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**Training Implementation Plan:
Central Asian Republics**

**NIS Institutional Based Services
Under the Energy Efficiency and
Market Reform Project
Contract No CCN-Q-00-93-00152**

**Central Asian Republics Oil & Gas Sector Reform Program
Delivery Order No 17**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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EXECUTIVE SUMMARY

The legal and economic training program required under the subject contract was prepared in conjunction with USAID's Central Asian Republic (CAR) representatives through a joint effort by Hagler Bailly's U S based employees, resident advisors, independent contractors, and the staff and faculty of the University of Houston. This training program has been designed in support of the Institutional Reform Project, its individual technical assistance projects, and was developed through numerous meetings of Hagler Bailly's representatives with local government officials, various business entities, and institutions of higher learning in the countries of Turkmenistan, Kazakhstan, and Uzbekistan. This training is aimed at second-tier decision makers, with a goal of reaching 75 to 100 local nationals in each country per year. This training program was modified as to its presentation schedule over the 18 months of its operation, and individual instructors put their own ideas and imprint on the materials in the basic manuals. However, the central purpose of the training program and basic course content was delivered as planned.

The main in-country training program consisted of five short-courses, each of which included a comprehensive training manual available in both English and Russian, and were designed to be presented in 16 hours of instruction over a two to four day period. The presentations are intended to utilize a lecture/discussion instructional method, that involves the participants in a give-and-take dialogue with the instructors. This instructional approach can be expanded to a workshop format that includes role-playing, local work, and problem-solving. Although the basic training manuals were applicable to all three countries, an effort was made to customize the presentations for each of the countries based on local laws, cases, and examples. The first short-course teaching tour was completed in August of 1997, and subsequent courses were presented throughout the contract period. All five of the short-courses were presented in Uzbekistan, but early restrictions in Turkmenistan and later curtailment in Kazakhstan prevented all of the courses from being presented in those countries. The five in-country short-courses were supplemented by impromptu seminars in some of the Republics on Strategic Planning, U S Tax Law, and U S Employment Law and Practices.

A continuation of the USAID assistance program to the CAR should include a training program in support of the technical assistance projects as they are developed. The previously developed five short-courses may continue to be utilized, and additional subjects should be considered for development based on continuing consultations with local counterparts and other appropriate parties. It is felt a continuation of the USAID assistance program with the proper training effort can have a desirable effect on the next generation of national leaders in the Central Asian Republics.

CHAPTER 1

PURPOSE

The training program was conceived in support of the legislative and institutional reform project in the oil & gas sector of the Newly Independent States of the Central Asian Republics of Turkmenistan, Kazakhstan, and Uzbekistan. Hagler Bailly, under contract with USAID, has undertaken to provide technical assistance in the revision of legislation and development of rules and regulations designed to restructure the oil & gas industry in the three countries to lead to the creation of a vibrant energy sector able to compete in the world energy market and to attract foreign private investment. This assistance program involves drafting, review, and consultation on both legislation, and rules and regulations to be promulgated by newly created independent regulatory agencies. Further to this effort, Hagler Bailly has undertaken specific assistance projects involving legal, technical, and economic studies in support of various aspects of this restructuring. Examples of these projects include 1) study and development of cost-of-service pipeline tariff methodologies to foster competitive transportation of oil & gas in this region, 2) drafting and adoption of rules and regulations governing offshore operations in the Caspian and Aral Seas, and 3) review, economic study, and strategic plan for restructuring and privatization of these countries' domestic oil & gas sector.

In support of this technical assistance effort, a training program to develop a local cadre of internationally skilled legal, economic, and accounting managers and experts was considered essential. Development of the training program involved interaction with local counterparts to include various branches of government, local business entities, and the institutions of higher learning in the three countries. From the outset, the intention was to be responsive to the needs of the local community while fulfilling the requirements of the USAID contract.

Early in the program development, the decision was made to target in-country training at the second and third tier decision makers in an attempt to build a lasting trust, with a long-term approach to industry privatization and market based reforms. The goal was to educate and influence the next generation of national leaders, and to effect current leadership through their staffs and advisors. This approach reflects both idealism and realism, as access to top tier decision makers has become somewhat limited.

CHAPTER 2

IN-COUNTRY TRAINING PROGRAM

DEVELOPMENT

The process of developing this training program originated with submission of a list to Houston from the Hagler Bailly resident advisors in each of the three countries, detailing the seven to ten subjects the local government representatives requested as areas of needed training. Five subjects were common to all three lists, and were selected for development as short-courses for presentation in each of the three countries, as the initial phase of the training program. In June of 1997, Hagler Bailly's Training Program Coordinator toured the three countries in order to secure additional input on training requirements and access the first-hand reaction to the five short-courses proposed for the initial training effort. This fact-finding tour also involved consideration of the logistics requirement and schedule for the training tours to follow. The overall reaction to the proposed five-short courses was generally favorable, but with interest varying from one course to the next, and from one entity or institution to the next. Many suggestions and recommendations were received as to modification of the proposed short-courses, and efforts were made to incorporate those changes in the first round of presentations. In addition, numerous requests were received for different subjects to be covered in future programs, and these requests are discussed in Section III of this report.

Based on this input from local governments and the fact-finding tour, the five short-courses were then developed through a joint effort between Hagler Bailly personnel and the staff and faculty of the University of Houston. Based on the local response, efforts were made to further tailor each presentation to fit the particular country in question. These original five short-courses are summarized in Section II - E of this report as to objectives, content, target audience, duration, party responsible for manual preparation, and actual instructor.

FORMAT

Each of the five short-courses was prepared with a comprehensive manual, average length about 150 pages, designed to serve as specific instructional materials, work-book, and reference source to be left with each participant. All the manuals were fully translated into Russian and printed in large quantities. The basic manuals were universal for use in all three countries, with any customization for each country handled loose-leaf, outside of the basic manual. Each instructor generated significant additional materials in putting their own imprint on the course presentations. The intent was that the basic manuals would be supplied to the participants three or four days in advance of the presentation to allow time for review of the materials and question formulation, in preparation for the actual presentation. This is

definitely a desirable objective, but in many cases this early manual delivery proved impossible. The basic manuals were prepared with the idea of being used for two or three years with only minor up-dates, so the courses could be taught numerous times over the next several years. The outlines of the five short-course enclosed in the Appendix are the work of the manual authors from the University of Houston, but have been modified by the individual instructors for their presentations.

The short-courses were designed to be taught in-country by members of the University of Houston Faculty, and qualified Hagler Bailly personnel. The intent was that the material of the basic manual would be presented in four-four hour blocks of instruction, total of 16 hours, meaning two full-days or four half-days sessions. In practice, the presentations encompassed two, three, or four days. The short-courses were designed to be presented to classes of about 15 participants, allowing time for discussion and significant participate/instructor interaction. The intent was a workshop like format, including role-playing and vigorous discussions, with ample time for question and answer sessions. The success obtained in this desire for participate/instructor interaction is considered one of the highlights of the actual accomplishment of this training program.

LOGISTICS

Hagler Bailly provided all materials, instructors, interpreters, travel, and facilities for presenting these short-courses in the three countries. A key logistical factor was the preparation and translation of the course manuals and other materials in time for early distribution to the participants. Facilities required were that of a typical classroom, meeting room and tables for a minimum of 20 people, podium, overhead projector, writing board, refreshments, etc. Additional equipment required, such as a computer or copy machine, was coordinated between the Hagler Bailly resident advisors and the individual instructors.

Perhaps the most important and difficult logistical factor was the selection of participants, and then a requirement to observe the proper protocol in issuing invitations to those identified as being the desired attendees. This proved to be an enormous task, and one that ultimately determined the success or failure of the individual presentation. Ultimately, it was determined that this task could only be accomplished by Hagler Bailly's resident advisors, with assistance from the individual country's U.S. Embassy and USAID representatives.

SCHEDULE

The initial schedule was heavily dependent on the availability of University of Houston Faculty, the difficulty of travel, particularly air travel between the Republics of the CAR, and the decision to teach the courses only on week days. The first three short-course presentations were planned on a schedule of 1) the instructor departing the U.S. on a Friday, 2) arriving

Almaty late on Saturday, 3) making the presentation in Almaty on Monday and Tuesday, 4) flying Almaty to Tashkent on Wednesday, 5) making the presentation in Tashkent on Thursday and Friday, 6) flying Tashkent to Ashgabat on Monday, 7) making the presentation in Ashgabat on Tuesday and Wednesday, and 8) departing Ashgabat for the U S on Thursday. This constituted a 14 day total trip for the instructors.

Due to a variety of factors, the above rotation through the CAR was abandoned after these first three short-course presentations. First it became extremely difficult to schedule the University of Houston Faculty due to their teaching schedules, and ultimately led to the short-courses primarily being taught by Hagler Bailly consultants. In addition, the Government of Turkmenistan initially barred the short-course presentations, which led to Ashgabat being bypassed for the first three courses. The Government of Turkmenistan eventually welcomed the short-course presentations, but then the decision was made to drop all training in Almaty. Since the first of 1998, the short-courses have only been presented in Uzbekistan and Turkmenistan.

SUMMARY OF FIVE SHORT-COURSES

Basics of International Oil & Gas Agreements

Objective Introduce and instruct in the concepts of typical international oil & gas agreements to aid and accelerate the negotiations between the Republics of the CAR and international energy companies.

Target Audience Representatives from local governments or national oil companies who are involved in negotiations or other dealings with international energy companies. Local private attorneys who may be involved in contracting with the local government or international energy companies.

Course Description This course will provide an introduction to the principal agreements used around the world between host governments or their state enterprises and private companies which are interested in exploring for and producing oil & gas. The course will examine the fundamental principles of foreign investment which must be reflected in these agreements in order to attract international oil & gas companies. These agreements include production sharing contracts, tax-royalty agreements, service contracts, confidentiality agreements, study and bid agreements, and joint operating agreements. The course materials will include examples of agreements and provisions used in other countries or developed by various trade associations, as well as materials developed specifically for this course by the consultants.

Duration 16 hours of in-class lecture and discussion, course has been presented in

both two and four day formats

Manual Preparation Gary Conine of the University of Houston, and Thad Grundy - Houston Attorney

Instructor Thad Grundy - Houston Attorney

Presented In Kazakhstan, Uzbekistan, and Turkmenistan

Energy Regulatory Agency Law

Objective Introduce the concept of regulation of strategically important industries by administrative agencies in the era beyond the time of state ownership, in order to produce a stable local industry that will attract private foreign investment
Demonstrate the advantages and disadvantages of the regulatory agency approach in controlling multiple private companies in basic industries

Target Audience Senior technical (engineers and geologists) government officials who are likely directors or employees of a future regulatory agency Government and private lawyers who would likely practice before a regulatory agency

Course Description Course covers the procedure and process for establishment of central government regulatory agencies and their operations Instruction includes legislation designed to establish such agencies, and avoid violation of doctrine prohibiting delegation of legislative power Accent is on energy agencies in various countries, and subjects covered include procedures for formal adjudication, information gathering, hearing process, rule-making procedures, legal effect of rules, agency remedies and review, scope of judicial review, information disclosure, and traditional exercise of both formal and informal authority Materials include examples of differences between regulatory rule-making, adjudication, and political/policy legislative enactments

Duration 16 hours of in-class lecture and discussion in two day format 24 hours of in-class lecture, discussion, and role-playing in three day format

Manual Preparation Steve Huber of the University of Houston School of Law, and John Sanders - Houston Oil & Gas Consultant

Instructor John Sanders - Houston Oil & Gas Consultant

Presented In Uzbekistan, and Turkmenistan

Oil & Gas Project Financing

Objective Introduce the concepts of economic evaluation of oil & gas projects, such as relationship of risk to rate-of-return and time value of money, to local governments to assist them in understanding negotiations with international energy companies

Target Audience Financial and economic managers in various government ministries who are involved in dealings with foreign energy companies Technical people who have assumed managerial roles in various government ministries, and who are involved in negotiations with international energy companies

Course Description This course focuses on the relationship between risk and rate-of-return and is oriented toward the energy sector Instruction will cover some principles and key concepts of project finance and investment decision making, describe typical balance sheet and income statements for international energy companies, equity capitalization of private companies, internal rate-of-return and time value of money, and other issues for international energy companies in evaluating and selecting project investment opportunities

Duration 16 hours of in-class lecture, discussion, and role-playing in a two day format

Manual Preparation Bill Kretlow of the University of Houston

Instructor Michelle Michot-Foss of the University of Houston

Presented In Kazakhstan, and Uzbekistan

International Petroleum Economics

Objective Acquaint local government officials with economic reality of competing in the world energy market Develop an understanding of the economics of competing for capital investments, and sales to oil & gas markets

Target Audience Financial and Economic managers from various government ministries Technical personnel who have assumed managerial roles, and who are

involved in negotiating with foreign energy companies

Course Description The course will cover concepts of time value of money, calculation of return on investment, and various criteria for prioritizing investment using some illustrative examples of capital investment projects in petroleum operations. Examples will include evaluation of exploration investments, production projects, enhanced petroleum recovery projects, refinery investment, recovery of natural gas liquids, pipeline investments, etc. In the case of exploration investment, emphasis will be placed on the impact of different parameters such as royalty, different kind of bonuses, production sharing, and taxes on profits. The concept of "fair rate-of-return" from the differing view point of host governments versus multinational oil & gas companies will be discussed to illustrate the concepts in risk and return relationships.

Duration 16 hours of in-class lecture and discussion in a two day format. 24 hours of in-class lecture and discussion when combined with Oil & Gas Projecting Financing in a three day format.

Manual Preparation Michelle Michot-Foss of the University of Houston, and Bhamy Shenoy of Hagler Bailly

Instructor Bhamy Shenoy of Hagler Bailly

Presented In Kazakhstan, Uzbekistan (twice), and Turkmenistan

Basic and Advanced Oil & Gas Accounting

Objective Acquaint financial and accounting personnel in various government ministries with international accounting principles, and the need to present income statements and balance sheets prepared in compliance with these rules to potential foreign investors. Identify personnel to attend advanced accounting course and become trained, practicing accountants responsible for maintaining the country's oil & gas records to international accounting standards.

Target Audience Financial and accounting personnel from various government ministries. Accounting personnel from state-owned energy companies, and newly developing joint stock companies.

Course Description This course will cover basic and advanced principles and concepts of oil & gas accounting and auditing in two separate programs. The course will include the link between accounting practices, managerial finance and project

economics, standard accounting practices (General Accounting Practices or GAP) as applied to oil & gas, fiscal systems as applied to oil & gas, and internal audit control as applied to production agreements and other contracts and arrangements. A major goal of this short-course is to identify candidates for additional training as professional accountants to maintain the country's oil & gas records to international standards.

Duration Basic - 16 hours of in-class lecture and discussion in two day format
Advanced - 16 hours of in-class lecture, discussion, and workshop in a two day format
Combined - 24 hours of in-class lecture, discussion, and workshop in a three day format

Manual Preparation Gary Shugart of the University of Houston

Instructor Dag Lillegraven - Houston CPA

Presented In Uzbekistan, and Turkmenistan

CHAPTER 3

CONTINUING DEVELOPMENT

The continuing training program under the subject contract was designed to consist primarily of two components: 1) repeat presentations of the initial five short-courses as required, and 2) development of additional courses based on requests from local counterparts and activities of Hagler Bailly resident advisors in establishing other technical assistance projects.

As was planned, repeat presentations of the individual short-courses were provided based on response to the initial presentations, and expressed local interest in such presentations. As anticipated, the two law courses, International Oil & Gas Agreements and Energy Regulatory Agency Law, appealed to a narrower audience than the business courses and were given only once in each country during the year. The limited number of oil & gas lawyers and would-be regulators indicate these courses can be given annually in each country, or perhaps more frequently on a regional basis. The International Petroleum Economics short-course had the broadest appeal, and was given in all three countries and repeated in Uzbekistan. Likewise, the Oil & Gas Project Financing course was given in all three countries and repeated in Uzbekistan. The Basic Oil & Gas Accounting short-course was given late in the year in both Uzbekistan and Turkmenistan, and generated a lot of interest for either a repeat of the basic course or presentation of the advanced course. Time constraints prevented a repeat of the accounting course, but it should be high on the list of subjects for further training in the future.

Consideration was given to presenting some of the courses outside of the capital cities in either other central cities or a resort type setting. Although increasing the cost of the presentations, giving the short-courses in a mountain resort proved successful in retaining the audience and also attracted a higher level of attendees. The question of making presentations in other major cities is dependent on having sufficient participants, whether local or visitors, to justify the added cost. All presentations outside of the capital cities, probably require the instructors to be from the Hagler Bailly cadre of consultants, and preferably while they are in-country working on the technical assistance projects.

Other subjects for training have been requested, and future consideration should be given to preparing additional short-courses. Significant interest has been expressed in the Strategic Planning Process, and a brief Workshop is being developed, but a commitment should be made to preparing a formal short-course with a basic manual, case studies, and interactive simulation (a number of different computer simulation planning exercises are available). As additional technical assistance projects are initiated, these specific efforts will probably create areas for new training courses. More direct involvement with the national oil companies in

their restructuring and privatization efforts will probably require additional training in the economics and planning of mergers, acquisitions, divestment, tender of companies with fixed assets, corporation/subsidiary financial consolidation, etc. The developing interest in Joint Ventures or other type joint activities within the oil field service and equipment industry suggest additional training in negotiating and operating in various forms of Agency Agreements, Sales contracts, Equipment Rental with Purchase Option Agreements, etc. The acute need for certain types of equipment purchases suggest a requirement for training in the financial arena of Letters of Credit, funding from Ex-Im Bank, Production Payment type Service Contracts (Similar to Russian 10R Workover Legislation). Hagler Bailly Resident Advisors, short and long term consultants, and short-course instructors should all remain alert for suggestions and possibilities for additional subjects for the training program in the legal and economic field of the oil & gas sector.

Numerous suggestions for training outside of the legal and economic area of the oil & gas sector have been received. Requests for training in the area of engineering or drilling technology, foreign oil and gas marketing, and other non-oilfield related subjects have been received. These requests have been respectfully rejected as being outside of the scope of the present contract and project.

As an extension of training, participation in Oil & Gas Symposiums should be continued and expanded to a more active role. This should include a willingness to make presentations, participate in round table discussions, etc. This may include involvement with local institutions of higher learning or business groups in forming "Energy Institutes," giving presentations in locally sponsored training programs, or participating in on-going study and research groups.

APPENDIX

OUTLINES OF FIVE SHORT-COURSES

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COURSE OUTLINE

BASICS OF INTERNATIONAL OIL & GAS AGREEMENTS

I INTRODUCTION

- A Territorial Sovereignty and Ownership of Mineral Rights**
 - 1 Territorial Regimes
 - 2 Maritime Boundaries
 - 3 Military Occupation
- B Participants in Mineral Development**
 - 1 Host Countries
 - 2 State-Owned Companies
 - 3 Multinational Corporations
 - 4 Other Participants
- C Role and Sources of Law**

II OIL & GAS INVESTMENT AGREEMENTS

- A Issuing Development Rights**
 - 1 Private Negotiations
 - 2 Tenders
 - 3 Single and Multi-Stage Agreements
- B Forms of Agreements**
 - 1 Concessions and Licenses
 - 2 Production Sharing Agreements
 - 3 Risk-Service Contracts
 - 4 Participation Agreements
- C Principal Terms**
 - 1 Financial
 - a Bonuses and Rentals
 - b Royalties
 - c Taxes
 - d Production Shares
 - 2 Government Control
 - a Relinquishment Provisions
 - b Exploration Phase
 - c Development Phase
 - d Regulation and Management
 - e Termination Provisions
 - 3 Social and Economic
 - a Employment and Training
 - b Local Goods and Services

- c Infrastructure
 - d Sale of Production
 - D Negotiations, Risk Assessment, and Risk Reduction
 - 1 Risks and Risk Assessment
 - 2 Financial Analysis
 - 3 Risk Reduction
 - a Export of Production
 - b Import and Export of Materials
 - c Currency Controls
 - d Stabilization
 - e Political Risk Insurance
- III DISPUTE RESOLUTION
 - A Consideration for Choice of Method
 - B Arbitration Agreements
 - C Choice of Law
 - D Recognition and Enforcement of Judgments and Arbitration Awards
 - E Limitations on the Right to Expropriate
 - 1 International Law
 - 2 Problems of Suing Governments in Foreign Courts
- IV JOINT DEVELOPMENT
 - A Participation Agreements and Transfers
 - 1 Joint Bidding Agreements
 - 2 Confidentiality Agreements
 - B Joint Operating Agreements

COURSE OUTLINE

ENERGY REGULATORY AGENCY LAW

I SEPARATION OF STATE POWERS AND AGENCY CONTROLS

- A Separation of Governmental Powers
- B Doctrine Prohibiting Delegation of Legislative Power
 - 1 Actions Within and Outside the Scope of Delegated Power
 - 2 Limits on Delegation
 - 3 Criminal Sanctions and Civil Penalties
- C Executive Controls Over Administrative Agency Action
 - 1 Organizational and Appointment Power (subject to confirmation)
 - 2 Removal Power
 - 3 Fiscal Power
 - 4 Executive Orders - Presidential Decrees

II RIGHT TO A HEARING

- A Interest Protected by Due Process
 - 1 Notice
 - 2 Physical Liberty, Exclusion, Imposition of Stigma
 - 3 Property - Tangibles, Licenses, etc
- B Elements of Hearing
 - 1 Timely and Adequate Notice
 - 2 Right to Counsel
 - 3 Right to Confront Adverse Witnesses
 - 4 Right to Impartial Decision Maker
 - 5 Right to Decision Based on Rules and Evidence Presented
- C Issues Requiring a Hearing - Rulemaking versus Adjudication

III ADJUDICATION UNDER ADMINISTRATIVE PROCEDURES

- A Right to Formal Adjudication - By Statute, By Agency Rules
- B Procedure in Informal Adjudication
- C Declaratory Orders
- D Choice Between Adjudication and Rulemaking
 - 1 Discretionary - Abuse of Discretion
 - 2 Required by Statute

IV FORMAL ADJUDICATION PROCESS

- A Pre Hearing Process
 - 1 Notice, Parties, Intervention, Discovery (Subpoena Power)
 - 2 Alternate Dispute Resolution

- B Process of Proof at Hearing
 - 1 Burden of Proof - Rules of Evidence
 - 2 Exclusive Record - Official Notice, Agency Expertise
- C Finding and Reasoning Requirements - Sufficiency of Findings

V ADJUDICATORY DECISION MAKERS

- A Structure of Adjudicatory Decisions
 - 1 Decision Makers - Independence of Directors and Appointees
 - 2 Types of Decisions
- B Improper Influences on Decision Makers
 - 1 Conflict of Interest, Bias, or Prejudice
 - 2 Undue Influence or Pressure on Fact Finder
- C Basis for Decision Making
 - 1 Obligation to be Familiar with the Record - Delegation
 - 2 Observe Oral Argument
 - 3 Requirements for Intermediate Decisions
- D Requirement to Take Notice - Binding Effect on Decision Maker

VI RULE MAKING PROCEDURES

- A Introduction - Regulations Common to Administration of Oil & Gas Industry
 - 1 Types of Rules - Legislative or Non-legislative
 - 2 Rulemaking Procedures - Formal or Informal
 - 3 Retroactive Rules
- B Controls on Rulemaking - Judicial, Legislative, Executive
- C Legal Effect of Rules - Procedural, Legislative, Non-legislative
- D Informal Rulemaking
 - 1 Administrative Procedures
 - 2 Notice - Timing and Disclosure
 - 3 Public Participation and Publication
 - 4 Statement of Basis and Purpose
 - 5 Rights to Petition
- E Impartiality of Rule Makers
 - 1 Third Party Contracts
 - 2 Legislative or Executive Interference
- F Rulemaking Record - General, Exceptions, Rejection

VII OBTAINING INFORMATION

- A AGENCY ACQUISITION OF INFORMATION
 - 1 Methods of Obtaining Information - Hearings, Subpoena, Inspection
 - 2 Protection from Agency Information Gathering - Privilege, Searches, Privilege

B Freedom of Information Act - Meetings Open to Public

VIII Scope of Judicial Review

- A Scope of Review - Questions of Fact
- B Scope of Review of Agency's Legal Interpretation
 - 1 Traditional - Court Substitutes its Judgement
 - 2 Modern View - Court Accepts Any Reasonable Interpretation
- C Scope of Review - Application of Law to Facts
- D Scope of Review of Agency Exercise of Discretion
 - 1 Arbitrary - Capricious Test
 - 2 Review of Policy Determinations in Legislative and Underlying Rules
 - 3 Record of Review
 - 4 Limited Review of Administrative Remedy

IX JUDICIAL REVIEW OF AGENCY DECISIONS - REMEDIES AND PRECLUSION

- A Means of Obtaining Judicial Review
 - 1 Statutory and Nonstatutory Procedures
 - 2 Review During Enforcement Actions
- B Tort Liability of Government and Governmental Officials
 - 1 Absolute Immunity for Officials
 - 2 Traditional View - State Not Liable
 - 3 Modern View - State Immunity Abolished
 - 4 Legal Basis for Damages
- C Statutory Preclusion of Judicial Review
- D Commitment to Agency Discretion

X Standing and Timing to Seek Judicial Review

- A Standing to Seek Judicial Review
 - 1 Personal Stake in Outcome or Adversely Affected
 - 2 Citizens or Taxpayer
- B Timing of Judicial Review
 - 1 Final Order, or Ripeness Test
 - 2 Exhaustion of Administrative Remedies - Exceptions to Exhaustion
 - 3 Stay Pending Judicial Review

XI Examples, Problems, and Cases Related to Local Oil & Gas Industry

COURSE OUTLINE

OIL & GAS PROJECT FINANCING

I INTRODUCTION

- A Role and Objective of Financial Management in International Energy Companies
- B Major Financial Concepts, Shareholder Value, Cash Flow, and Net Present Value

II CAPITAL INVESTMENT DECISION MAKING

- A Risk and Return Concepts
- B Common Stock Valuation
- C Returns Required on Projects by International Energy Companies
- D Major Steps in Evaluating Capital Investments Projects

III PROJECT CASH FLOW ANALYSIS

- A Incremental Cash flow Analysis
- B Capitalizing Versus Expensing Costs
- C Estimating the Initial Investment
- D Estimating the Annual Operating Cash Flow
- E Estimating the Terminal Year Cash Flow
- F Illustrations of Project Cash Flow Analysis

IV METHODS OF DETERMINING PROJECT RETURNS

- A Net Present Value
- B Time Value of Money
- C Internal Rate of Return
- D Cost of Capital
- E Payback and Return on Investment
- F Illustrations of Project Return Calculations

V PROJECT RISK ANALYSIS

- A Scenario Analysis and Range Estimating
- B Simulation Analysis
- C Sensitivity Analysis
- D Illustrations of Project Risk Analysis

VI FINANCIAL STATEMENTS OF INTERNATIONAL ENERGY COMPANIES

- A Balance Sheets
- B Analysis of Balance Sheets ROA, ROE, etc

C Income Statements

D Analysis of Income Statements EPS, Margins

E Cash Flow Statements

F Analysis of Cash Flow Statements

G Illustrations of Energy Company Financial Statements

VII ISSUES IN PRIVATIZATION

A Equity Valuation Concepts

B Equity and Debt Considerations in Privatization

COURSE OUTLINE

INTERNATIONAL PETROLEUM ECONOMICS

I Objectives of the Workshop

- A To understand the economic factors underlying the decisions taken by the oil companies while managing their day to day as well as long-term operation in the areas of exploration, production, refining, transportation, and marketing
- B To learn about the time value of money and how it influences the calculation of rate C
To learn about how to evaluate investment projects in various petroleum sectors, namely exploration, production, refining, marketing, recovery of natural gas liquids, and pipeline operations
- D To learn about the international spot and term crude oil, product, and gas markets
- E To learn about the significance of liberalization (deregulation), privatization and globalization for petroleum operations
- F Overview and schematic of oil & gas industry
- G Risk Analysis in conjunction with Value Chain Analysis

II Computing Rate-of-Return

- A Various methods of evaluating projects
- B Time value of money
- C A simple example to illustrate the calculation of DCF rate-of-return , pay back period, and present value of the project
- D Hurdle rates, internal cost of money
- E Capital budget, long range planning, and prioritizing of projects

III Exploration Investment

- A An example to illustrate exploration investment - a computer model with various factors (royalty, different kind of bonuses, production sharing, taxes, etc) which have influence on rate-of-return
- B How to estimate exploration risk - Monte Carlo technique
- C Why high risk projects require high returns?
- D Factors which influence the investment decisions of trans-national oil companies

IV Production Investment

- A An example to illustrate production investment
- B How to evaluate risks of the projects?

V Refining Investment

- A An example to illustrate refining investment
- B How to evaluate risk of the projects
- C How to evaluate the value of different crude oils?

VI Marketing Investment

- A An example to illustrate marketing investment based on constructing a new service station

VII Pipeline Investment

- A Natural monopoly versus market competition
- B Need for Public Utility Commission and how they work

VIII Natural Gas Processing Plants

- A An example to illustrate the economics of recovering natural gas liquids like ethane, propane, butane, and other liquids from rich gas

IX International Oil & Gas Markets

- A How much crude oil, products and gas are marketed internationally?
- B Short-term world crude oil supply and demand balances
- C Development of spot and term market and also development of oil futures market
- D Problems involved in forecasting long-term crude oil prices
- E Role of OPEC and IEA
- F Development of international gas markets pricing, long-term contracts, economics of LNG

X Liberalization, privatization, and globalization

- A Examples to illustrate pros and cons of market forces and government interference to show how petroleum investments are influenced
- B Small refinery bias in the US unproductive investment in small refineries which were later closed when it was removed
- C Regulated interstate gas market in the US for a long time and subsequent deregulation instead of the forecasted tight gas market and high prices, there was a gas surplus and low prices
- D Subsidy to gasoline in the US is there a need to promote alternative energy sources from a strategic point of view
- E Different exploration policies of Norway, Mexico, and Venezuela What lessons can we learn?
- F Petroleum product price control by government examples of Italy, West Germany and the United Kingdom
- G Total government control of petroleum operations, i e , India what was achieved?

COURSE OUTLINE
BASIC AND ADVANCED OIL & GAS ACCOUNTING

BASIC MANUAL

I INTRODUCTION TO SUCCESSFUL EFFORTS ACCOUNTING - (FASB #19)

- A Common Terms
 - 1 Reservoir
 - 2 Field
 - 3 Proved Reserves - Developed Reserves
 - 4 Types of Wells - Accounting Procedures
 - 5 Types of Properties - Accounting Procedures
- B Classification of Costs
 - 1 Exploration Cost - Drilling or Non-drilling
 - 2 Acquisition Cost
 - 3 Development Cost
 - 4 Production Cost

II GEOLOGICAL & GEOPHYSICAL COST

- A Description of Such Cost
- B Accounting Procedure

III ACQUISITION COST

- A Definition of Such Cost
- B Accounting Procedures
- C Disposition of Acquisition Cost

IV DRILLING COST

- A Types of Drilling Cost
 - 1 Intangible
 - 2 Lease and Well Development (Tangible)
- B Accounting Procedures
- C Accounting Difference Between Exploratory Well and Development Well

V PROVED PROPERTY COST DISPOSITION UNDER SE

A Accounting DD&A

1 Types

2 Accounting for Changes in Reserve Estimates for Quarterly Reporting

ADVANCE MANUAL

I Accounting for Production Costs

A What Cost Are Included

B Accounting for Completed Well

1 Accounting Process

2 Measures of Profitability of Well or Property

II BASIC OIL & GAS TAX ACCOUNTING - U S TAX SYSTEM

A Cover Basic Tax Law

B How Tax Laws Affect Foreign Contracts

III COMPLEX MINERAL INTERESTS & JOINT INTEREST ACCOUNTING

A Types of Interest

B Three (3) Ways to Account for Joint Interests Cost

C Material Transfer Prices

1 New Materials

2 Used Materials

D Interaction of Accounting Procedures With Production Sharing Contracts

IV OIL & GAS FINANCIAL STATEMENT DISCLOSURES

A Required Disclosures

1 Historical

2 Future

V INTERNATIONAL DIMENSIONS OF OIL & GAS INDUSTRY

A Establishing Agreements

1 Concession Agreements

2 Joint Venture Agreements

3 Production Sharing Agreements

4 Service Contracts

B Accounting Procedures

C Accounting Differences