



COURSE OVERVIEW

Dr. Armayau Alhaji Sani

**Course : Oil and Gas
Accounting**

Course Code: ACC 404



Course Overview

Oil and gas operations have some of the most unique accounting issues found in any industry. Oil & Gas Accounting delves into acquisition, exploration, development, and production activities, covering many industry-specific accounting issues. Topics covered include the successful efforts method, full cost method, reserve reporting, the unit of production method, severance taxes, take-or-pay arrangements, transfers of mineral interests, and joint interest accounting, as well as industry-specific controls that should be installed. In short, this is the essential oil and gas desk reference for the accountant.



Course Objective

The primary objective is to provide students with an understanding of the unique characteristics of the oil and gas industry and the accounting principles and standards that apply to it. The course is also expected to help students identify and account for the different phases of oil and gas exploration and production, including acquisition, exploration, development, and production costs.

Course Content



Week	Hour	Date	Topic
1	3	28/1-1/2/2024	Overview of Oil and Gas Accounting
2	3	4-8/2/2024	Introduction to Accounting Standards for oil and Gas Activities
3	3	11-15/2/2024	Basic Accounting Terminologies in the oil and Gas Sector
4	3	18-22/2/2024	Classification of Cost in the Oil and Gas Industry
5	3	25-29/2/2024	Accounting for acquisition, Exploration, Development and Production of Oil and Gas
6	3	3-7/3/2024	Methods of Accounting for Oil and Gas activities
7	3	24-28/3/2024	Successful cost Method
8	3	31/3-4/4/2024	Full Cost Method Practical
9	3	14-18/4/2024	Midterm Exam



Course Content

A

Week	Hour	Date	Topics
10	3	21-25/4/2024	Joint Interest Accounting
11	3	28/4-2/5/2024	Joint Interest Accounting
12	3	5-9/5/2024	Risk mnagement in the Oil and Gas Industry
13	3	12-16/5/2024	Introduction to Oil and GAs Taxation
14	3	19-23/5/2024	Environmental and Social Accounting in the Oil and Gas Sector
15	3	26-30/5/2024	Revisions
16	3	2-6/6/2024	Final Exam



OTHER SUNDRY ISSUES

Prerequisites (Course Reading List and References):

Principles of Accounting, Financial Accounting and Intermediate Accounting

Student's obligation (Special Requirements):

1. Mobile phones during classes are not tolerated. 2. Attendance is required. Students are expected to attend class regularly, to arrive on time, and to remain through the scheduled class time.

Course Book/Textbook:

1. Fundamentals of Oil and Gas Accounting by Gallun, R. A., Wright J. C., Nichols, L. M. and Stevenson. J. W.
2. Financial Accounting and Reporting by Oil and Gas Producing Companies by FASB iii) Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities by SORP

Teaching Methods (Forms of Teaching): Lectures, Presentation, Case studies.



Course Evaluation Creteria

Method	Quantity	Percentage (%)
Participation	1	10
Quiz	2	5
Homework	2	5
Midterm Exam	1	20
Presentation	1	10
Final Exam	1	40
Total		100

Examinations: Essay Questions, True-False, Multiple Choices, Short Answers, Problems Solving, ,



Week 1: Overview of Oil and Gas Industry

Introduction:

Oil and Gas industry is one of the vital industries in the world, largely because of its strategic role in every economy and the world, at large. The distinctive features that characterized the industry are derived from the nature of crude oil, its operations and commercial arrangements.



Definition of Oil and Gas

- **Petroleum** (i.e. crude oil and natural gas) refers to mixture of hydrocarbons that are molecular in nature, in various shapes and sizes of hydrogen and carbon atoms, found in small connected pore spaces of some underground rock formations.
- **Crude oil refers** to hydrocarbon mixture produced from underground reservoirs that are liquid at the normal atmospheric pressure and temperature, natural gas refers to hydrocarbon mixtures produced from underground reservoirs that are not liquid but gaseous at the normal atmospheric pressure and temperature.

Characteristics of Oil and Gas Industry

- 1. High Level of Risk and Uncertainty:** The level of risk in oil and gas operations can be both substantial in amount and wide in scope, and locating new well sites even in already established field is surrounded with high level of uncertainties.
- 2. Long Lead-Time between Investment and Returns:** Even in normal circumstances, upstream activities can take several years, thereby complicating the risk further in oil and gas operations. The operations are highly capital intensive, requiring large amounts of capital investment up-front.

Characteristics of Oil and Gas

3. Significant Regulation by Government Authorities: The petroleum industry, in any part of the world is subject to involvement, participation, intervention and regulation by various governments and its agencies.

4. Specialized Accounting Rules for Reporting and Complex Tax Rules: There are fundamental dissimilarity between financial/tax accounting in the oil and gas industry and other industries. This arises from the nature of oil and gas industry, its highly technical operations and specialized activities.



Characteristics Con't

5. Technical and Operational Complexity: Finding oil has proved to be a difficult task and therefore demands the best technology possible. This results from the complexity of operations, especially in the offshore terrain.



Characteristics Con't

5. Technical and Operational Complexity: Finding oil has proved to be a difficult task and therefore demands the best technology possible. This results from the complexity of operations, especially in the offshore terrain.

Classification of Oil and Gas Industry



Oil and gas industry operations are generally classified as being either upstream or downstream.

Upstream Operations:

Upstream oil and gas operations include exploration, acquisition, drilling, developing, and production activities and are frequently referred to as Exploration and production activities or E&P activities.

Upstream Operations



Exploration and Production (E&P): Exploration is the search for oil with a view to discovering oil-in-place. It is the initial Phase of identifying Potential oil and gas reserves beneath the earth's surface.

Production : This is a stage in which oil and gas reserves or well that have been discovered at commercial quantity are extracted and from the Ground for commercial purposes.

Acquisitions: Acquisition refers to the process of obtaining ownership or control of hydrocarbon assets, such as oil and gas leases or producing properties.



Classification of Oil and Gas Section

Down-stream operations were defined to include transportation, refining, marketing, and distribution of processed products.

1. **Refining and Hydro Processing:**

Refining is the treatment of crude oil in order to form finished products and may extend to the production of petrochemicals. Crude oil refining involves the breaking down of hydrocarbon mixture into useful products, through distillations, cracking, reforming and extraction process. Different mixtures of petroleum have different uses and economic value. Numerous useful products that are derived from petroleum include the following



Classification of Oil and Gas Section

- **Transportation Fuels** [**Automotive Gas Oil (AGO)**, popularly known as diesel and Premium Motor Spirit (PMS) popularly known as petrol, etc].
- **Heating Fuels, like the Dual-Purpose Kerosene (DPK)**, popularly known as kerosene. Kerosene (DPK)
- **Liquefied Petroleum Gas** (otherwise known as cooking gas is made up of 70% propane- C₃ and 30% butane-C₄). It is a product of petroleum refining and, it can also be obtained from natural gas processing
- **Petrochemicals** from which plastics, as well as clothing, building materials, cream, pomade, soap, petroleum jelly, etc are produced.