

# Oil & Gas Commercial Contracts and Negotiation Skills

## 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

## PROGRAMME 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

## WHO SHOULD ATTEND?

- Business Development Managers seeking new opportunities in different countries
- Negotiators and Contracting Professionals
- Corporate Planning Professionals
- Professional Personnel such as legal, environmental, banking, insurance, finance and tax advisors –working on oil & gas production sharing, oil concession and Joint Venture contacts analysing suitable fiscal regimes.
- Geologists, Geophysicist, Petroleum Engineers seeking understanding of different fiscal regimes in commercial contracts
- Supply Planners and Scheduling Professionals
- Government Regulators
- Auditing Personnel
- Compliance Officers
- Equity Analyst and Bankers
- Joint Venture Officers

## TRAINING METHODOLOGY

- Participants will learn by active participation throughout the Oil & Gas Commercial Contracts and Negotiation Skills training course through the use of training course materials, oil & gas contracts, case study exercises, quizzes, training videos and discussion of business cases issues relating to different fiscal regimes in production sharing, oil concession and service contracts in their organizations. Participants will learn negotiation skills.

## PROGRAMME SUMMARY

- To understand oil & gas commercial contracts, along with its technical terms and conditions, fiscal terms and fiscal regime calculations for contractor and host government. It also presents different fiscal tools, fiscal strategies and their impact each party's profitability. In addition, this program offers negotiations skills to successfully complete business agreements.

## PROGRAM OUTLINE

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 Coelom 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

## 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

## 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

## 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

## 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
  - Assignments and Business Case Studies
  - Glossary and Abbreviations in Oil & Gas Downstream