



5 Tips

Every Oil & Gas Accountant
Should Know

 *on demand*
Accounting



Tips for Making Small Businesses Oil and Gas Accounting Pain-Free

Oil and gas accounting is no small undertaking, especially for small businesses that don't have fully built out finance departments. It's complex, highly regulated and time intensive. Those undertaking accounting for a small oil and gas business can make their end-of-month reporting, revenue allocation, and compliance more pain-free with these five tips.

Tip #1: Learn the Terminology

There are many nuances in language for oil and gas accounting, which is why understanding the specific terminology is key to success.

For example:

- ⬡ Joint Interest Billing (JIB) is a monthly statement shared across all working interest holders
- ⬡ Division of Interests controls how revenue is split across well owners and how the expenses are allocated
- ⬡ Authorization for Expenditure (AFE) is used to outline the estimates for drilling activities and completion costs

Tip #2: Understand the Complexity of Participants

Leases play a huge factor in understanding the complexity of participants, since they can cover a multitude of people versus what an accountant might be familiar with in a different industry. Look at the entire landscape of each lease and be sure to keep an accurate record of all participants involved to avoid making errors when it comes to end-of-month payouts.

Tip #3: Do Your Research on Compliance

Federal, state and local governments each play a role in regulation and compliance. For example, if you are located in Oklahoma, Native American tribes are allocated a certain percentage of revenue depending on where the wells are located. Offshore leases often involve federal regulations around what kind of revenue deductions can be allocated or there may be specific reporting requirements. Make sure you're aware of all the regulations you need to comply with to avoid hefty fines.

Tip #4: Get Out of Spreadsheets

Using excel spreadsheets to track and calculate your accounting needs is no longer a viable way to report. With the complexities of today's accounting and constant influx of data, it's important to enhance your system by getting out of spreadsheets and setting up software to automate reporting and maintain data accuracy. By taking manual and often error-friendly spreadsheets out of the picture, you can quickly and confidently report and track your organization's finances.

Tip #5: Prioritize Learning and Development

Challenge and educate yourself to stay up to date with how technology is transforming the oil and gas industry. With the latest advancements in technology, oil and gas accounting is becoming less cumbersome and more accurate with the help of artificial intelligence and cloud-based platforms. Don't become stuck in your ways – continually learn how to improve and identify tools that will help you succeed.

Join an oil and gas accounting association and attend a conference in your area:

- ⬡ Council of Petroleum Accountants Societies (COPAS)
www.copas.org
- ⬡ Independent Petroleum Association of America (IPAA)
www.ipaa.org
- ⬡ National Association of Division Order Analysts (NADOA)
www.nadoa.org
- ⬡ National Association of Lease and Title Analysts (NALTA)
www.nalta.org
- ⬡ National Association of State Boards of Accountancy (NASBA)
www.nasba.org
- ⬡ Professional Development Institute Inc. (PDI)
www.pdi.org

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