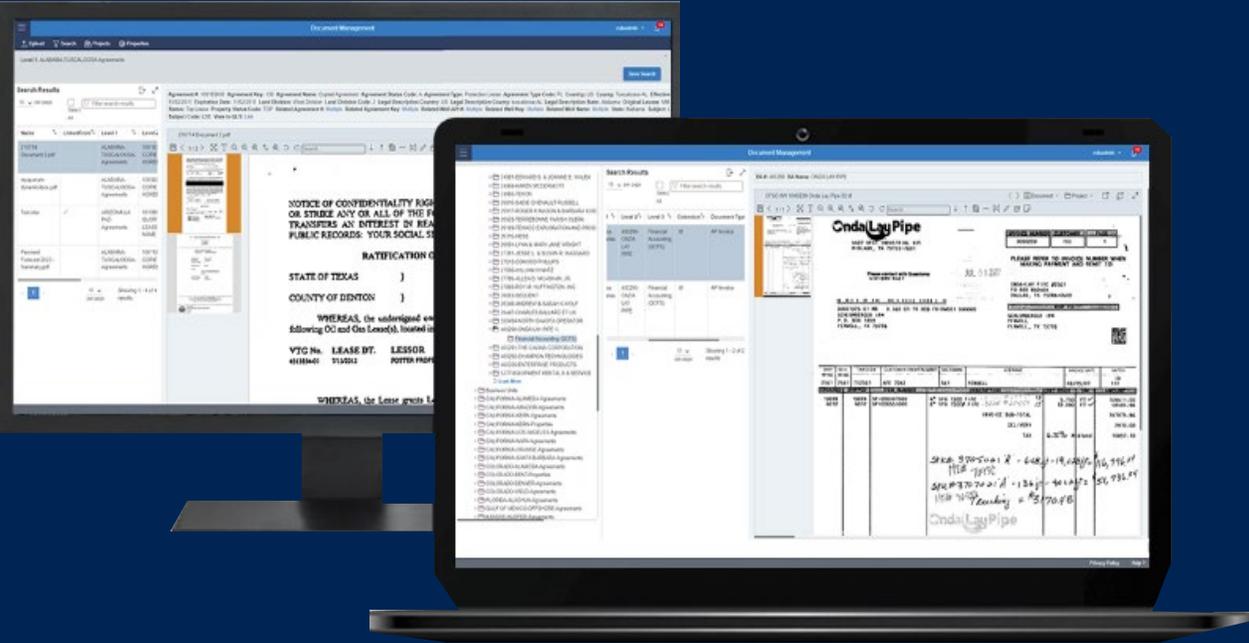
On Demand  
Accounting

On Demand  
Well Operations

On Demand  
Production  
Operations

Dynamic  
Docs

On Demand  
Data Hub



## Solving Your Common Document Management Issues

Eliminate Document Chaos, Improve Collaboration & Organization with Centralized Access to All Your Land, Accounting & Well Files Online

# Delivering Flexible Reporting with On Demand Data Hub Upstream *on demand*

On Demand Land

On Demand Accounting

On Demand Well Operations

On Demand Production Operations

Dynamic Docs

On Demand Data Hub

## Data Hub

No compiling, no correcting, just clean data from every part of your business in no time.

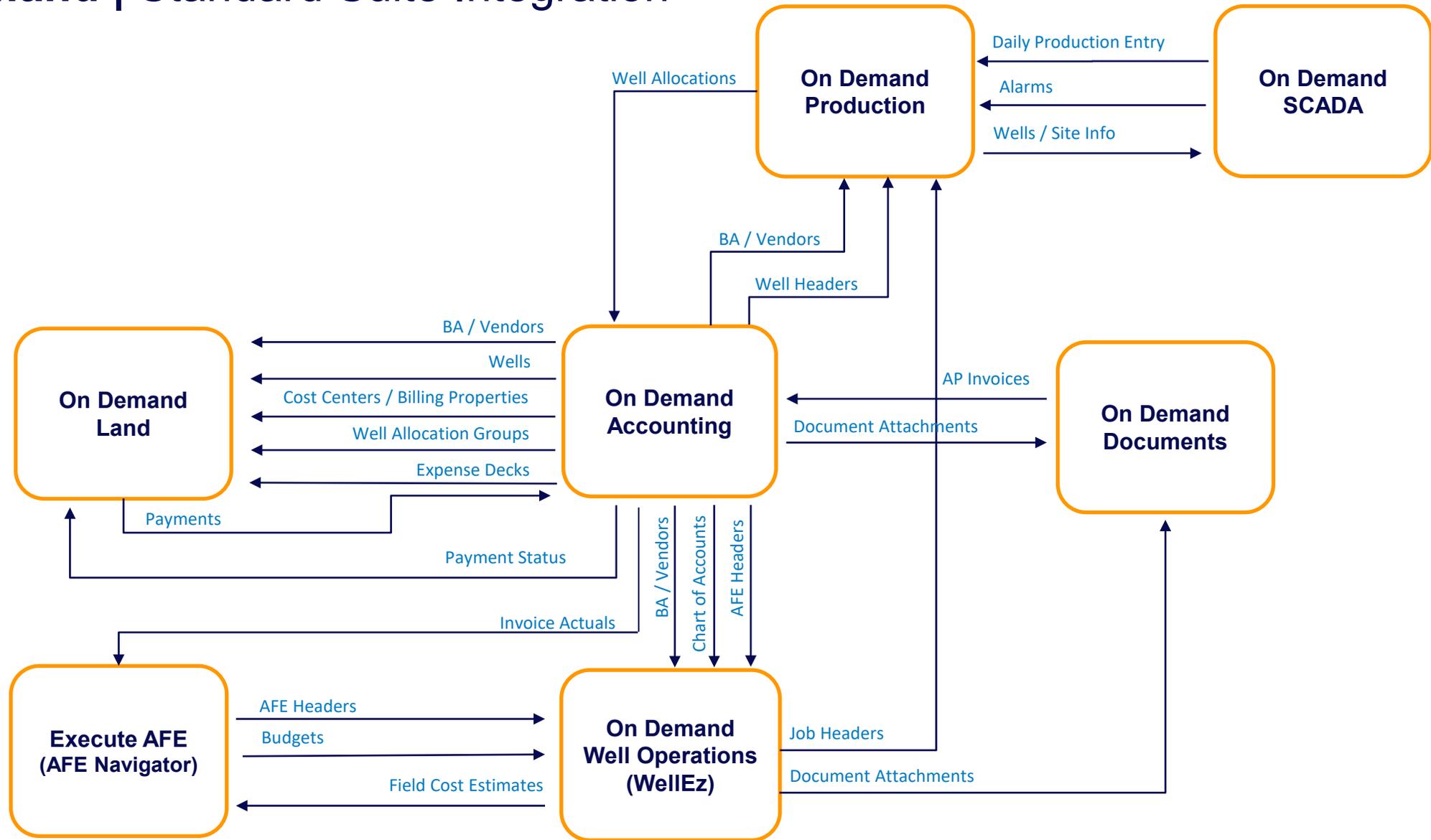


**Free Your Data:** Pull the data into your own on-premise data stores and integrate with other enterprise data.

**BYO-BI:** Use any leading BI tool (PowerBI, Spotfire, Tableau) to connect and build your own BI analytics.

**Future Proof:** We focus on serving you data so that you have the freedom to evolve your data visualization strategy independent of the operational applications

# On Demand | Standard Suite Integration



# An Extension of Your Team | Superior Customer Experience

## Dynamic Docs

### Onboarding

End-to-End Assistance from Experts Pre- & Post-sale to Deliver a Successful Implementation

### Engagement

Relationships Built on Accountability & Trust for a Proactive Approach to Delivering Solutions

**On Demand Accounting**

**On Demand Well Operations**

**On Demand Land**

**On Demand Production Operations**

### Support

Industry Experienced Professionals with the Knowledge & Tools to Solve Problems Quickly

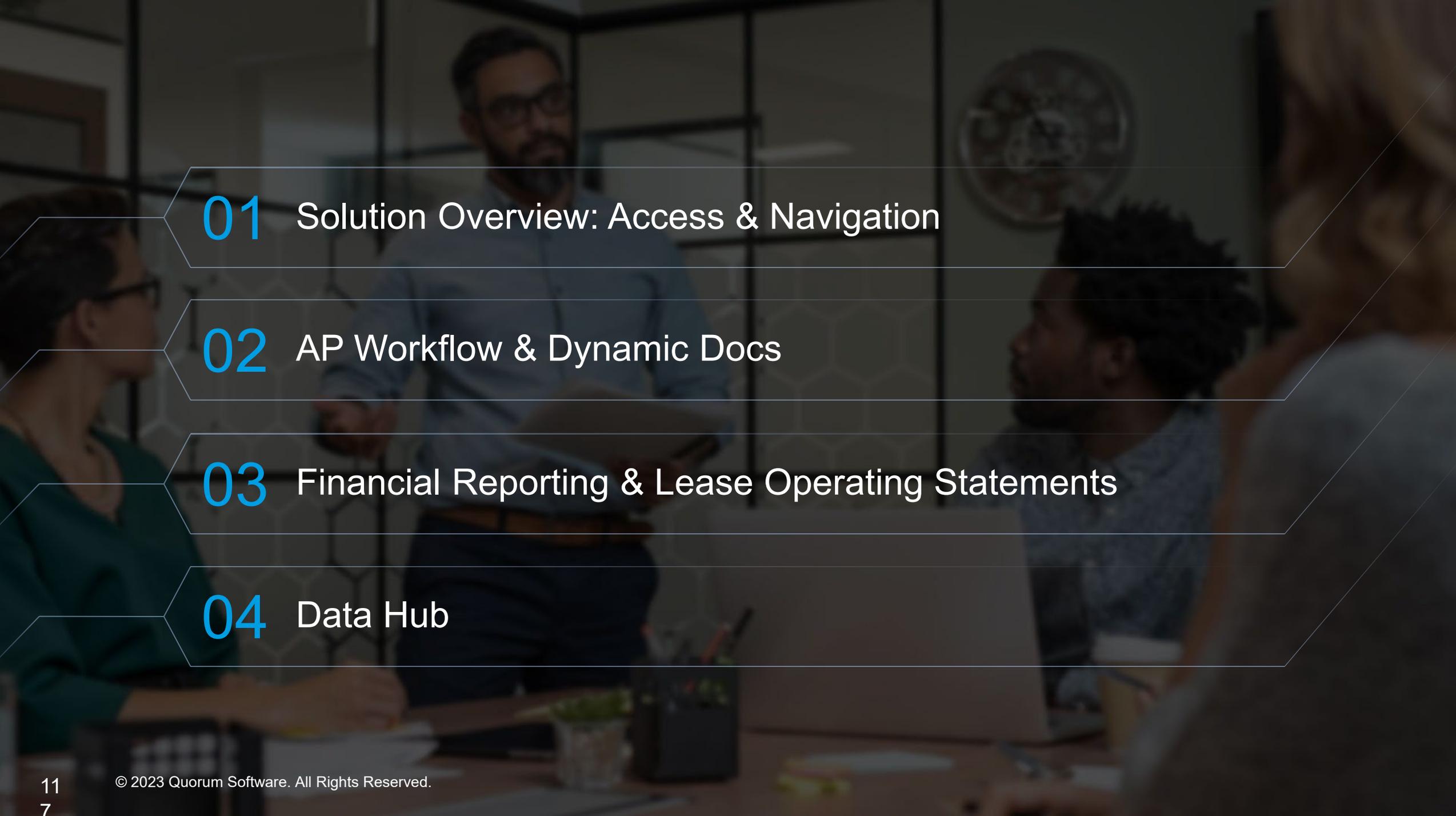
### Education

Shared Industry Best-practices that Align with Customer Plans & Deliver Maximum Investment Value

# Demo

Let's Explore On Demand Accounting





**01** Solution Overview: Access & Navigation

**02** AP Workflow & Dynamic Docs

**03** Financial Reporting & Lease Operating Statements

**04** Data Hub



Thank You.  
May We Answer Your Questions?

[quorumsoftware.com](https://quorumsoftware.com)



# *Up Next:* Mineral Management Update

Buffie Campbell

Whitley Penn

# MINERAL MANAGEMENT

ISSUES & UPDATES FOR MINERAL OWNERS



# WHAT IS MINERAL MANAGEMENT?



- The Whitley Penn Mineral Management Team's goal is to make the owner's life as easy as possible by moving all mail, depositing, paperwork, etc. to our team. We also want the client to fully understand the status of operation on what they own, while also having peace of mind that the highest value will be extracted from those assets for years to come.
- Our team of experts include attorneys, certified landmen, certified mineral managers, CPAs, tax specialists, and certified appraisers.
- WP currently manages over 1,500,000 gross mineral acres and ~9,000 individual well bores across the United States, representing individual mineral owners, working interest owners, trusts, family offices, foundations, charities and aggregate mineral buyers.

# MINERAL MANAGEMENT 101

UNCOVER THE FULL VALUE OF YOUR MINERAL PORTFOLIO

- **Asset Inventory** - Know what you own
- **Royalty Audit** - ex: TX has 4-year look-back period
- **Division Order Review** - Confirm interest in a well or unit
- **Proactive Land Management** - Look for issues with payments before they get out of hand, monitor permits, drilling, and timeliness of payments.
- **Software that you're comfortable working with**

## WHAT TO WATCH OUT FOR

### Check Detail Reviews:

1. Deductions
2. Severance Tax
3. Decimal Interest

### Property Tax

### Case Law we're watching that may affect future leasing:

- Produced Water
- Pore Space law



---

# 1. DEDUCTIONS



# TYPES OF DEDUCTIONS

1. State imposed taxes
2. Post-production Costs - expenses incurred in order to get the product from the wellhead to market
  - Gathering
  - Compression
  - Dehydration
  - Transportation
  - Marketing
  - Treating
  - Processing
  - Handling
  - Fuel
  - Low volume fee



## ***BURLINGTON RESOURCES OIL & GAS CO., LP V. TEXAS CRUDE ENERGY LLC, 573 S.W.3D 198 (TEX. 2019)***

- *Burlington* – court re-iterated that royalty owners generally do not pay production costs, such as for geophysical surveying and drilling wells, but usually are required to pay post-production costs that are incurred to bring gas from the wellhead to market.
  - “market value at the well” defined as the commercial market value less expenses incurred to get product to market.
- *Burlington* allowed for varied definition of the value point and the value method so that post-production costs could be separated from the royalty calculated.
  - “gross value received” prohibits post-production deductions
  - “at the well” permits post-production deductions

## STRONG LEASE LANGUAGE IS KEY TO AVOIDING DEDUCTIONS

- Express wording in the Lease
- Cost-free clause for deductions
- Case law can be very specific

*Be aware of deduction changes over time.*

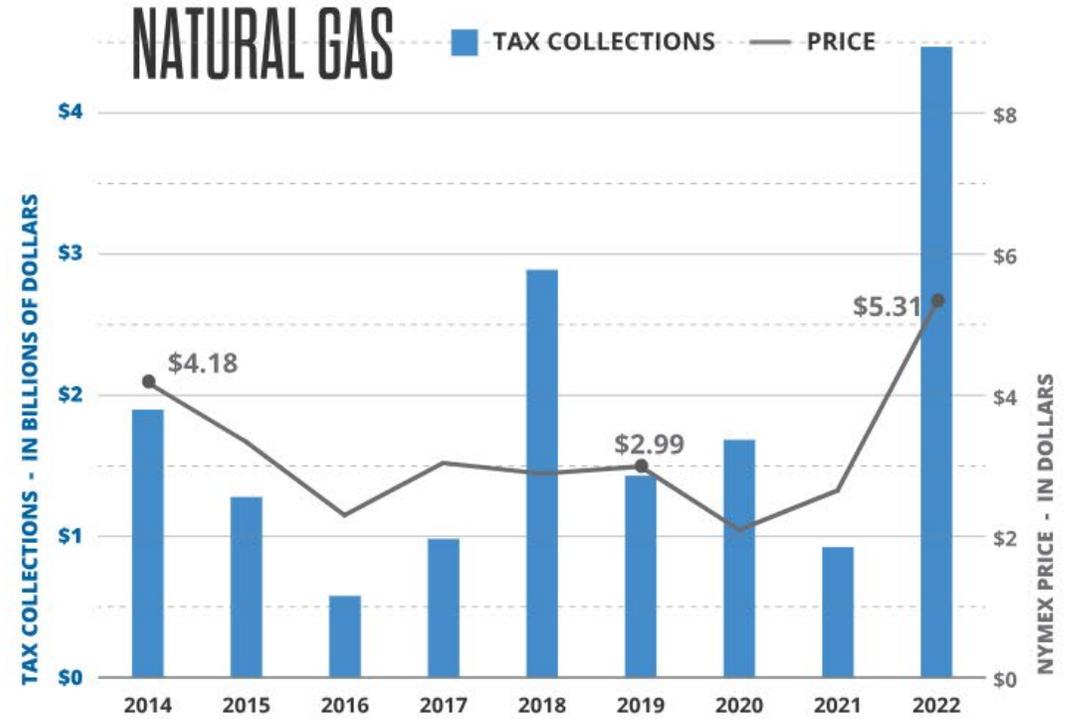
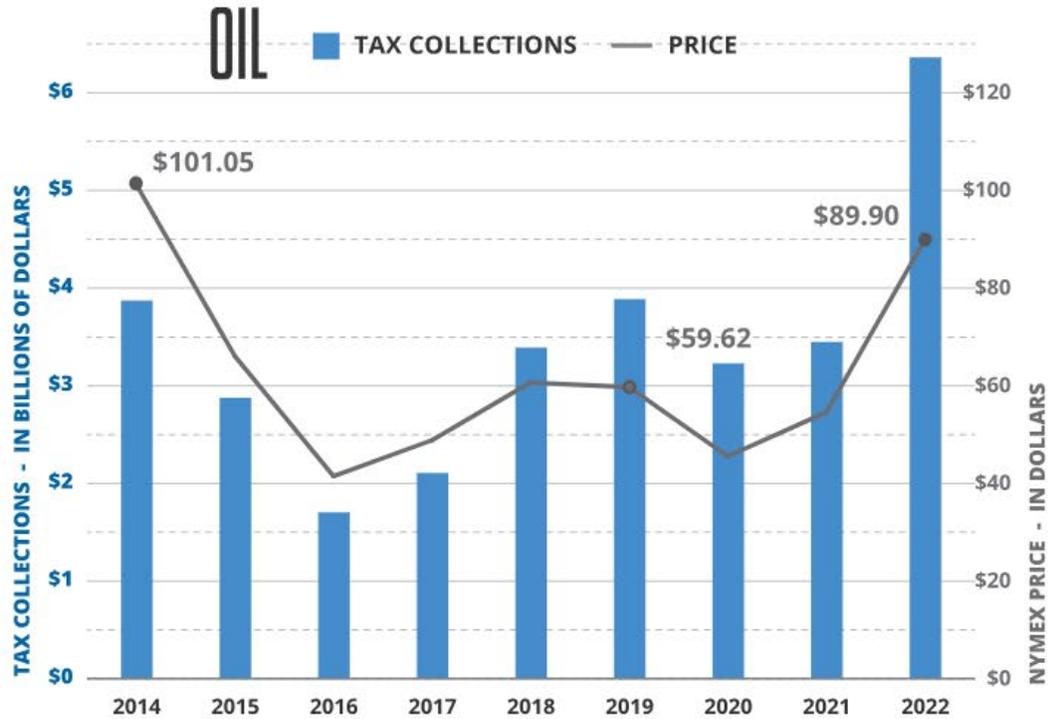
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## 2. SEVERANCE TAX

- State tax imposed on the extraction of non-renewable natural resources, including oil, gas and mineral interests
- HIGHLY VOLATILE! – determining factors are PRICE and PRODUCTION
- Budgets are generally estimated based on multi-year severance tax averages



# Oil and Natural Gas Production Taxes, Annual Collections and NYMEX Oil and Natural Gas Prices, FY 2014-2022



Sources: Texas Comptroller of Public Accounts; U.S. Energy Information Agency (EIA)

**Glenn Hegar**

Texas Comptroller of Public Accounts

## SEVERANCE TAX RATES

### North Dakota:

- Generally, 5%
- Also levies oil extraction tax of 6.5%
- Incentives for secondary and tertiary recovery projects

### Oklahoma:

- Generally, 7%
- New wells = 5% for first 36 months
- Lower tax rates for secondary and tertiary recovery projects

### Texas:

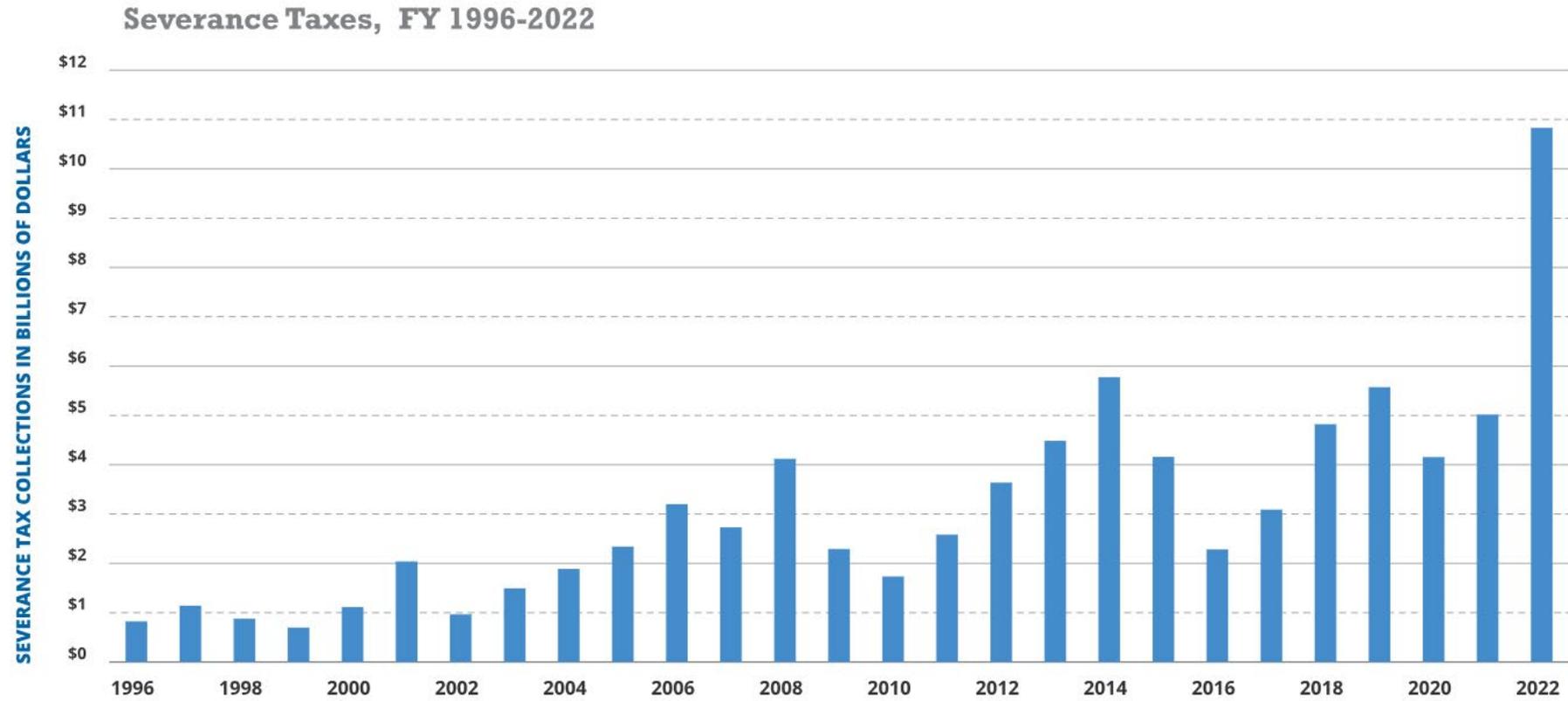
- Gas = 7.5%
- Oil = 4.6%
- Condensate = 4.6%
- Incentives for Enhanced Oil Recover (EOR), marginal wells and reuse/recycle hydraulic frac water, etc.

## SHOW ME THE MONEY?

- Most states allocate a larger portion of severance tax revenue to the general fund
- **OKLAHOMA:** Split between counties and school districts with remainder going to the state
  - 2022 – collected \$1.152 billion
- **NORTH DAKOTA:** Split between State, Local, Tribal and permanent savings via the North Dakota Legacy Fund
  - 2021- collected \$1.662 billion
- **TEXAS:** Split between rainy day fund, state highway fund and the Foundation School Program (ensures that all school districts, receive "substantially equal access to similar revenue per student at similar tax effort." – Texas Education Agency)



Texas collected \$10.83 billion in 2022 – HIGHEST EVER!



Source: Texas Comptroller of Public Accounts

**Glenn Hegar**

Texas Comptroller of Public Accounts

93-011 (10-22)

### 3. ACCURATE OWNERSHIP DECIMAL

- Calculate your interest
- Confirm decimal on check is consistent with executed Division Orders
- Contact the payor about discrepancies.


$$\text{Decimal} = \frac{\text{Net Acres}}{\text{Gross Acres}} \times \text{Royalty \%}$$

## DECIMAL DISCREPANCIES?

- Title Issues/Concerns
- Human error
- System glitches
- Merger/Acquisition with incorrect deck pages



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## PROPERTY TAX

In March, county appraisal districts deliver value assessments which can be protested if the mineral owner does not agree with the value.

- Mineral valuation can be determined using a
- Market Value Comparison or
- Discounted Cash Flow calculation

If not filing a protest, ask about early payment discounts.



# DISCOUNTED CASH FLOW



Gross well valuation proportionately reduced by net ownership.

Accounts for 4 variables to determine well value:

1. production decline curve
  - compare volumes on check details to volumes reported at RRC
2. operating expenses
3. prices
4. discount rate

# PENDING LEGISLATION



House Bill 456 originally allowed royalties owned by charities to be exempt from property tax.

The Texas Senate amended the bill to specific charities:

- Nonprofit hospital
- Libraries
- Certain shelters
- Performing art theaters
- Elderly care facilities
- Volunteer fire departments
- Museums
- Organizations that provide direct human health
- Zoos
- Welfare services

Passed the Texas House and Senate. Currently with Governor. If signed, will take effect for 2024 taxes.

## CURRENT ISSUES & PENDING CASE LAW

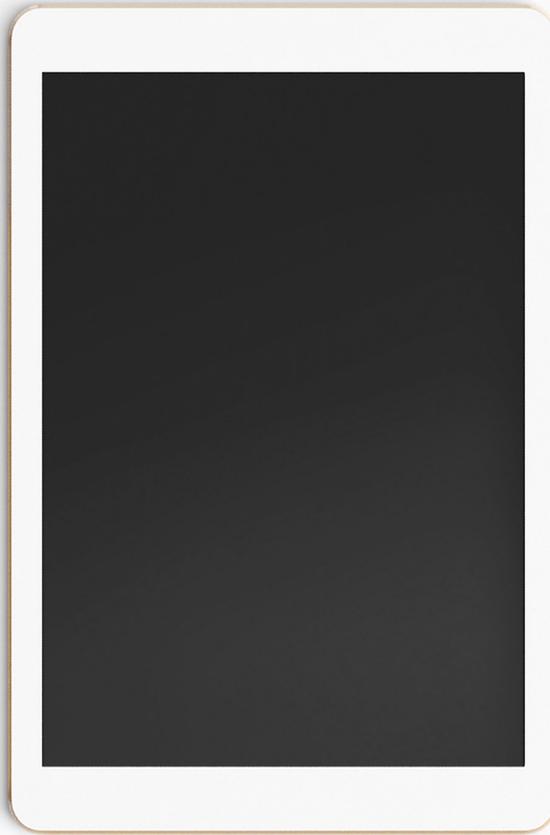
- Produced Water
- Rare Earth Minerals
- Carbon Capture & Storage

---

## WHAT IS PRODUCED WATER?

- Produced Water – fluid byproduct that is returned to the surface during drilling and fracturing of wells.
- According to Energy.gov, the water can vary from fresh to brackish. The Appalachian Basin can present produced water that is 5-10 times saltier than seawater.
- Most is re-injected and stored underground but some is treated and reused by the operator.
- Produced water can also bring up lithium and other rare earth minerals.





## RARE EARTH MINERALS

Spot pricing as of February 2023:

Lithium carbonate (precursor to compound used in lithium-ion batteries)  
averaged \$53,304/ton

Lithium-ion is most often used in rechargeable batteries

## PRODUCED WATER & RARE EARTH MINERALS

Drilling can use from 1.5M to 16M gallons of water.

- At minimum, 1.5M gallons of water = 6,259 tons
  - If rare earth minerals make up 0.05% = 3.1295 tons X \$53,304 = \$166,815
- At maximum, 16M gallons of water = 66,763 tons
  - If rare earth minerals make up 0.05% = 33.38 tons X \$53,304 = \$1,779,368

# RARE EARTH MINERALS



Who owns the rare earth minerals in produced water?

- Texas Natural Resources Code Sec. 122 – Unless expressly provided by in a contract (lease, SUA, etc.) the person who takes possession (operator) owns waste if treated for “beneficial use”
- RRC includes waste as an operator liability
- Cactus Water Services vs. COG Operating, LLC (currently pending)
  - Cactus leased the produced water from surface owner and attempted to claim the produced water
  - COG is the operator claiming produced water is waste which they possess
- Recent Legislation (bill passed and signed by Governor) –
  - House Bill 4856 – TCEQ has jurisdiction over recycled oil and gas fluids.
  - Senate Bill 1047 – Funding for Texas Produced Water Consortium

# CARBON CAPTURE & STORAGE



CCUS – carbon capture utilization and storage

Who owns pore space in Texas?

Senate Bill 2107 was introduced but didn't pass committee. Its purpose was to clarify pore space as part of the surface estate and establish a Carbon Dioxide Storage Trust Fund to be held by the RRC to pay for damages occurring after the state assumes title to stored carbon dioxide.

North Dakota's Supreme Court issued a unanimous decision in August 2022 that affirmed the right of surface owners to profits and use of pore space for waste-water disposal and they can seek damages for unauthorized injections or migration into their pore space.



## IMPORTANT TAKE-AWAYS

- Strong Lease language is essential
- Texas mineral owners are on notice to review and monitor oil and gas check detail for inaccuracies – Know what you Own!
- Texas has a 4 year look back period for reviews/corrections/adjustments
- Pay attention to new legislation and case law because it could affect your current and future leases.



## Buffie Campbell

### *Mineral Assets Senior Manager*

Buffie Campbell brings 18 years of mineral management experience to Whitley Penn. She previously served as Director of Mineral Management at Merit Advisors, Vice President, Mineral Management at J.P. Morgan Chase, and Vice President, Mineral Management at Argent Mineral Management. She served as Vice President of Symposium for the Texas Energy Council (2020 and 2021) and has been a featured speaker for numerous energy-related organizations, including the National Association of Royalty Owners (NARO). Buffie has significant experience in implementing processes and procedures for energy clients including bank set-up, internal accounting and controls, software set-up, and GIS mapping integration with revenue software. Throughout her career, she has managed assets for trusts, estates, foundations, charitable organizations, and agency accounts with real property and mineral interests throughout the United States.

Buffie received her BA in Psychology from the University of North Texas and JD from the Texas A&M University School of Law.



#### Contact

214.393.9305  
Buffie.Campbell@whitleypenn.com



#### Practice Areas

Land Administration



#### Industry Experience

Asset Management  
Business Development  
Title Review  
Royalty Revenue Audits



#### Education

Juris Doctorate - Texas Wesleyan University School of Law (now Texas A&M School of Law)

Bachelor of Arts in Psychology - University of North Texas



#### Professional Affiliations

State Bar of Texas

State Bar of North Dakota

Certified Professional Landman with  
American Association of Professional  
Landmen



## Jason Fitzgerald

### *Mineral Assets Manager*

Jason Fitzgerald comes from a long line of oil & gas producers spanning four generations in North Texas and brings a unique perspective to the Mineral and Royalty space. With a background in both operating and mineral management, he leverages this knowledge daily, to shape the best management solutions possible for interest owners nationwide. Prior to joining Whitley Penn, Jason spent 4 years with MineralWare, a leading oil and gas management software where he led the business development team. Jason has participated and presented at several royalty owner education events including the World Oilman's: Mineral and Royalty Conference (MARC) and the Royalty Owner Institute's Mineral Management 101 classes. Jason is also a Registered Mineral Manager with the National Association of Royalty Owners.

Jason received his BBA in Finance and Real Estate from Texas Christian University.



#### Contact

817.259.9267

Jason.Fitzgerald@whitleypenn.com



#### Practice Areas

Land Administration  
Mineral Management  
Texas, Oklahoma, & Colorado



#### Industry Experience

Oil and Gas Software  
Data and analytics  
Oil and Gas Management



#### Education

BBA in Finance and Real Estate from Texas Christian University



#### Professional Affiliations

National Association of Royalty Owners  
National Association of Division Order Analysts  
American Association of Professional Landman



## Lee Caple

*Mineral Advisor*

Lee Caple draws from four decades of experience in the management of corporate and personal oil and gas interests in order to provide outstanding service and results for his clients. His experience includes mineral marketing, mineral appraisals, lease acquisitions, lease marketing on behalf of clients, advisory and support related mineral management services, exploration, and large production sales. Having worked extensively in the non-profit world, Lee provides distinctively wholistic counsel to clients, focusing upon client's personal and financial goals with consideration given to their risk tolerance and financial obligations. Lee is a former NARO Board Member and received his BBA in Marketing from Southern Methodist University.

 **Contact**  
lee@capleroyalty.com

 **Practice Areas**  
Lease Negotiation & Marketing  
Mineral Management  
Texas, & Oklahoma

 **Industry Experience**  
Operations  
Expert Testimony  
Land Management

 **Education**  
BBA in Marketing, Southern Methodist University

 **Professional Affiliations**  
National Association of Royalty Owners

# Housekeeping Items

- If you need CPE, please make sure to sign via Conference i.o QR Code. You can find on your tables and at registration table. If you need CLE Credit, please see the registration table.
  - Survey & Certificates will be sent to email after the conference concludes from LCVista.
  - Please fill out survey, your feedback is appreciated.
  - Sign-in located at registration table. Please make sure to sign out!
- Materials will be sent out after the event.
- Join us for Networking hour immediately following the conference.
- Other questions? Email [Marketing@whitleypenn.com](mailto:Marketing@whitleypenn.com)

**Thank you for attending,  
see you all next year!**

**Join us for  
Networking Hour  
right outside!**

whitleypenn 

# 2023 ENERGY CONFERENCE



**AUGUST 23<sup>rd</sup>**  
11:00 AM - 4:00 PM



**PETROLEUM CLUB  
OF MIDLAND**  
501 W. Wall Street  
Midland, TX 79701

**\*4.5 HOURS OF CPE**  
pending approval





August 23, 2023

COMMERCIAL INSURANCE, SURETY & RISK MANAGEMENT EDUCATION

# NAVIGATING THE INSURANCE MARKET

David Artzerounian, Partner, SVP, Energy Team Lead  
[www.usi.com](http://www.usi.com)



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# Agenda

- Who is USI?
- Current State of Market
- Challenge Areas / News
- Risk Financing
- Risk Mapping
- Risk Control | Risk Profile
- Risk Transfer | Niche Coverage
- Optimizing Value
- Questions | Contact | Connect



# USI Brings National Capabilities & Local Expertise

USI is a national insurance brokerage and consulting firm with more than 200 local offices connected across the U.S. and a leading market position in all core businesses.

Top 10 US Broker - \$2.5B+ in U.S. revenue



Commercial  
P&C

Employee  
Benefits

Personal  
Risk

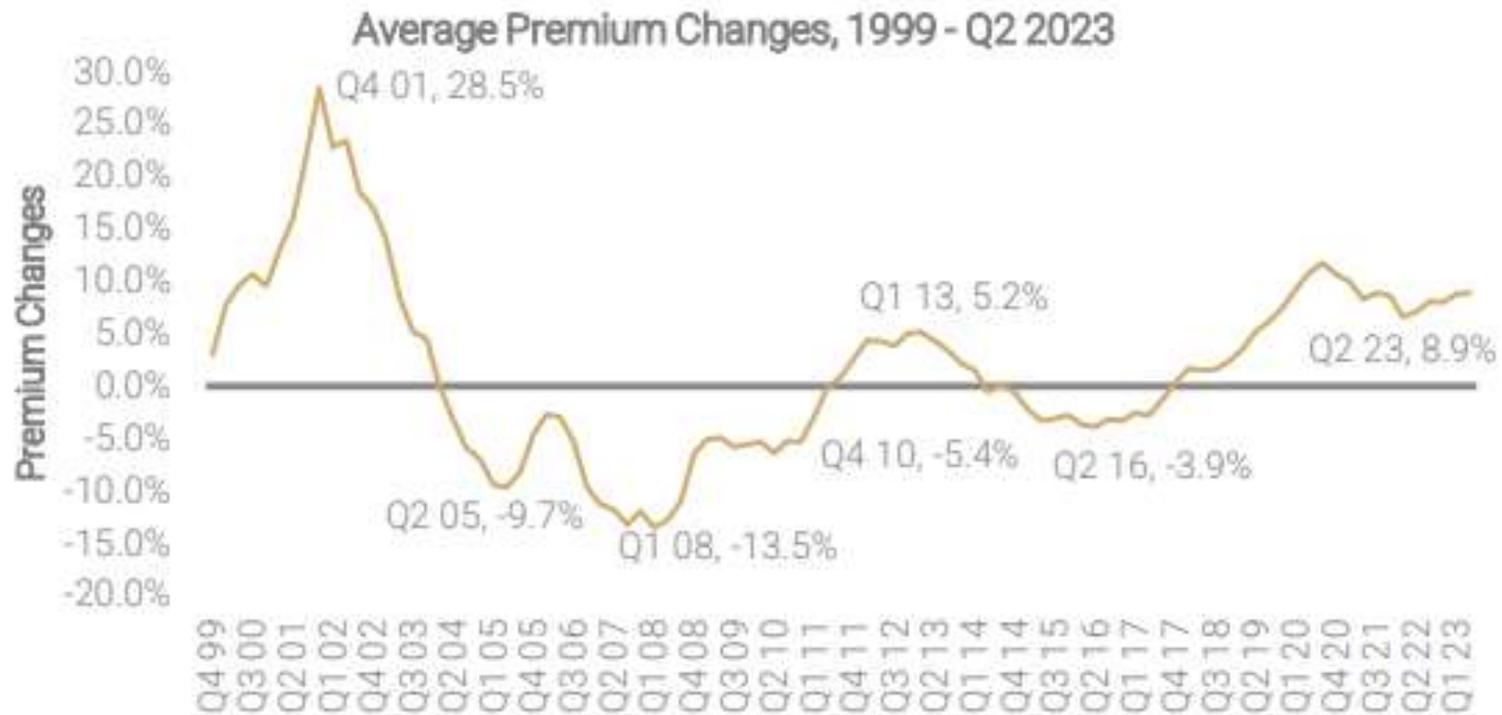
Retirement  
Consulting

## USI's Southwest Region

- Revenue \$300M+ and over 750 insurance professionals with an average tenure of 13 years and specialists across a broad range of industries
- Dedicated technical experts in analytics, risk financing, claims, risk control, environmental, and executive risk
- 13 offices located in Arizona, Louisiana, New Mexico, and Texas
- Industry focus on **Energy**



# Growing Fatigue Due to High-Rate Increases, Demanding Renewals



Source: The Council of Insurance Agents & Brokers



# The Exponential Rise of Nuclear Verdicts

Extreme jury awards – known as “nuclear verdicts” – the new normal? From 2015 to 2019, the average verdict in the National Law Journal’s [Top 100 Verdicts](#) more than **tripled from \$64 million to \$214 million**

**What is a “nuclear” verdict?** According to Harold Kim, President of the Institute for Legal Reform, it’s **any verdict in excess of \$10 million**. “It sounds very apocalyptic, but I think it’s a fitting term,” he remarked. “We’ve seen national headlines with verdicts reaching in the billions of dollars and, unfortunately, it’s not just an isolated event.”

**The trucking industry is “under siege.”** In addition to pandemic-related pressures, freight carriers are among the hardest hit, with many forced to file for bankruptcy after receiving nuclear verdicts. “There is a significant concern that moving freight, which is so critical to our economy, is going to start freezing up,” said Kim. **“The blast radius of this reaches well beyond the trucking industry,”** he said.





## Nuclear Verdicts (cont.)

### CAUSES

- **Online, TV and billboard advertising.** “Trial advertising is one of the biggest drivers of nuclear verdicts,” noted Kim. Punctuating his point: in a poll of our 2,000-person audience, 88% had seen a mass tort ad in the past week. In addition to bringing in plaintiffs, these ads influence jury pools. “On TV alone, the plaintiffs’ bar is spending billions,” Kim added. “This is not just one-off ads ... this is a systematic, orchestrated marketing effort.”
- **Unregulated third-party funding.** “It’s like the Wild West,” Kim observed. Litigation funding – the leveraging of capital from third parties like hedge and sovereign wealth funds to back potentially lucrative lawsuits – is now a \$39 billion industry, with limited regulation or disclosure requirements. Kim sees third parties with no interest injecting themselves into the system as a major concern. “They really hide in the shadows. If you’re a defendant, you’re not going to know who has a financial interest in the case.”
- **Social inflation.** As public exposure to news of extreme jury awards, attorney advertising and litigation funding increases, jurors become desensitized to nuclear settlements. “It’s hard to predict social inflation trends, making it challenging to underwrite the risks,” noted Cruz. “And society seems to be getting more comfortable with overlooking the personal responsibility.” Think Mahomes Contract

### ACTIONS:

- **Pick your battles.** “We need to pick the right cases to settle, and the right cases to take to trial,” Cruz noted – adding that, when a case goes to court, “it’s imperative we win.”
- **Pick the right insurance partner.** “Look for a carrier with a strong risk control department to help you evaluate the risks,” Cruz advised. “Make sure your carrier is leveraging data and analytics to optimize outcomes for your clients. When the loss happens, you also want a carrier that will put the right resources on the case to protect your clients.”
- **Require transparency in third-party funding.** A handful of states and judicial districts require disclosure of third-party funding agreements, and it’s being discussed in the hallways of Congress. “There has to be an urgency in terms of making sure that your elected officials know that this is an important issue,” Kim emphasized. (Travelers Institute)



# Art & Science of Program Design

- **Guaranteed Cost**
- **Dividend**
- **Deductible**
- **Captives**
- **Self - Insurance**





# Risk Mapping Frequency & Severity

Client		Loss Frequency														
Risk Map		Rare	Unlikely	Moderate	Likely	Certain										
8.23.2023		1	2	3	4	5										
Loss Severity	Catastrophic 5	5	10	15	20	25										
	Major 4	4	8	12	16	20										
	Moderate 3	3	6	9	12	15										
	Minor 2	2	4	6	8	10										
	Insignificant 1	1	2	3	4	5										
		<table border="1"> <tr> <th colspan="2">Risk Outcome</th> </tr> <tr> <td colspan="2">Low</td> </tr> <tr> <td colspan="2">Moderate</td> </tr> <tr> <td colspan="2">Significant</td> </tr> <tr> <td colspan="2">High</td> </tr> </table>					Risk Outcome		Low		Moderate		Significant		High	
Risk Outcome																
Low																
Moderate																
Significant																
High																



Estimates are illustrative given data limitation, may not be cumulative, and are subject to change based on carrier underwriting. CONFIDENTIAL AND PROPRIETARY: This document is confidential and proprietary information of USI Insurance Services, LLC ("USI"). Recipient agrees not to copy, reproduce or distribute this document, in whole or in part, without the prior written consent of USI.



# Articulate Your Risk Profile





# MSAs & Contractual Risk Transfer





# HSE Program | HR Procedures

## Safety Hazards Associated with Oil and Gas Extraction Activities

Oil and gas well drilling and servicing activities involve many different types of equipment and materials. Recognizing and controlling hazards is critical to preventing injuries and deaths. Several of these hazards are highlighted below. See [Standards and Enforcement](#) for more information on evaluation and control requirements:

- Vehicle Collisions
- Struck-By/ Caught-In/ Caught-Between
- Explosions and Fires
- Falls
- Confined Spaces
- Ergonomic Hazards
- High Pressure Lines and Equipment
- Electrical and Other Hazardous Energy
- Machine Hazards
- Planning and Prevention

Potential health hazards are highlighted below. See [Standards and Enforcement](#) for more information on evaluation and control requirements.

- Diesel Particulate Matter
- Fatigue
- Hazardous Chemicals
- Hydrocarbon Gases and Vapors (HGVs) and Low Oxygen Environments
- Hydrogen Sulfide
- Naturally Occurring Radioactive Material (NORM)
- Noise
- Silica
- Temperature Extremes



# Balance Sheet – Over/Under Insured

## Universe of Coverage:

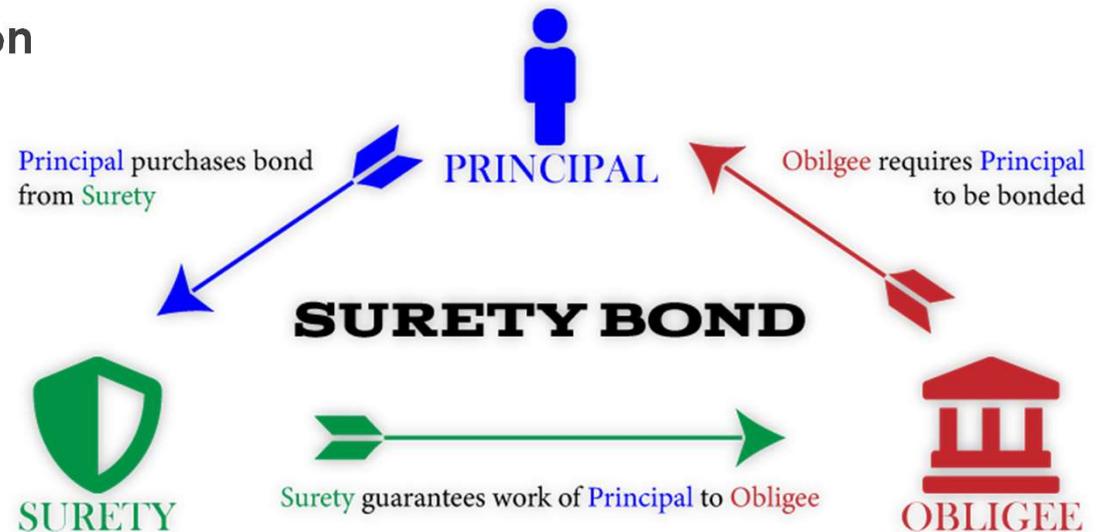
- **Workers' Compensation**
- **General Liability**
- **Automobile Liability**
- **Umbrella/Excess**
- **Property / Equipment / Lease Property**
- **Control of Well / Operators Extra Expense**
- **Pollution**
- **Directors & Officers**
- **Employment Practices**
- **Crime**
- **Fiduciary**
- **Cyber**
- **Downhole Tool**
- **International / Kidnap & Ransom**
- **Maritime / Hull / Cargo**
- **Other**





# Common Surety/Bond Obligations

- Plugging & Abandonment
- Reclamation/Surface Restoration
- Tax Production
- Right of Way
- DOT
- Others



# Benefits of Captives

Companies join Captives for a variety of reasons, but most often, to improve the cost of and/or control over their overall corporate risk program

## Risk Management

- Promote loss control through effective risk management
- More control over claims administration and claim handling
- Direct access to the commercial reinsurance market

## Insurance

- Participate in profitable risks
- Allow for greater certainty in costs and flexibility through varying market cycles
- Take advantage of purchasing power

## Financial Benefits

- Investment earnings and cash flow
- Balance sheet protection
- Tax planning opportunities
- Potential profit center
- Potential for underwriting profit

## Strategic Planning

- Integration with long term client strategy
  - Parent company strategies
  - Joint ventures and new geographic territories
  - Capture insurance-related profits



# Well Control Risk



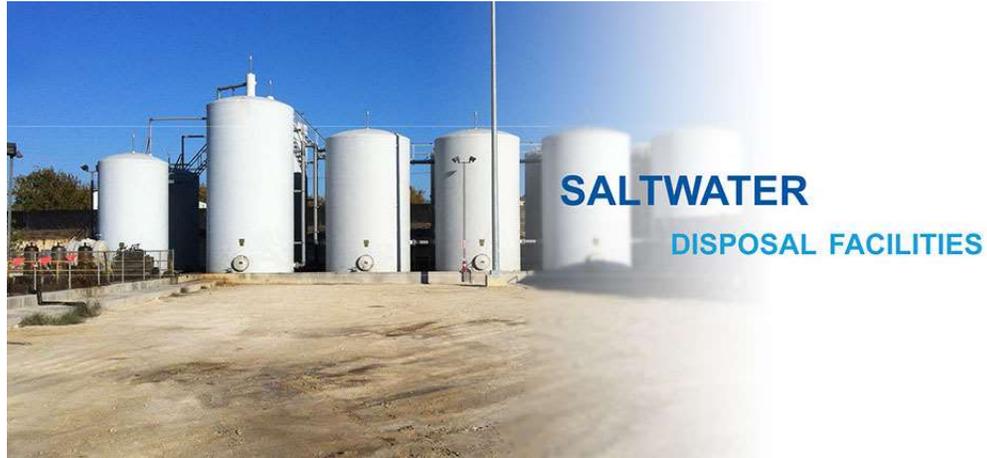


# What is Downhole Tool Insurance

	SELF-INSURED	LOST-IN-HOLE (CONTRACTOR)	DOWNHOLE TOOL INSURANCE
Coverage Limit	N/A	50% value (select tools)	100% value (max limit)
Insured Exposure	N/A	50%	10% deductible
Pricing	\$0	Day rate	Day rate
Fishing Requirements	N/A	Most common wording: make three attempts	Make an attempt to retrieve tools
Damaged Tools	N/A	Not typically covered	Covered
Tools From Multiple Carriers Coverage	N/A	No	Yes, if scheduled
Operator-Owned Tool Coverage	N/A	No	Yes, if scheduled



# 'Gradual' Environmental Risks



Tanks Collapse & Pipeline Leak



# Program Diagnostic Findings

Identify Balance Sheet Exposure:

Share Cost Reduction Opportunities:

Share Cash Flow Opportunities:

Reduce Administrative Work:

Enhance Budgeting Certainty & Enterprise Planning:





## Renewal Strategy

- Start the process early (3-6m+) and set goals relative to market
- Create a multi-year strategy (short, intermediate, long term)
- Select a broker with expertise, leverage and consultative approach
- Customize program leveraging data benchmarking / analytics
- Articulate your risk profile, controls, & operations to underwriters
- Know your claims and if bad trends exist, take control
- Ensure the underwriting data is accurate, not just carried forward
- Revisit risk financing; Total Cost of Risk (TCOR) not just premium



# Questions? Please Connect @



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