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Course Extended to 5 Days!

INTERNATIONAL

PETROLEUM

CONTRACTS

& PRACTICE IN NEGOTIATIONS

26 – 30 September 2011, Kuala Lumpur - 2nd run in Asia!



Michael Bunter

Former Chief Petroleum Geologist of Fugro Robertson, UK.

Over 40 years of international experience in exploration and development programmes in Libya, Malta, Indonesia, Malaysia, Brunei, the USA, Egypt, the Sudan, Kuwait and Oman.

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International Petroleum Contracts & Practice in Negotiations

26 – 30 September 2011, Kuala Lumpur, Malaysia

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Course Overview

This course will help you develop an in-depth knowledge of the legal and contractual framework in which the upstream oil industry conducts its operations. It opens with an explanation of the geopolitical forces which shape the modern oil industry and then covers the major technical, legal/contractual and financial/economic/taxation/fiscal issues that form modern E&P agreements worldwide.

You will learn the philosophy, evolution and fundamentals of international petroleum contracts. You will take part in life-like negotiating sessions mastering many negotiating techniques, where a mistake is a learning experience not a disaster.

The course continues with an explanation of the principles and strategy of petroleum negotiations and then proceeds to a worked example of the negotiation of an actual upstream petroleum agreement. In the latter, the course attendees will split up into two or more teams. One team will represent the government in the negotiations and the other(s) or more of the IOC's who are attempting to secure the government and E&P agreement.

The classes include participants from both NOC's, IOC's contractors, which adds further realism to the exercises.

Who should attend:

Petroleum business managers from Government Oil Ministries, NOC's, IOC's and international contractors. This will include from professionals from geosciences, engineering, legal, finance, economics, tax, lawyers in multilateral funding agencies and bankers.

Course Content in Summary:

- ❖ Sovereignty, the state and the ownership of the petroleum resource
- ❖ Petroleum legislation and key issues within it: the Petroleum Ministries and Petroleum Licensing and Monitoring Units. The State Oil Company: two modern examples (Pertamina and EGPC). Ten key steps in petroleum licensing and an example of modern petroleum legislation
- ❖ Petroleum leases, concessions, agreements and contracts. The modern Equity (Royalty-Tax) Agreement versus the modern Contractor (Production Sharing) Agreement
- ❖ Technical issues in petroleum agreements: term (duration), work programme (duration and content: seismic and wells), exploration periods and relinquishment, exploration and production licences, discovery, the development plan
- ❖ Legal and contractual issues in petroleum agreements: the rights, duties, obligations and liabilities of the parties
- ❖ Financial issues in negotiations: royalty, tax, additional profits taxes, OPEX, CAPEX, cost oil, profit oil

Key Learning objectives:

- ❖ Understand the key constituents of Petroleum legislation across the world in various regions
- ❖ Understand the fiscal instruments in petroleum agreements, equity agreements and contractor agreements in play
- ❖ Learn how to negotiate contracts from different view points

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5 Day Detailed course outline

The geopolitics, history and economics of the petroleum industry:

- The industrial revolution and world demand for energy
- World oil reserves
- After the first world war (the age of economic colonialism)
- The second world war and after (the age of economic nationalism)
- OPEC (the host governments strike back)
- Sub-saharan Africa (Angola and Nigeria) & the north sea
- The modern world of oil

Sovereignty and the ownership of petroleum:

- Sovereignty and petroleum rights
- Sovereignty and the ownership of minerals under the English Common Law
- Other jurisdictions with private ownership of minerals
- Personal sovereignty in petroleum (the monarch as sovereign)
- Sovereignty and ownership of petroleum in Islamic law
- Shared sovereignty (confederalism and federalism)
- Federal sovereignty in the United Kingdom
- International law and sovereignty over minerals
- Sovereignty/ownership/management/control and regulation
- Trinidad: an example of mixed ownership in petroleum
- Sovereignty over petroleum resources: the Mexican example
- Sovereignty over the petroleum resource: the Canadian example
- Sovereignty over the petroleum resource: the Indonesian example
- Joint sovereignty: the Australia/Timor treaty
- Ownership and title in Minerals and Petroleum Law
- Sovereignty devolution and minerals rights, disputed sovereignties and conflicting borders
- Customary law: some preliminary thoughts on Native Title

The "Settler Lands" and other territories: Native Rights and Title over mineral resources:

- Colonisation and native land tenure
- Native title in Australia
- Native title and rights in the United States of America
- Native rights and title in Papua New Guinea
- Native rights and title in Nigeria
- Native rights and title in Colombia
- Native rights and title in Indonesia
- Nations without a country
- Native rights and title in the United Kingdom: the Welsh example after devolution
- Some conclusions.

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The Petroleum Legislation

- Structure of the Petroleum Legislation:
 - The Right to prospect and to explore (to perform an action)
 - The Right to develop and produce (to take possession and to dispose of the petroleum retaining the proceeds of sale)
- Other legislation:
 - Companies Act
 - Annual Corporate
 - Individual Tax Law
 - Foreign Exchange Control
 - Environmental Law
 - Legislation establishing the State Oil Company
- The Petroleum Legislation empowers a Ministry and a Petroleum Licensing and Monitoring Unit, PLMU, and gives effect to the Petroleum Contract/Agreement and the Petroleum Regulations
- The English Common Law ownership of petroleum versus the Continental Domanial system
- The law relating to the Equity (Royalty - Tax / Concession) and Contractor (Production Sharing, Service, Risk Service, Association) Agreements and their historical development
- An early (1949) example of simple and effective petroleum legislation from Pakistan
- General subsurface laws: an example from the Former Soviet Union
- The use of Mining Legislation in petroleum operations
- The Ministry of Petroleum and the Petroleum Licensing and Monitoring Unit
- State Oil Company (Pertamina- the Indonesian example); EGPC (the Egyptian example)
- Ten steps in petroleum licensing, an example of modern petroleum legislation: Papua New Guinea.
- Petroleum Leases, Concessions, Agreements and Contracts
- The modern Equity (Royalty Tax) Agreement
- The modern Contractor (Production Sharing) Agreement
- Details and explanation of the modern PSA

Fiscal instruments in petroleum agreements

- Government institutions in petroleum agreements
- A quick look at petroleum economics
- The economic life and death of a petroleum project
- Government and investor objectives in fiscal schemes
- The rate of return on petroleum projects
- Some simple fiscal imposts:
 - payments for data
 - Payments for land use
 - The lease/bid bonus
 - Signature bonuses
 - Annual licence fees
 - Training bonus
 - Development bonus
 - Discovery bonuses
 - Production bonuses
 - Severance taxes
 - Value Added Tax
 - Export tax

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Fiscal instruments in Equity Agreements

- Royalty (the principles and the practice)
- Corporate Tax (principles)
- Costs: OPEX and CAPEX
- The Accounting Procedures
- The Depletion Allowance
- Parent Company Overhead
- Expenditures allowable for Abandonment /Decommissioning/ Cleanup Costs
- Ring fencing
- Costs not allowable under petroleum agreements
- Other taxes on profits (Additional Profits Taxes, Special Petroleum Revenue Taxes)
- Rate of return, the "R" Factor, other fiscal issues: Exchange Control Legislation
- The Value of the Equity Agreement as against the Contractor Agreement.

Fiscal Instruments in the Contractor Agreement

- The fiscal structure of the original Contractor Agreement (Production Sharing) in Indonesia
- The Contractor Agreement (Production Sharing) in Egypt
- Cost recovery under the Contractor Agreement
- Depreciation
- Pledge of Assets and the Development of the Discovery
- Profit Oil under the Contractor Agreement
- The Contractor Agreement in Algeria, fiscal instruments under the Service Agreement
- Fiscal Instrument under the Joint Venture
- The fiscal convergence of the Equity and Contractor (Production Sharing) Agreements
- The competitiveness and prospectively of fiscal schemes

IOC and Government Take

Major and minor issues in negotiations

- The ten different types of country.... which is yours?
- The four different types of IOC: a review
- Preliminaries:
 - the government negotiating team
 - the IOC negotiating team, assessment of negotiating positions
 - the conduct of negotiations
- The lease/signature bonus
- Term (duration) of exploration period
- Contract area size
- Work programme: G & G plus a drilling commitment
- Expenditure commitment
- The fiscal scheme
- Management and the role of the Technical Advisory Committee
- Discovery/appraisal/development/production/exploitation
- Annual fees bonuses and other imposts
- The rights/duties/obligations/liabilities of the parties
- Applicable Law/sole expert and arbitration
- The environment
- Plus minor issues in negotiations

Practice for and conduct of a working exercise in negotiations:

A real example from the African continent. The training group will form two teams; one team will represent the government and the other the IOC. The teams will negotiate competitively to secure the best deal for their side using the technical data supplied and the knowledge gained from the course. They will negotiate contract area, work programme, dollar commitment, well commitment and all of the other manifold aspects to a petroleum agreement.

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Your Expert Trainer: **Michael Bunter**



Michael Bunter is a Petroleum Geologist with 40 years of experience working in the international oil field sector.

He has lived and worked on petroleum upstream projects including exploration and development programmes in Libya, Malta, Indonesia, Malaysia, Brunei, the USA, Egypt, the Sudan, Kuwait and Oman. Michael has extensive experience in Indonesia, the Middle East the USA and North Africa which includes operations geology, geological and geophysical interpretation leading to prospect generation and basin evolution, management recommendations for the acquisition of new acreage, recommendations and plans for drilling of E&P wells and supervision of geological operations.

Michael's career started in Garmac in Libya where he worked as a petroleum geologist, he moved to Conoco in the 1970's where he worked as a geologist in operations and a supervisory role he then moved to Fugro Robertson to work as their chief Petroleum Geologist focussing his skills on consultancy to governments & oil companies. Throughout his career Michael has been extensively involved in delivering training programmes and workshops during which he imparts his extensive knowledge and experience.

About **petroEDGE**



PetroEdge is a specialist Oil & Gas training provider with our key training hub based in Kuala Lumpur. Since our inception, we have trained over 1000 engineers in various specialised disciplines in the Oil & Gas sector. Our core focus is in developing competency in the local workforce of petroleum engineers, scientists and related professionals in leading NOCs, IOCs and contractors based in this region. In our commitment to create sustainable skills, we facilitate cost-effective skills transfer opportunities for local operators and contractors through world-class training courses with leading experts. Through our unique client engagement model and local presence, we are better positioned to fulfil critical learning requirements of Asian based organisations.

To learn more about us, visit www.petroedgeasia.net

About **Fugro Robertson Petroleum Training Centre**



The Fugro Robertson Training Centre was established in 1990 to provide a comprehensive range of upstream training programmes for the international petroleum industry. With a portfolio of over 40 courses, training has been given to personnel from over 120 companies and delivered in more than 40 countries. The Centre has now gained a reputation for the quality of its product. Fugro Robertson is unique in the oil and gas training field in that by using our in-house experts, we can design and present training programmes of any length in virtually any global location.

International Petroleum Contracts REGISTRATION FORM

Kuala Lumpur, Malaysia 26-30 September 2011	Early Bird Price	✓	Normal Price	✓	
5 - day – International Petroleum Contracts and Practice in Negotiations	S\$ 4999		S\$ 5199		TEAM DISCOUNTS PetroEdge recognises the value of leaning in teams. Group bookings at the same time from the same company receive the following: 3 or more at 5% off 5 or more at 7% off 8 or more at 10% All other promotions including early bird is exclusive of the group discount.
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