



## *Upstream Petroleum Contracts*

*Sharm El-Sheikh (Egypt) -*

*22-09-2024*

# Upstream Petroleum Contracts

Course code: CL180 From: 22-09-2024 Venue: Sharm El-Sheikh (Egypt) - Course Fees: 2750 £

## Introduction

Petroleum is a nonrenewable resource that will not last forever. This fundamentally drives government and corporate business decisions, one of which is that most petroleum contracts are structured to consider the entire life cycle of a project, beginning, middle, and end.

The details of upstream petroleum contracts can vary greatly; however, all must establish two key issues regarding how profits are divided between the government and participating companies.

This Upstream Petroleum Contracts training course covers the various types of upstream petroleum contracts, their differences, and the key contractual terms that participants must understand in order to fully comprehend all types of Upstream Petroleum Contracts. This contract management training course covers production sharing contracts, exploration and production (E & P) contracts, exploration and exploitation contracts, and licensing contracts in detail, and participants have key elements of these contracts as well as their own. Make good use of it in your business. This upstream oil contract training program is highly practical, with hands-on interactive sessions to help participants understand real-world problems and avoid pitfalls.

Well-negotiated and well-crafted upstream oil contracts need to withstand the "trials of time" and provide the parties with stability and the ability to adapt to changing circumstances over the years.

## This training course will highlight:

- The Fundamental Types of Upstream Petroleum Contracts
- The Advantages and Disadvantages of the Different Types of Upstream Petroleum Contracts and How it is suitable for Specific Types of Projects
- Concessions, Production Sharing & Risk Service Contract, Important Details and Suitability for any Oil and Gas Upstream Project
- The Role of JOA in Upstream Petroleum Contracting Conciliation, Mediation and Settlement of Disputes
- Understanding the Essentials Terms of Unitization and Farm-in, Farm-Out Agreements

## Course Objectives of Upstream Petroleum Contracts

Participants will have a working knowledge of Upstream Petroleum Contracts and how to apply this knowledge to administering Production Sharing Contracts. Further, the participant will gain a working knowledge of accounting and auditing procedures that will need to be implemented.

## At the end of this training course, you will learn to:

- Gain a full understanding of the different types of the Upstream Petroleum Contracts

- Understand the main contractual terms and their differences between the various types of contracts from PSA, Service contracts, and others
- Be aware of the approaches to the negotiation of these contracts
- Incorporate the best terms into these Upstream Petroleum Contracts

## Course Methodology of Upstream Petroleum Contracts

Participants will gain a better understanding of the subject through presentations by an experienced international practitioner designed to both inform and broaden the participants' perspectives. Case studies will be reviewed and discussed in light of some of the realistic scenarios that participants may face. Interactive discussions promote the discussion of problems and potential solutions. The negotiation simulation exercise will give participants a realistic sense of what it's like to negotiate a PSA contract.

## Target Audience of Upstream Petroleum Contracts

This Upstream Petroleum Contracts training course will benefit all levels of personnel involved in resolution of oil and gas disputes. It will enable a broad range of disciplines to appreciate and understand the complexities of conflict resolution in particular in the Oil and Gas industry, and how best to manage disputes in the oil and gas industry.

**This training course is appropriate for a wide range of professionals but will greatly benefit:**

- Senior Contract Negotiators and Managers
- Legal Managers, Legal Counsel
- Commercial and Business Managers
- Contracts Administrators and Managers
- Commercial, Financial, and Insurance Professionals
- Project and General Management Personnel

## Course Outline of Upstream Petroleum Contracts

### DAY 1

#### Introduction and Overview of Upstream Petroleum Contracts

- Brief Overview of the O&G Industry
- Oil and Gas Terminology
- The Legal Framework to Upstream Contracts
- Introduction to Contract Formation

- Key Oil and Gas Terminology
- Oil and Gas Industry Structure
- Relationship between Different Players in the Oil and Gas Industry
- Phases of the Oil and Gas Industry
- Oil and Gas Contract Fundamentals and Legal Principles
- Territorial Water, Continental Shelf and United Nations Convention on the Law of the Sea (UNCLOS)

## DAY 2

### Contracting in the Upstream Sector: Ownership and Licensing

- Ownership and Exploitation of Reserves
  - The ABCs of Petroleum Contracts: License-Concession Agreements, Joint Ventures, and Production-sharing Agreements
  - Characteristics of Upstream Contracts
  - Commercial Realities of the Oil and Gas Business
  - Agreement with Resource Holders
  - Ownership of Oil and Gas
  - Risk Service Contracts (RSCs)
  - Grant of Rights by Resource Holder
- Host Country's Legal and Regulatory Framework and Fiscal Regime - Stabilization
  - Role of Host Government
  - Key Issues in International Oil and Gas Contracts
  - Negotiation Framework and Strategy - Objectives of Host Countries / NOCs and IOCs
- Host Government's Role in Upstream (Exploration & Production (E&P)) Agreements
  - Overview of Upstream Operations and E&P Agreements (types and trends by region)
  - Key Differences between Production Sharing Contracts (PSCs), Concessions, Service Contracts and JV Contracts
  - Role of Host Government in Upstream Contracts

## DAY 3

## Production Sharing Contracts (PSC) & Joint Operating Agreements (JOA)

- Commercial Terms in Licensing and Concession Agreements
  - Fiscal Arrangements, License Fees
  - Five Key Financial Aspects to a PSC:

- (a) Royalty, the R factor
- (b) Cost Oil
- (c) Profit Oil
- (d) Taxation
- (e) Bonuses, Penalties

- PSC □ Cash Flow Distribution
- PSC □ CF Distribution Example □ Year N+1
- Comparison of Fiscal Systems
- Joint Operating Agreements (JOAs)
  - What is a Joint Operating Agreement (JOA)?
  - Nature, Aim and Functions of a Joint Venture
  - Government Approval
  - Key Areas of the JOA
  - Purpose and Scope: Participating Interests

## DAY 4

### Service Contracts, Farm-In and Farm-Out and Unitization - Risk Bearing and Non-Risk Bearing Service Contracts

- Participation Agreements (Farm-in and Farm-out)
  - Agreements for Farm-ins and Farm-outs
  - Nature of the Farm-out
  - Subject Matter of the Farm-out
  - Interest Assigned and Reserved
  - Assignment of Interest



- Unitization and Unit Operating Agreements (UUOAs)
  - What is unitization?
  - Unitization in Practice
  - Government Approval
  - Transboundary Unitization

## DAY 5

### Negotiating Production Sharing Contracts/ Simulation Exercise/ Oil and Gas Disputes

- Government Take
- Production Share and Cost Recovery
- Local Content
- Force Majeure
- Dispute Resolution
- Stabilization and Renegotiation Provisions
- Negotiation of a PSA with a Government Entity
- Objective: The objective is to establish what can be achieved in the meeting, what preparation is needed for it and what strategy should be adopted and then to pursue this strategy
- Feedback Session
- Importance of Negotiation in the Oil and Gas Business
- Disadvantages of Competitive or Positional Negotiation
- Principled Negotiation between the Parties to Achieve the Best Results