Production Sharing Contracts
Advanced Master Class

MODULE 1: 3 Day Economic & Fiscal Analysis PSCs - 3 - 5 August 2015
MODULE 2: 2 Day Legal Analysis Of The Contract Terms & Issues - 6 - 7 August 2015

COURSE LEADERS:

PEDRO VAN MEURS
VAN MEURS CORPORATION
- Worked on fiscal oil and gas issues for more than 80 governments worldwide
- Other languages spoken: Dutch, French and Spanish
- Over 40 years’ experience in the industry

THOMAS E. VALENTINE
SENIOR PARTNER
NORTON ROSE FULBRIGHT
- Over 30 years’ experience in the industry
- Senior Partner at Norton Rose Fulbright & previously a partner at MacCleod Dixon LLP
- Served as Senior counsel with Qatar Petroleum

FROM THE PROUD PRODUCERS & ORGANISERS OF RENOWNED EVENTS:
OVERVIEW:
This course will analyse in depth the key legal fiscal and commercial aspects of Production Sharing Contracts around the world. These often complex agreements have a number of fiscal formulas and accompanying legal clauses which means understanding the way they work is crucial to ensure a smooth contract implementation. By utilising a powerful economic model, participants will be able to carry out in-depth computer analysis of 35 countries and jurisdictions around the world and enhance their understanding of the Production Sharing Contract.

BY ATTENDING THIS COURSE YOU WILL:
• Engage in thorough analysis of the PSC legal clauses which will aid in your negotiation process
• Learn the main PSC fiscal terms and ensure project commercial success
• Benchmark successful PSC agreements from around the world and understand the pitfalls to avoid
• Speed up your decision making process by getting the right tools to make the PSC work
• Hear the right PSC risk management strategies to ensure a successful project

WHO SHOULD ATTEND:
• Government officials
• Country managers & external affairs
• Managers
• CEOs & CFOs
• Tax advisers & fiscal issues planners
• Legal counsels
• License administrators
• Negotiators
• Executive strategy & planning managers
• Portfolio managers
• Commercial advisers
• Accountants
• Business development & corporate
• New ventures managers
• Engineers & geophysicists
• Lawyers
• Economists & business analysts

“Dr Pedro van Meurs is a really excellent instructor having detailed knowledge about the fiscal systems almost in every country in the world!”

Eva Abd El-Kader, HR & Administration Manager, PGNIG EGYPT
"The course is very insightful and relevant. It provided a lot of context and information."

Zakiya Smart,
Attorney,
BP TRINIDAD & TOBAGO LLC

ADVANCED SOFTWARE AND ONLINE SERVICE

Dr Pedro van Meurs has available for subscription by course participants one of the most advanced World Fiscal Models in the market. The spreadsheets and information will enable participants to simulate and conduct economic analysis on the PSCs from the following 35 countries and jurisdictions:

COURSE COUNTRY PSC SOFTWARE LIST

- Angola
- Madagascar
- Azerbaijan
- Malaysia
- Bangladesh
- Mozambique
- Cameroon
- Myanmar
- China
- Nigeria
- Cote d'Ivoire
- Oman
- Egypt
- Pakistan
- Eritrea
- Philippines
- Equatorial Guinea
- Qatar
- Gabon
- Russia-Sakhalin
- Guatemala
- Sudan
- Guyana
- Syria
- India
- Trinidad & Tobago
- Indonesia
- Ukraine
- Kenya
- Uruguay
- Kurdistan-Iraq
- Vietnam
- Liberia
- Yemen
- Libya
PRODUCTION SHARING CONTRACTS
ADVANCED MASTER CLASS

DAY 1: MODULE 1

COURSE LEADER: Pedro van Meurs

PSC - INTRODUCTION
- The original Indonesian Model
- Use of PSCs in various countries
- Profit Oil, fixed and sliding scales
- Cost Oil, cost limits and cost calculation
- Production and valuation of production
- Payments in kind and in cash
- Interest recovery

USE OF BONUSES AND RENTALS IN PSCs
- Signature and Production Bonuses
- Rentals
- Recovery of Bonuses and Rentals

GOVERNMENT TAKE ANALYSIS
- Analysis of the PSC
  - Philippines
- Government Take analysis
- Level of Government Take – Introduction

SHARING OF RESOURCE WEALTH
- Progressive, regressive and neutral systems
- Volume, price a cost progressivity
- World overview of resource wealth sharing concepts
- Progressivity concepts in PSCs

VOLUME PROGRESSIVITY
- Volume progressivity per field or contract area
- Styles of volume progressivity
- Analysis of daily production scale of Liberia
- Analysis of cumulative production scale of Nigeria

PRICE PROGRESSIVITY
- Windfall profit style features with profit oil
  - Malaysia
- Excess cost oil, Analysis of the PSC
  - Egypt
- Analysis of PSC with volume and price progressive
  - Trinidad and Tobago
- Daily well production and price progressive
  - Brazil Pre-Salt

COST PROGRESSIVITY
- Uplifts, Angola, Indonesia, deemed interest
- China
- Excess cost oil, Analysis of the PSC
- Egypt

PROFIT PROGRESSIVITY
- IRR based concepts
  - Russia - Sakhalin
  - Analysis of IRR
  - Angola
- R-factor scales
  - India
  - Iraq (Kurdistan)
- Analysis of R-factor
  - Azerbaijan
  - Nigeria

MAIN TYPES OF PSCs CONSIDERING OTHER FISCAL FEATURES-OVERVIEW
- 12 different types of PSCs

PSCs WITH ROYALTIES
- Fixed royalties
- Regional differentiation of royalties
  - Nigeria
- Sliding scale based on volume
  - China
- Other sliding scales
  - Pakistan
- Analysis of PSC
  - Syria

PSCs WITH CORPORATE INCOME TAX
- Consolidation and Ring-fencing
- Gross revenue determination
- Deduction of payments to government and bonuses
- Deduction of operating costs and capital costs
- Deduction of interest and loss carry forward, uplifts
- Inter-action of PSCs and Corporate Income Tax, Egypt,
  Cote d’Ivoire, Indonesia, China, Nigeria
- First tranche petroleum, DMO,
- Analysis of PSC
  - Indonesia
  - Nigeria

“Great! Objective course with valuable and important information. Superseded my expectations. Will help in my understanding and negotiating contracts.”

Andrea Pontual Oliveira,
International E&P Business Development,
PETROBRAS
PRODUCTION SHARING CONTRACTS
ADVANCED MASTER CLASS

DAY 2:

PSCs AND JOAs
- JOA discussion, Carried Interest
- Fixed carried interests
  - Indonesia
  - Malaysia
- Participation Options
- PSCs and JOA styles
- Analysis of PSC
  - Azerbaijan
- Analysis of PSC
  - Gabon
- Analysis of PSC
  - Libya
- Indonesia
- Gabon
- Malaysia
- China

PSCs AND WINDFALL PROFIT FEATURES
- Windfall profit features
- Analysis of PSC
  - Kenya

PSCs AND EXPORT DUTIES
- Export Duties
- Analysis of PSC
  - Vietnam
- Analysis of PSC
  - Malaysia

PSCs AND RESOURCE TAXES
- Resource Taxes:
  - Tanzania
  - Timor Leste

RESOURCES WEALTH SHARING
- PSC examples of volume progressivity
- PSC examples of price progressivity
- PSC examples of cost progressivity

WORLD PSC OIL PRODUCTION
- Review of world PSC oil production

FISCAL HEALTH
- Encouraging maximum resource recovery
- Encouraging cost efficiency
- Gold Plating
- Analysis of PSC
  - Angola
  - India
  - Libya
- Encouraging market price efficiency

PSCs AND TIMING GOVERNMENT TAKE
- Front End and Back End Loading
- Front End Loading Index
- Analysis of Indonesian Terms

PSCs AND GEOLOGICAL RISK
- Geological Risk Sharing
- Geological Risk Sharing Index
- GRSI and Corporate Income

COMPREHENSIVE FISCAL/ECONOMIC ANALYSIS
- Detailed analysis of Pre-Salt PSC of Brazil with discussion of pre-salt production and cost economics

DAY 3:

FISCAL STABILITY
- Open ended and fixed systems
- Components of fiscal terms
- Methods to enhance fiscal stability

LEVEL OF GOVERNMENT TAKE
- Mechanism to determine the level of government take
- Factors influencing the level of government take
- Rating of PSCs

PSCs FOR OIL AND FOR GAS
- Profit gas and cost gas definitions
- Separate terms for oil and gas
- Trend towards more attractive gas terms
- Gas pricing mechanisms
- Ratings of PSCs for Gas

WORLD RATING OF PSCs FOR OIL
- Overview of world rating for PSCs for Oil

ACCOUNTING PROCEDURES
- Organisation, Chart of Accounts
- Non-recoverable costs
- Revenue credits
- Cost Allocation
- Cost Control Procedures
- Abandonment Costs

BOOKING OF RESERVES

Training for the competitive edge
DAY 4: MODULE 2

COURSE LEADER: Tom E. Valentine

HOST GOVERNMENT CONTRACTS

EXPLORATION AND PRODUCTION OF HYDROCARBONS

- Importance to the state
- An overview of risks to the state: Identification and mitigation
  - Minimum work programme
  - Counter-party risk: Joint and several liability and guarantees
  - Unitisation
  - Good oilfield practices
  - Abandonment
- Risks to the IOC: identification and mitigation
  - Exploration, political, commercial, legal, technological, environmental and other risks
  - Weighting, mitigation and management - contracting, insurance and stabilisation
  - Joint and several liability
  - Transfer of interests

TITLE TO NATURAL RESOURCES

- Concepts and terms: Understanding ownership and transfer of title
- The concept of in situ mineral ownership
- The North American model
- The rest of the world
- Types of host government contracts
- The concessionary model (an overview)
- The contractual model
- Production Sharing Contracts (an overview)
- Service Contracts (an overview)

HOST GOVERNMENT CONTRACT: TYPE ONE - THE CONCESSIONARY SYSTEM

- History of the concessionary system
- Key components of the concessionary system
- Example states
- Overview and analysis of examples

HOST GOVERNMENT CONTRACT: TYPE TWO - PSCs

- History of the PSC
- Example states
- Introduction to the key components of the PSC

PRODUCTION SHARING CONTRACTS: A DETAILED EXAMINATION OF THE ISSUES

- The sharing of production
- Cost oil and the recovery of petroleum costs
- Profit oil and the sharing of petroleum
- Valuation issues
- Other fiscal terms including production bonuses and taxes
- The contract area
- Relinquishment
- The term of the PSC and issues of extension
- Operatorship, assignment rights and parent company guarantees
- Restrictions on subcontracting
- The management committee
- Government obligations
- Contractor obligations and good oilfield practice
- Environmental obligations
- Default, cure periods and remedies
- Discovery and development issues
- Domestic market requirements
- Government participation
- Local supply issues: Materials and services
- Title to assets: During the term and upon term expiration
- Local training issues and the issue of intellectual property
- Import and export issues
- Economic stabilisation
- Gas clauses
- Pipeline issues
- Force majeure
- Liability, indemnity and insurance
- Unitisation challenges
- Corruption issues
- Decommissioning
- Sovereign immunity and waiver
- Enforcement of rights and dispute resolution
  - ICSID
  - Energy Charter Treaty
  - Enforcement of foreign judgements and arbitral awards

TECHNICAL ISSUES AND EXPERT DETERMINATION

- Discussion on risk service contracts

DAY 5:

DETAILED REVIEW OF THE PSC

THE PRODUCTION SHARING CONTRACT:
A DETAILED EXAMINATION

- Recitals: role and drafting
- Definitions: key terms
- Interpretation provisions
- Schedules and annexes
- Scope, term and termination
- Effective dates and conditions precedent
- Relinquishment
- The work programme and budget
- Consequences of non-performance
- The case of emergencies
- The exploration clause
- The discovery and appraisal clause
- Declaration of commerciality
- The development plan
PRODUCTION SHARING CONTRACTS
ADVANCED MASTER CLASS

- Decommissioning obligations and funding
- The conduct of work and standards of performance
- Health, safety and environment
- Goods, services, training and employment
- Subcontracting
- Recoverable costs
- Sharing of petroleum
- State participation
- Domestic market obligations
- Valuation of petroleum
- Payments
- Provision of goods and services
- Title to equipment
- Dispute resolution
- Audits and reporting
- Management of operations
- Indemnity and insurance
- Force majeure
- Assignment restrictions and change of control
- Additional provisions

Course Participants will receive a perpetual license to the advanced course Excel based software, including the input sheets. The price of this software is included in the course fee.

Below is the description of inputs and outputs of the model.

<table>
<thead>
<tr>
<th>Project Inputs</th>
<th>Six examples of Deep Water Oil Fields, based on constant costs and scoping analysis</th>
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<td>Six examples of Deep Water gas Fields, based on scoping analysis</td>
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<td>Six examples of Shallow Water Oil Fields, based on constant costs and scoping analysis</td>
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<td>Six examples of Onshore Oil Fields, based on constant costs and scoping analysis</td>
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<td>Four estimates of the Brazil Pre-Salt Libra field</td>
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</tbody>
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| Fiscal System Inputs                                      | Angola, Azerbaijan, Brazil (Pre-Salt), Egypt, Gabon, India, Indonesia, Kenya, Liberia, Libya, Malaysia, Nigeria, Philippines, Russia (Sakhalin), Syria, Trinidad & Tobago and Vietnam |

<table>
<thead>
<tr>
<th>Economic Outputs</th>
<th>Detailed cash flow of corporate results, Results at every selected discount rate, IRR, NPV, NPV/BOE, Profit/Investment Ratio, Risk Investment Ratio, Maximum Sustainable Risk, Payout Time, NPV/Discounted BOE, Expected Monetary Value</th>
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</table>

| Fiscal Analysis Outputs                                   | Price sensitivity analysis for 12 price levels for all corporate and government economic outputs, Cost sensitivity analysis for 16 cost levels for all corporate and government economic outputs, Marginal NPV, Cost Savings Index, Price Incentive Index, Front End Loading Index, Government Risk Sharing Index |

PRODUCTION SHARING CONTRACT IN BRAZIL

- Areas covered by the PSC
  - Pre-Salt Developments
  - Characteristics of this area
  - Challenges associated with production
- Unique legal issues presented under the Brazilian PSC
  - Development of a new oil and gas regime
  - Main laws that make up the regime
- Provisions under the PSC
  - Definitions
  - Purpose
  - Contract Area
  - Production Sharing Regime
  - Cost Recovery in Oil
  - Royalties
  - Taxes
- Exploration
  - Exploration phase
  - Financial Guarantees
  - Discovery and evaluation
- Development & Production
- Implementation of the Operations
- Key differences between the Brazilian model and others around the world
DR PEDRO VAN MEURS

During the last 40 years Pedro has worked on fiscal oil and gas issues in more than 80 Governments in the world.

He was a leading consultant in:

• Opening of the Newfoundland offshore for exploration and production
• Alaska Petroleum Profits Tax and the proposed gas pipeline contract
• Development of the first model contract for offshore China
• Production sharing, SPT and tax terms in Trinidad and Tobago
• Capitalisation of YPFB and 1996 petroleum law in Bolivia
• PSC’s in Gabon and Bangladesh
• Creation of fiscal terms in Thailand and Pakistan
• Development of service contracts in Mexico and Kuwait

He has hosted the World Fiscal Systems for Oil & Gas course and participated in training seminars in more than 30 countries in the world. While carrying out international consulting, he was for many years also president of a small Alberta petroleum company.

Together with Barrows Inc., New York, he developed PETROCASH, which is the most comprehensive integrated database and computer model for World Fiscal Systems for Oil & Gas.

THOMAS E VALENTINE

Thomas E Valentine practices in the area of energy law with over 30 years of experience in the oil and gas industry, both as a barrister and as a solicitor. In addition to being a Partner with Norton Rose Fulbright, Tom has also served as Senior Counsel (Projects) with Qatar Petroleum, the National Oil and Gas Company for the State of Qatar. While in Doha, Tom was involved in the Qatargas II Project for the sale of LNG into the United Kingdom, the RasGas (Train 3) Project for the sale of LNG into India, and the Endesa Generacion Project for the sale of LNG into Spain.

Tom has continued his work on LNG projects around the globe. He has advised both governments and project sponsors on LNG projects in Canada (West and East coasts), the USA, the United Kingdom, Peru, Cyprus, Angola, Qatar, Australia, Uruguay, Nigeria, Yemen, the UAE, and Iran.

Tom also provides training seminars around the world on LNG Contract Law and LNG Project Structuring appearing regularly in Amsterdam, Doha, Dubai, London, Houston, Brazil and Singapore.
IN-COMPANY TRAINING

CWC School for Energy training programmes are designed to fast track legal, fiscal and strategic skills development for middle/senior oil and gas professionals and their young talent through expert-led courses and best practices seminars.

“**My overall opinion was ‘it’s great!’ I will be using the material in everyday activities in my job.”**

Nawaf Al-Shehab
Senior Planner
KUWAIT OIL COMPAN

**APPROACH**

Our approach to training combines a mix of a global network of oil and gas industry experts with practical exercises and action planning that provides real benefits and instills positive change.

**The training plans and courses that we develop provide a clear understanding of:**

- What you are going to learn
- The skills you will take away with you
- And how you can apply these in your role

**They are strategically focused, data driven, dialogue rich and implementation centred. We do this through:**

- Case studies that provide genuine insight and learning
- Simulations exercises
- Feedback and assessments
- Profile questionnaires
- Group discussions
- Lectures
- Faculty of industry experts

**PROCESS**

**DESIGN**

- Market knowledge
- Industry instructors
- Independent, unbiased, certified
- Track-record of cutting-edge learning and development solutions

**DELIVER**

- Ability to understand business needs and translate them into integrated focused courses
- Access to data, case-studies, country and company knowledge
- Great coordination between Instructor, Programme Director and Client

**EXECUTE**

- Highly experienced in delivering complex solutions with different streams/locations/ instructors/teams
- Core team always reachable
- Full responsibility for logistics
- CWC School for Energy member of staff onsite to manage all logistics

**TAILORED**

Our distinguished reputation is thanks to our commitment to provide integrated, tailored and practical programmes and building strong relationships with the clients we work with. We are highly experienced in needs assessment and can offer full support in capacity building training programmes as part of local content or other development programme commitments.

**CONFIDENTIALITY**

As part of customisation we can use internal information which we treat in strictest confidence. We have procedures in place to ensure strict confidentiality.

For more information please contact Patricia Borges Rotolo on +44 (0) 20 7978 0044 or email pborges@thecwcgroup.com
CWC School for Energy provide a wide range of courses. To receive more information, please select from the courses listed below and return this form to cwctraining@thecwcgroup.com:

**GAS & LNG**
- Gas & LNG Contracts & Negotiations
- LNG Markets, Supply and Pricing
- LNG Shipping Contracts
- Gas Monetisation in Nigeria
- Commercial Negotiations for Gas & LNG Projects
- LNG Trading
- Shale Gas Development
- Commercial & Legal Structures for Canada’s LNG industry
- LNG Mini MBA in Project Development
- Advanced LNG Master Class
- LNG Short-Term Optimisation
- Global Shale Gas Developments

**LEGAL, FISCAL & CONTRACTS**
- Negotiation in Oil & Gas
- World Legal Systems & Contracts for Oil & Gas
- Understanding the Kurdistan - Iraq PSC
- Accounting within the Kurdistan - Iraq PSC
- Engineering, Procurement & Construction Contracts in Oil & Gas
- World Fiscal Systems for Oil & Gas
- Advanced World Fiscal Systems for Oil & Gas
- Arbitration, Mediation & Dispute Resolution
- African Petroleum Contracts
- Production Sharing Contracts - Advanced Master Class
- Negotiating Oil & Gas Contracts - Advanced Master Class
- Joint Venture Contracts
- Joint Operating Agreements
- Latin America - Contract Optimisation
- Africa - Contract Optimisation
- Drafting Oil & Gas Contracts
- International Petroleum Joint Ventures
- World Fiscal Systems for Unconventional Oil & Gas
- Accounting Procedures for Petroleum Contracts PSCs - JOAs - IFRS

**MANAGEMENT & STRATEGY**
- Oil & Gas Fundamentals
- East Africa Local Content for the Oil & Gas Industry
- Oil & Gas Mini MBA
- Asset Valuation
- Upstream Oil & Gas Supply Chain Management
- Project Management in Oil & Gas
- Nigerian Content in the Oil & Gas Industry
- Supply Chain Management
- Petrochemicals - Strategic & Investment Considerations
- LNG Mini MBA in Project Development
- Negotiation in Oil & Gas
- Negotiating Oil & Gas Contracts - Advanced Master Class

**FINANCE & ECONOMICS**
- World Fiscal Systems for Oil & Gas
- World Fiscal Systems for Unconventional Oil & Gas
- World Fiscal Systems for Oil & Gas, Special Focus on Mexico’s Hydrocarbon Revenue Law - delivered in English and Spanish
- Oil & Gas Project Economic Evaluation & Financial Modelling
- Advanced Project Economics, Risk & Decision Analysis
- Accounting within the Kurdistan - Iraq PSC
- Accounting Procedures for Petroleum Contracts PSCs - JOAs - IFRS
- Oil & Gas Accounting
- Production Sharing Contracts - Advanced Master Class

The CWC Group is a world renowned expert, acting as a catalyst to stimulate industry investment and develop commercial expertise in the in oil, gas, power and investment sectors, particularly in emerging markets. We have an unrivalled wealth of knowledge, offering high-level strategic events around the world. We work closely with many governments, NOCs and international corporations to highlight key issues and challenges facing the global energy industry. We are the proud providers of:

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For more information on any of our course, please visit:
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