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		Overview of Oil and Gas Accounting
2	3		Introduction to Accounting Standards for Oil and Gas Activities
3	3		Basic Accounting Terminologies in the Oil and Gas Sector
4	3		Classification of Cost in the Oil and Gas Industry
5	3		Accounting for acquisition, Exploration, Development and Production of Oil and Gas
6	3		Methods of Accounting for Oil and Gas Activities
7	3		Successful cost Method
8	3		Full Cost Method Practical
9	3		Midterm Exam

Course Content

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Week	Hour	Topics
10	3	Joint Interest Accounting
11	3	Joint Interest Accounting
12	3	Risk mnagement in the Oil and Gas Industry
13	3	Introduction to Oil and GAs Taxation
14	3	Environmental and Social Accounting in the Oil and Gas Sector
15	3	Revisions
16	3	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 a mixture of molecular hydrocarbons 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 a hydrocarbon mixture produced from underground reservoirs that are liquid at normal atmospheric pressure and temperature; natural gas refers to a hydrocarbon mixture produced from underground reservoirs that are not liquid but gaseous at 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.

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

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

Exploration: Exploration is the search to discover 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 wells that have been discovered at commercial quantity are extracted from the ground for commercial purposes.

Classification Con’t

Downstream 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 to form finished products. Crude oil refining involves the breaking down of hydrocarbon mixture into useful products, through distillations, cracking, reforming and extraction process. 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) 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.