



## Commercial Contracts in Oil and Gas and Negotiation Skills Training

### Description

#### Introduction

Business of oil & gas is contractually and technically complex, involving enormous capital along with some risks and uncertainties. It is often significantly influenced by geopolitical events.

#### In this training course you will study:

- The basics of oil & gas exploration, production, and the oil and gas recovery economics to fully understand the business and the essential contracting terms
- The various types of petroleum contracts and their key attributes, along with the contracting parties' roles and responsibilities
- The rights and obligations of all parties concerned such as national oil companies, international oil companies and the host government
- The wide-ranging financial tools used in the oil and gas industry contracts are evaluated along with the fiscal strategies that impact each party's profitability
- How these profitability considerations provide incentives for investment and re-investment throughout various stages of oil & gas exploration and production
- How the understanding of negotiations skills, avoiding conflicts, and effectively preparing for negotiations, helps in concluding successful agreements

#### Objectives

- Gain broad perspective of what are the essential factors in oil and gas business
- Enhance your understanding of the fundamentals of oil & gas law, and the commercial contracts
- Evaluate the technical, commercial, and financial aspects of oil & gas contracts and their impact on the profitability
- Confidently discuss the technical terms, concepts and buzzwords with your peers and clients
- Master the negotiations skills, lead and influence business agreements towards successful contracts

## Course Outlines

### Day 1 : Introduction to Legal, Fiscal and Contractual Basics

#### Crude Oil & Gas

- The Oil Industry Streams
- Demand Drivers for Crude Oil
- Drilling Contracts – Contract Alternatives

#### Legal Fiscal and Contractual Framework Ownership

- Oil and Gas Rights and Ownership – The Ad Coelum Doctrine
- The Rule of Capture
- A rule of “No liability”
- Limitations to Rule of Capture
- Theories of Ownership – Escaped Hydrocarbons
- Drainage by Enhanced-recovery Operations
- Doctrine of Correlative Rights
- Conservation Laws – Drilling Wells
- Conservation Laws – Fair Share Doctrine
- Function of Oil and Gas Conservation Laws
- Well-Spacing Rules

### Day 2 : Introduction to Contracts

#### Kinds of Oil and Gas Interests

- Fee Interest
- Mineral Interest
- Leasehold Interest
- Surface Interest
- Royalty Interest
- Production Payment
- Carried Interest
- Other Interests

#### Key Stages of Petroleum Projects in View of Contracts

- Explore to find it in the first place;
- Develop the infrastructure to remove oil & gas from ground;
- Produce (and sell) the oil & gas you have found;
- Abandon the wells and protect the environment when it runs out and clean up (“decommission”)

#### What is a Petroleum Contract

- Need for Collaboration between parties
- What is a Petroleum Contract?

- Host Government Contract
- Petroleum Fiscal Regime defined
- Petroleum contracts under different regimes
- Awarding or winning contracts
- Types of Petroleum Contracts and their Key Attributes
- Upstream Project Agreement
- Host Government Take
- An example of Concessionary System's Cash Flow
- Optimal Government Take
- PSC – Cash Flow Distribution
- PSC – CF Distribution Example – Year N+1
- Comparison of Fiscal Systems
- Flexible Fiscal Regimes
- Why Dynamic Terms are used in Contracts
- Joint Ventures and Other Combinations

### **Day 3 : Roles, Responsibilities and Fiscal Tools**

#### **Dissection of Petroleum Contracts**

- The document follows the events of project
- Order and Disorder in the Clauses

#### **Parties Roles and Responsibilities in Petroleum Contracts**

- The General Framework of parties involved
- National Oil Company Multiple roles
- International Oil Company Role
- Grants of Rights to a party – Contractor and Host Government
- Rights and Obligations of Host Government
- Addressing important operational issues in the contract
- Contract Area or Block
- Time periods in contracts
- Minimum Work Obligations in Exploration Phase
- Relinquishment of Unused Area to Government
- Discovery, Appraisal, Declaration of Commerciality and Development
- Post Commercial Discovery – A Field development Plan
- Annual Work Programs & Budgets – Petroleum Contracts
- Joint Management – Petroleum Contracts
- Deadlock – Petroleum Contracts

#### **The Financial Considerations in Petroleum Contracts – Fiscal Tools**

- Tools for Concessions, Production Sharing Contract and Participating Agreements
- Signature Bonus
- Production Bonus
- Rental
- Royalty – Fixed Royalty, Sliding Royalty, & Royalty Determination Point

- Payment in Cash or In Kind
- Corporate Income Tax and Ring Fencing
- Profit Sharing
- Production Sharing – Contract's & Government share
- Fixed Profit Oil Shares
- Sliding Scale Profit Sharing
- Cost Oil
- State Participation – A Fiscal Tool in PSC

## **Day 4 : Strategies and Solutions**

### **Fiscal Strategies and Solutions**

- Intro to Fiscal Strategies and Solutions in PSC
- Strategies for State to meet their Profitability
- The 4 Key Questions that Defines the Strategy
- The Changing Profitability – Due to Prices, Costs, Production Rates
- Understanding the Regressive, Neutral & Progressive Fiscal Tools
- Approaches to Profitability
- Profitability And The Fiscal Tools
- Timing of Petroleum Revenues – Fiscal Tools
- Risk for The State – Fiscal Tools
- State Participation as a Co-Investor
- Encouraging Investment and Re-Investment
- The Shift to Unconventional Oil & Gas

### **Gas and LNG Contracts**

- The Distinct Characteristics
- Liquefied Natural Gas Business
- Liquefied Natural Gas – Contracts
- Gas Sales and Transportation Contracts
- Gas Transportation Tariffs
- Gas Sales Agreements – Terms & Quantity
- LNG Sales And Purchase Agreements
- General Economics for Gas Exploration & Development

## **Day 5 : Negotiations Skills**

### **Art and Science of Negotiations Skills**

- What is negotiation?
- Understanding relations between conflicts and negotiations
- Identify key roles and responsibilities of negotiating team
- Preparing for negotiations
- Implement an effective negotiations process
- Understanding key success bargaining factors
- Concluding the negotiations

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