Production Sharing Agreements Course for Petroleum Officials: Cost Oil, Profit Split, State Take

4 – 8 January 2027
London - Premier Inn Victorya

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Programme Summary

Production sharing agreements, covering cost oil, profit split and state take, are the subject of this one-week training course for petroleum officials, contract managers and auditors, ending in a fiscal terms review of one agreement. Revenue from a petroleum field is divided by formulas that few reviewers can test line by line. The programme moves from contract structure to cost recovery, profit split, cost audit and a completed review, using prepared agreement extracts. Mars Training Centre UK delivers this programme on production sharing agreements to mixed-organisation cohorts.

The Business Case

State bodies and operators both depend on cost recovery and profit split terms that are applied correctly. Reviewers who can follow a claim from invoice to share of production catch errors early, explain differences between contractors and defend the state position or the contractor position with evidence rather than assertion.

- Revenue Leakage: Falls when contractor cost claims are tested against recoverability rules before they are accepted.
- Dispute Exposure: Reduces when both parties work from one agreed model of the split.
- Review Cycle Time: Shortens when claims are sampled and ranked by value and risk.

Principles and Evidence Base

- AIPN Model Contracts: Published model petroleum agreements, used in Session 1 as a reference for comparing contract clauses.
- EITI Standard: The international standard for disclosure of extractive revenues, applied in Session 4 to structure revenue reporting.
- IFRS 6: The international standard on exploration and evaluation assets, applied in Session 2 to test how exploration costs enter the recovery pool.

Intended Participants

- Petroleum contract managers who administer agreements and approve cost claims.
- Government officials who set fiscal terms and monitor state revenue.
- Auditors who test contractor cost records and revenue statements.
- Finance and commercial managers in national oil companies and operators who forecast their share of production.

Typical settings include national oil companies, energy ministries, audit institutions and international operators.

Learning Outcomes

1. Participants will be able to construct a flow of production from cost oil to profit oil for one agreement.
2. Participants will be able to evaluate contractor costs against recoverability rules and a recovery ceiling.
3. Participants will be able to calculate a profit split under a sliding scale and an R-factor.
4. Participants will be able to diagnose weak points in contractor cost claims through sampling and audit tests.
5. Participants will be able to justify a fiscal terms review to a senior review panel.

Programme Structure

Day 1: Production Sharing Agreements Foundations

How does an agreement divide petroleum between the state and the contractor?

- Contract Structure Map
- Cost Oil and Profit Oil Flow
- Royalty and Bonus Provisions
- State Participation Terms
- Model Contract Clause Comparison

Day 2: Cost Recovery Rules

Which contractor costs can be recovered, and in what order?

- Recoverable Cost Schedule
- Recovery Ceiling Test
- Exploration Cost Treatment
- Ring-Fencing Rules
- Carry-Forward Ledger

Day 3: Profit Split and Sliding Scales

How do production levels and returns move the split between the parties?

- Sliding Scale Tables
- R-Factor Calculation
- Rate of Return Triggers
- Profit Split Model
- Tax and Royalty Interaction

Day 4: Cost Audit and Revenue Reporting

How are contractor claims checked and state revenue reported?

- Cost Claim Sampling
- Audit Rights Review
- Related-Party Charge Test
- Procurement Compliance Test
- Revenue Disclosure Template

Day 5: Fiscal Terms Review for One Agreement

Do the findings join into a reviewed set of fiscal terms?

- Applying the Session 1 Contract Structure Map
- Testing the Session 2 Recovery Ceiling
- Running the Session 3 Profit Split Model
- Using the Session 4 Audit Findings
- Completing the Fiscal Terms Review

Methodology

The programme is a structured exercise built on prepared extracts from two agreements, one for an oil field and one for a gas development. Participants build the production flow, test cost claims and model the split, then defend their findings to peers acting as a review panel.

- Suggested activity: Tracing one invoice through the recoverable cost schedule.
- Suggested activity: Modelling a profit split under a sliding scale.
- Suggested activity: Sampling a set of cost claims and ranking the findings.

Capstone Output

Each participant completes a fiscal terms review for one agreement. It holds a production flow chart, a recoverability test of sample claims, a profit split model, an audit findings table and a short recommendation. At work it goes to the review panel and becomes the checking routine for later claims.

Frequently Asked Questions

Is a production sharing agreements course suitable for officials without a legal background?

Yes. Production sharing agreements are taught through prepared extracts and templates. You need responsibility for contracts, finance, audit or fiscal policy in petroleum, but no legal training.

Which standards do production sharing agreements training and review rest on?

Production sharing agreements training here rests on AIPN model contracts, the EITI Standard for revenue disclosure and IFRS 6 for exploration costs, applied to one agreement.

How is the fiscal terms review from production sharing agreements training used at work?

You present the fiscal terms review to your review panel, use its model to check later cost claims and keep its audit table as a routine for future periods.

How do production sharing agreements differ from a programme on joint operating agreements?

Production sharing agreements concern the split of production between state and contractor, while joint operating agreements concern how partners in a venture share operations and costs.