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# Upstream Petroleum Contracts , Accounting & Auditing Policies and Procedures

## INTRODUCTION

- This Upstream Petroleum Contracts, Accounting & Auditing Policies and Procedures training course provides in-depth information on the types of upstream petroleum contracts and what their differences are and what are the main contractual terms participants need to know in order to fully understand all types of Upstream Petroleum Contracts. This Contracts Management training course will comprehensively cover Production Sharing Contracts, Exploration & Production Agreement (E&P) Exploration & Exploitation Contract, License Agreement, and participants will take away essential elements of these contracts to be effectively used in their own companies. The training course will help participants understand the practical issues involved and the pitfalls to avoid.
- This training course on Upstream Petroleum Contracts, Accounting & Auditing Policies and Procedures will also develop the essential skills necessary to prepare and evaluate Upstream Petroleum Accounts and to improve the organization's internal audit function. It focuses on the latest techniques to evaluate Financial; Operational & Social Performance as well as relevant International Financial Reporting Standards (IFRS) relevant for the preparation of accounts. Delegates will therefore be able to prepare financial statements in line with IFRS and make strategic decisions to improve financial performance of their organization. In addition, the development, monitoring and continued improvement of a highly-integrated, internal audit function will aid continued financial success, stability and growth.

This training course will highlight:

- The fundamental types of Upstream Petroleum Contracts
- The advantages and disadvantages of the different types of Upstream Petroleum Contracts and how it is suitable for specific types of projects
- Concessions, Production sharing & Risk Service Contract, important details and suitability for any oil and gas upstream project
- The role of JOA in upstream petroleum contracting Conciliation, Mediation and Settlement of Disputes
- Understanding the essential terms of Unitization and Farm-in, Farm-Out agreements
- How to Prepare Financial Statements in line with IFRS?
- The latest international tools and techniques to develop skills of evaluation and performance measurement
- The lessons to be learnt from an evaluation of leading international Upstream Petroleum companies
- The different types of audit and the benefits to be obtained from each
- Efficient Planning, Controlling and Recording of an audit assignment



## OBJECTIVES

At the end of this training course, you will learn to:

- Gain a full understanding of the different types of the Upstream Petroleum Contracts
- Understand the main contractual terms and their differences between the various types of contracts from PSA, Service contracts and others
- Be aware of the approaches to negotiation of these contracts
- Incorporate the best terms into these Upstream Petroleum Contracts
- Develop an understanding of the accounting and auditing standards, policies and practices used by Upstream Petroleum companies
- Improve relevance and reliability of financial reports to better meet the needs of users
- Review and use publicly available information for benchmarking the business performance
- Understand the role and function of an Internal Audit Department
- Understand audit risk and efficiently plan, control and record an audit assignment

## TRAINING METHODOLOGY

- Participants will gain greater understanding of the subject matter through presentations by experienced international practitioner designed to both inform and broaden the perspectives of the participants. The training methodology includes case studies from the Upstream Petroleum Sector, discussion, group work and interactive exercises and videos. These are designed to ensure delegates leave with transferable skills as well as up-to-date knowledge.

## ORGANISATIONAL IMPACT

Negotiating Upstream Petroleum Contracts and managing the accounting & auditing policies and procedures with ease will ensure your organization will benefit by:

- Enhancing your company's ability to negotiate upstream contracts beneficial to the corporation in the short and long term bearing in mind future changes in the industry
- Improving expertise and skill sets of personnel dealing with accounting and audit policies and procedures
- Understanding the risk factors in these types of contracts and learning how to mitigate them
- Enhancing internal capacity to auditing critical areas
- Better managing claims and disputes by avoiding confrontational approaches
- Enhancing contract personnel's negotiation skills and confidence
- More effective finance support for front-line departments
- Greater relevance and reliability of financial and management information
- More strategic thinking and focus on performance
- More effective use of financial statements of the company, its co-venturers and its competitors
- The ability of Finance Managers and staff to work with less supervision



## PERSONAL IMPACT

This training course will be of personal benefit to delegates by providing you with:

- In-depth knowledge gained about Upstream contracts and various interpretations to essential clauses of the contract
- Managing and mitigating risks associated with Upstream contracts with better accounting and auditing policies and procedures
- Ensuring smooth contract administration of Upstream contracts
- Appreciating critical issues involved with auditing procedures
- Enhancing your ability to negotiate and manage disputes
- A better understanding of the context and importance of the work you do
- Greater awareness of industry practices, problems and solutions
- Increased understanding and assurance to complete tasks successfully
- Increased self-confidence and motivation at work
- Greater job satisfaction in providing quality support to management
- Greater ability to supervise, develop and motivate colleagues

## WHO SHOULD ATTEND?

This training course is appropriate to a wide range of professionals but will greatly benefit:

- Senior Contract Negotiators and Managers
- Legal Managers and Legal Counsel
- Commercial and Business Managers
- Contracts Administrators and Managers
- Commercial, Financial and Insurance Professionals
- Project and General Management Personnel
- Corporate Accountants, Financial Controllers, Treasury Officers, Management Accountants
- Finance Staff in General Accounting, Payables, Receivables, Inventory, Fixed Assets, etc.
- Joint Venture Accountants and Auditors
- External, Financial and Internal Auditors
- Government Regulators and Auditors
- Financial and Investment Analysts



## Course Outline

### Module I: Upstream Petroleum Contracts

#### Introduction and Overview of Upstream Petroleum Contracts

- Brief Overview of the O&G Industry
- Oil and Gas Terminology
- The Legal Framework to Upstream Contracts
- Introduction to Contract Formation
- Key Oil and Gas Terminology
- Oil and Gas Industry Structure
- Relationship between Different Players in the Oil and Gas Industry
- Phases of the Oil and Gas Industry
- Oil and Gas Contract Fundamentals and Legal Principles
- Territorial Water, Continental Shelf and United Nations Convention on the Law of the Sea (UNCLOS)

#### Contracting in The Upstream Sector: Ownership and Licensing Ownership and Exploitation of Reserves

- The ABCs of Petroleum Contracts: License-Concession Agreements, Joint Ventures, and Production-sharing Agreements
- Characteristics of Upstream Contracts
- Commercial Realities of the Oil and Gas Business
- Agreement with Resource Holders
- Ownership of Oil and Gas
- Risk Service Contracts (RSCs)
- Grant of Rights by Resource Holder

#### Host Country's Legal and Regulatory Framework and Fiscal Regime: Stabilization

- Role of Host Government
- Key Issues in International Oil and Gas Contracts
- Negotiation Framework and Strategy: Objectives of Host Countries / NOCs and IOCs

#### Host Government's Role in Upstream (Exploration & Production (E&P)) Agreements

- Overview of Upstream Operations and E&P Agreements (types and trends by region)
- Key Differences between Production Sharing Contracts (PSCs), Concessions, Service Contracts and JV Contracts
- Role of Host Government in Upstream Contracts



## Production Sharing Contracts (PSC) & Joint Operating Agreements (JOA) Commercial Terms in Licensing and Concession Agreements

- Fiscal Arrangements, License Fees
- Four Key Financial Aspects to a PSC
- (a) Royalty - The R factor
- (b) Cost Oil
- (c) Profit Oil
- (d) Taxation
- (e) Bonuses and Penalties
- PSC – Cash Flow Distribution
- PSC – CF Distribution Example – Year N+1
- Comparison of Fiscal Systems

## Joint Operating Agreements (JOAs)

- What is a Joint Operating Agreement (JOA)?
- Nature, Aim and Functions of a Joint Venture
- Government Approval
- Key Areas of the JOA
- Purpose and Scope: Participating Interests

## Service Contracts, Farm-In and Farm-Out and Unitization - Risk bearing and Non- Risk Bearing Service Contracts Participation Agreements (Farm-in and Farm-out)

- Agreements for Farm-ins and Farm-outs
- Nature of the Farm-out
- Subject Matter of the Farm-out
- Interest Assigned and Reserved
- Assignment of Interest

## Unitization and Unit Operating Agreements (UUOAs)

- What is unitization?
- Unitization in Practice
- Government Approval
- Transboundary Unitization

## Negotiating Production Sharing Contracts

- Government Take
- Production Share and Cost Recovery
- Local Content
- Force Majeure



## Negotiation Simulation Exercise

- Negotiation a PSA with a Government Entity
- Objective: The objective is to establish what can be achieved in the meeting, what preparation is needed for it and what strategy should be adopted and then to pursue this strategy
- Feedback Session

## Negotiation of Oil and Gas Disputes

- Importance of Negotiation in Oil and Gas Business
- Disadvantages of Competitive or Positional Negotiation
- Principled Negotiation between the Parties to Achieve Best Results

## Module II: Upstream Petroleum Accounting & Auditing Policies and Procedures

### Major Accounting & Auditing Issues in the Upstream Petroleum Sector

- The Latest Accounting & Auditing Issues Facing the Sector
- The Impact of Commodity Prices, Currency & Interest Rate Fluctuations and Political and Environmental Developments
- The Impact of Financial and Accounting Issues on Strategic Development and Growth within the Sector
- The Annual Reports & Financial Statements of Leading International Petroleum Companies
- An Overview of IFRS in relation to Upstream Oil & Gas Accounting
- The Role of Auditing

### Accounting for Revenue & Costs in the Upstream Petroleum Sector

- Revenue Recognition & IFRS 15: Revenue from Contracts with Customers
- Costs in Acquisition, Exploration, Development and Production
- IFRS 6: Exploration for and Evaluation of Mineral Assets
- Accounting Approaches - The "Successful Efforts" (SE) Method or the "Full Cost" (FC) Method
- Break Even Oil, Cost Oil & Profit Oil
- Evaluating Profitability of Leading International Oil & Gas Companies

### Accounting for Assets in the Upstream Petroleum Sector

- Reserves & Resources
- IAS 16: Property, Plant and Equipment
- Depletion, Depreciation & Amortisation (DD&A)
- IAS 36: Impairment of Assets
- IAS 37 – 39 : Provisions, Contingent Liabilities and Contingent Assets; Intangible Assets and Financial Instruments
- Evaluating the Assets & Reserves of Leading International Petroleum Companies



## Creative Accounting, Corporate Governance & Auditing

- Creative Accounting
- Corporate Governance
- Published Financial Statements
- The Role of the Board & Audit Committee
- External Auditing - Reporting to Investors in the Oil & Gas Industry
- Internal Auditing - Defining and Developing the Internal Audit Process

## The Internal Audit Function

- Establishing the Roles & Staff within the Internal Audit Department
- The Various Types of Audits
- Planning & Commencing Internal Audit Examinations
- Controls & Substantive Tests
- Communicating Audit Findings
- The Audit Exit Conference Meeting & Post-Audit Reviews



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