

E&P Cost Control, Budgeting and Cost Estimating

Course Objectives

This 3-day workshop will provide a comprehensive understanding on the nature of costs and cost drivers in the E&P industry providing in-depth understanding on the budgeting process, proactive management, effective control and optimization of costs together with focused and relevant performance reporting.

What You Will Learn

- Understanding the nature of costs and cost drivers in the E&P industry through the Field Life Cycle
- Purpose of the Budget. Planning and Budgeting models. The Strategic and Medium-term plan.
- Using budgets to make effective decisions. Prepare and understand costs in planning, budgeting & forecasting processes e.g. fixed / variable, capex / opex and routine / non-routine.
- Cost Accounting. Importance of timely cost capture and accurate recording e.g. VOWD / accruals, consistency of coding and clarity on accountability
- Strategic solutions in delivering cost optimization – “do more for less”
- Management of costs in PSC and JV environments. Avoiding cost leakage and ensuring audit preparedness
- Cost Control Framework - budgets, AFEs, progress reports and variance analysis. Understanding key components and ensuring seamless interaction
- Cost Performance Reporting - use of KPI's, variance analysis and trend analysis. Tracking and monitoring cost optimization initiatives and targets

Who Should Attend

- Finance staff with accounting and financial management responsibilities
- Those responsible for devising budgets, managing and controlling budgets
- Professionals engaged in planning, budgeting and management reporting
- Finance & Audit staff engaged on cost and financial controls
- Business unit managers and personnel whose responsibilities include cost management, controlling budgets and performance reporting

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Training Method

The course uses a combination of instruction, group discussions, practical examples and exercises to ensure attendees absorb both the theory and the practical application of the topics.

Course Content

Overview of E&P Industry Costs

- Features of E&P industry and nature of costs
- Costs and cost drivers through the Field Life Cycle
- The cost curve and relationship to the oil market
- Significance of management and reporting of costs in the context of the Oil & Gas Industry

The Planning and Budgeting process

- Company vision and strategy. Long-term and Medium-term planning
- Work Programmes and Budget. Purpose of a Budget and various Budget models.
- The role of Corporate Departments and Geographical Business Units in the budgeting and forecasting process.

Cost Planning, Budgets and Forecasting

- Preparing budgets & forecasts in a volatile oil & gas industry
- Capture and understanding of costs in the planning and budget processes
- Preparation of Capex (facilities / wells), Opex and G&A budgets
- Understanding the importance of classifying cost: fixed / variable; routine / non routine; core / discretionary activities
- Use budgets to make effective decisions
- The importance of Forecasting – the “how & why” and the need to proactively capture different outcomes
- Budgeting and Forecasting as a non-operator in a JV

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Cost Capture & Accountability

- Importance of principles & processes in accurate and timely capture of costs
- Cost Accounting models. Understanding cost structures, accountability and coding principles
- Principles on what and when to capture e.g. VOWD and Accruals
- Capturing costs e.g. completion of full well costs and allocation of costs

Strategic Solutions to Cost Management

- Understanding “doing more for less” principle on cost optimization
- Getting behind cost drivers and understanding requisite actions
- Understanding how different costs impact profit - break even analysis
- Benchmarking and how it can drive improvements
- Managing working capital and cash flow

Cost Control and Management in a PSC & JOA Environment

- Overview on principles of cost recovery in a PSC environment
- Importance of adhering to key processes to avoid cost leakage
- Understanding principles of a JOA and Accounting procedures
- Importance of preparedness for Cost Audits and key areas of contention

Cost Control Framework

- Overview of a Cost Control Framework
- Mechanisms for controlling costs: well costs and features of an AFE
- Project costs reporting – key elements of progress reports
- Cost control reports – approved, invoiced, committed and incurred cost
- Controlling costs (fixed and variable) against budgets and forecasts

Cost Performance Reporting

- Reporting of Capex and Opex costs highlighting key drivers
- Variance analysis providing root cause analysis and early warning
- Performance review reporting on cost initiatives and optimization targets
- Overview of KPIs and performance reporting

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Testimonials

"It was more than perfect. I liked the method of teaching and examples from real-life experience."

M. Mohamed, OMV

"I was really keen to learn something new, so it was a good opportunity to learn about ways to classify costs and how to estimate costs."

A. Assaid, OMV