



Oil and Gas Accounting: Upstream Costs, Depletion, Joint Operations and PSC Reporting



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Introduction:

Upstream finance teams must turn well costs, reserves estimates, partner agreements and fiscal terms into numbers auditors and partners accept, and errors in capitalisation, depletion or cost recovery distort profit, asset values and government entitlement. This Oil and Gas Accounting course from Core Concept trains accountants to apply successful efforts and full cost policies, account for exploration and evaluation spend, calculate units-of-production depletion, record joint operations, compute PSC cost oil and profit oil, and measure field performance. Participants build an Upstream Accounting Workbook for an asset of their own choosing.

Course Objectives:

- Apply a successful efforts or full cost policy to classify acquisition, exploration, development and production costs and post the resulting entries
- Account for exploration and evaluation assets under IFRS 6, including suspended well costs, impairment triggers and reclassification to development
- Calculate units-of-production depletion from proved reserves and revise charges when reserves estimates or future development costs change
- Record a participant's share of a joint operation under IFRS 11 and reconcile joint interest billing statements with the operator's cost ledger
- Compute PSC cost oil, profit oil and entitlement barrels and post the corresponding revenue, cost recovery and receivable balances
- Measure decommissioning provisions, test oil and gas assets for impairment and report lifting cost, finding and development cost and reserve replacement

Target Audience:

- Accountants who record exploration, drilling and development expenditure and maintain upstream asset ledgers
 - Joint venture accountants who prepare, review or audit partner billings and cash calls
 - Finance staff who calculate PSC cost recovery, profit sharing and entitlement volumes
 - Reporting accountants who prepare depletion, provision and impairment entries at period end
 - Cost controllers who track field operating and capital spend against approved budgets
 - Internal auditors who review upstream cost allocation and partner billing controls
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Course Outline:

Day 1: Upstream Value Chain and Oil and Gas Accounting Foundations

- Upstream Phases: Acquisition, Exploration, Appraisal, Development and Production Cost Categories
- Chart of Accounts Design for Licences, Fields, Wells and Cost Centres
- Authorisation for Expenditure AFE Control and Well Cost Coding
- Proved, Probable and Unproved Reserves Classes and Their Link to the Ledger
- Current-State Review of an Existing Upstream Accounting Policy

Day 2: Accounting Methods: Successful Efforts, Full Cost and IFRS 6

- Successful Efforts Method under FASB ASC Topic 932: Dry Hole Expensing and Well Capitalisation
- Full Cost Method: Country Cost Pools and Capitalisation of All Finding Costs
- IFRS 6 Exploration and Evaluation Asset Policy Choice and Initial Measurement
- Suspended Well Costs and Transfer from E&E to Development Assets
- Method Comparison Worksheet: Profit, Asset Base and Volatility Effects

Day 3: Depletion, Joint Operations and Partner Billing

- Units-of-Production Depletion Formula with Barrel of Oil Equivalent Conversion
- Future Development Costs and Reserves Revisions in the Depletion Base
- IFRS 11 Joint Operation Recognition of Share of Assets, Liabilities, Revenue and Expenses
- Joint Interest Billing Statements, Cash Calls and Overhead Recharge Checks
- Partner Audit Exceptions and Operator Ledger Reconciliation Procedure

Day 4: PSC Accounting, Decommissioning and Impairment

- PSC Cost Recovery Pools, Cost Oil Ceilings and Carry-Forward of Unrecovered Costs
- Profit Oil Split, Entitlement Barrels and Revenue Recognition for the Contractor
- Decommissioning Provision Measurement: Discounting, Unwinding and Estimate Revisions
- IAS 36 Impairment of Oil and Gas Cash-Generating Units with Price and Reserves Inputs
- Lifting Cost, Finding and Development Cost and Reserve Replacement Ratio Calculation

Day 5: Modelling Build: Upstream Accounting Workbook

- Workbook Build: Cost Classification and Capitalisation Schedule for a Sample Field
 - Workbook Build: Depletion and Decommissioning Roll-Forward
 - Workbook Build: Joint Interest Billing Reconciliation and Partner Share Entries
 - Workbook Build: PSC Entitlement and Cost Recovery Statement
 - Upstream KPI Dashboard Review and Peer Challenge of Workbooks
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Skills You Will Gain:

- Upstream Cost Classification
- Exploration and Evaluation Asset Accounting
- Depletion Calculation
- Joint Interest Billing Review
- Cost Recovery Computation
- Decommissioning Provision Measurement
- Oil and Gas Impairment Testing
- Upstream Performance Metrics

Why Attend This Course:

- Return with an Upstream Accounting Workbook covering cost capitalisation, depletion, partner billing, PSC entitlement and field KPIs
- Resolve recurring audit questions on dry holes, suspended wells and reserves-driven depletion before period end
- Challenge operator billings and cost recovery claims with evidence drawn from agreed procedures and reconciliations
- Compare upstream accounting practice with finance staff from operators, non-operating partners and national oil companies

Conclusion:

Upstream figures depend on a chain of judgements: which costs to capitalise, how reserves drive depletion, how partner and fiscal terms divide costs and barrels, and when assets or provisions need remeasuring. The course moves from cost categories and reserves classes through successful efforts, full cost and IFRS 6, to depletion, joint operation billing, PSC cost oil and profit oil, decommissioning, impairment and field performance measures. The final day produces a working Upstream Accounting Workbook ready for use at the next close.
