

Exploration & Production Accounting Level 2

Course Objectives

The aim of this training course is to raise to an intermediate level your knowledge and understanding of international E&P finance and accounting. This is achieved by in-depth examination of international practices and current developments across a broad range of relevant topics. You are encouraged to challenge existing methods as a basis for reviewing procedures and introducing improvements in your own work place.

What You Will Learn

- Enhance your knowledge of accounting and reporting issues unique to the E&P industry with emphasis on the application of International Financial Reporting Standards (IFRS).
- Improve your understanding of the accounting and reporting of Sales Revenue, Farm In/Farm Out, and Carried Interest.
- Enhance your knowledge of Production Sharing Contracts and Joint Venture Accounting issues including Unitisation & Redetermination.
- Improve your knowledge of the Corporate Budget and Planning process including a review of Key Performance Indicators and Company Strategy.
- Raise your awareness of the E&P business activity for which we are accounting and reporting.

Who Should Attend

We recommend that, to derive maximum benefit from this course, you should first attend our predecessor Level 1 course. Otherwise, this course is suitable for personnel with a good foundation knowledge in exploration and production accounting

Training Method

The course will be delivered using a combination of instruction, facilitation of group discussions and the regular use of practical examples and exercises to offer participants the opportunity to understand both the theory and the practical application of the various E&P Accounting topics.

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Course Content

Regulation of Oil & Gas Company Accounting

- Accounting Standards applicable to E&P companies.

Accounting for Exploration and Appraisal Costs

- Understanding the scope for the use of differing accounting policies and practices in the capture and reporting of exploration and appraisal costs – all of which are permitted under IFRS.

Commercial Reserves

- The nature of commercial reserves and their significance in accounting and reporting.

The DD&A Calculation

- Calculating DD&A on a Unit of Production basis.
- Dealing with changes in costs and reserve estimates.

Decommissioning

- Raise awareness of the differing approaches in use by E&P companies when interpreting and applying IAS 37 in accounting for decommissioning.

Impairment

- Testing for impairment of assets. Comparison of IAS 36 and FAS 144 requirements.

Accounting Policies - Review

- Team exercise to consolidate E&P accounting policy topics covered to date.

Accounting for Financing Arrangements

- Common practice on accounting for E&P company financing and risk sharing arrangements, such as, farm in / farm out and carried interests.

Accounting for Sales Revenue

- Recommended practice on accounting for oil and gas sales, including, pipeline blends and overlift / underlift adjustments.

Accounting for E&P Company Taxes

- Introduction to types of E&P taxes and, specifically deferred tax accounting.

State Frameworks for the Control & Exploitation of Petroleum Reserves

- Overview of issues pertaining to the ownership of oil & gas.
- Comparing the Concessionary System to the Contractual System.

Production Sharing Agreements / Contracts

- Understanding the difference between cash flow and cost recovery.
- The relationship between cost oil & profit oil.
- Calculating and accounting for entitlement barrels.
- Understanding 'R' factors and their application.
- Risk Service Contracts.
- Accounting for production bonus in a PSA / PSC.
- Reserves movements in a PSA / PSC.

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Joint Ventures

- Overview of Joint Ventures and the Bidding Process.
- The Joint Operating Agreement (JOA) and the Accounting Procedure.
- The principles of JV Accounting.

JV - Unitisation and Redetermination

- How to account for product and cost sharing changes following an equity redetermination.

JV Cash Management

- Cash calling, invoicing and cash management.

JV Billing Arrangements

- How to account for JV billing statements.
- Accounting for redetermination adjustments.

JV Cost Allocation

- Key issues in allocating JV costs, such as, transportation costs, PCO and G&A.

JV Audit

- A review of typical JV audit issues.

Planning & Budgeting

- The top down / management by objectives approach.
- Using the Budget <=Model.

Performance Measurement

- Review of the most commonly used industry key performance indicators

Company Strategy

- Compare and contrast Large v Small E&P company strategy.
- Team exercise to prepare and present an E&P company strategy.

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Testimonials

“Really excellent, I learned a lot. Deepened my knowledge of upstream business, made me appreciate the operations side more and made financial accounting side clearer.”

Christine Magno, UT Global

“This course has exceeded my expectations; I shall recommend it to my staff and peers.”

Edwin Kamar, Office of Auditor General

“Full of insight. The course goes beyond what you can learn from books. For someone without oil and gas industry experience, the course gave me a feel of what it is like to be in the business (i.e. the risks involved, market behaviour, current trends, politics behind transactions, and a lot more).” **Almira Landicho, UT Global**

“A course which is relevant to any oil and gas professional who wants to expand their knowledge of the oil & gas industry. A very experienced trainer, who understands the industry well.” **Daniel Musasya, BG Kenya**

“I have been waiting for a course like this one for a long time now and it will change my daily work a lot and my view on the decisions that I have to make every day. I would love to help set up something like this course in Morocco to help others to understand the business.”

Rida Soraya, Kosmos Energy