

Cost Recovery & Reporting System Under PSC

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Introduction

The most important event in the operations of an oil and gas company is the discovery of reserves. Consequently, estimated reserves quantities are relied upon heavily in oil and gas accounting. For example, reserve quantities are used in computing depreciation, depletion, and amortization (DD&A) using the units-of-production method and for purposes of complying with disclosure requirements.

A deep understanding of expenditure that will be recoverable through cost recovery mechanism is a mandatory to avoid unnecessary losses in upstream operations. This course will explain the elements of costs that classified as recoverable costs, how to calculate and allocate amongst the products. Depreciation methods, capital and non-capital expenditures, tangible and intangible cost are example of items that will be elaborated in this course. The discussion will also cover First Tranche Petroleum (FTP), Before-tax contractor share, Cost Recovery, Profit Oil, Income Tax, Net Cash Flow, State Take, Domestic Market Obligation (DMO).

Course Objectives

After attending this course, the participants are expected to be able to:

- Understand the concept and practical knowledge of the Cost Recovery and Equity Split Mechanism between State and Oil and Gas Companies, or Economics of Production Sharing Contract.
- Understand the process of calculation and allocation of operating costs.
- Understand how to calculate the share of production and how the incremental costs will affect the net contractor share.
- Understand the Basic Philosophy of the Integrated Financial Aspect
- Understand of the Fiscal Aspect of Oil & Gas Law Foundation, Fiscal Aspect of Oil & Gas Law Foundation, Fundamentals of Exploration Agreement, Taxation and its Implications on the Field Development Economic Calculation

Discussion Areas

- Investment Consideration of Petroleum Operation
- Principals in Oil & Gas Exploration Agreement
- Financial Aspect of Oil & Gas Law Foundation and Land Acquisition Process in Indonesia
- Oil Mining Taxation
- Production Sharing Contract
- Financial Economic Case

Course Subjects

- Petroleum Operation Investment Consideration
 - Economic Consideration of Exploration Aspect
 - Field Development
 - Field Operation
 - Selling Price Issue
 - Income Sharing Issue

- Principals in Oil & Natural Gas Exploration Agreement
 - Land Acquisition
 - Control Mechanism of Host Country Operation
 - Mineral Right Ownership

- Financial Aspect of Oil & Gas Law Foundation and Land Acquisition Process in Indonesia

- Production Sharing Contracts
 - Basic Principals
 - Management Control
 - Financial Aspect
 - Accounting Procedure

- Development of Production Sharing Contract Generation
 - Concession Agreement
 - Work agreement Contract
 - Production Sharing Contract
 - Technical Assistance Contract
 - Contract Production Sharing
 - Joint Operating Agreement

- Financial and Economic Aspects of Production Sharing Contracts
 - First Tranche Petroleum (FTP)
 - Investment Credit
 - Domestic Market Obligation (DMO)
 - Income sharing
 - Operation Costs

- Comparison of Accounting Methods
 - Successful Effort
 - Full Costing
 - Production Sharing Contract

- Incentive Package and its Implication

- Oil & Gas Mining Taxation

- Case Study