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

30 May – 3 June 2027  
Muscat





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

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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.