



N620: Fundamentals of Petroleum Industry Economics

Tutor(s): Gerald Henderson

3 Days

Competence Level:
Basic Application



Classroom Course

Summary

This three-day course offers an opportunity for petroleum industry employees and related government, financial, legal and service industries to gain an understanding of the unique economic principles that drive the "oil business" to success in the 21st century. The course begins with a presentation of basic economic theory and develops its application to financing, finding, development, transportation and marketing of energy resources. The impact of these on the success or failure of the firm is then considered. The course uses real life examples and experiences and, wherever possible, case studies which allow all to participate in group discussion and learning. Participants are required to bring a laptop, loaded with Microsoft Excel, to the course.

Learning Outcomes

Participants will learn to:

1. Understand the context and methodology utilized by the industry in analysis, evaluation, selection and monitoring of any project or segment of the organization.
2. Know and comprehend the elements, data sources, data value boundaries, terminology, tools and processes used in economic evaluation.
3. Understand the effects of bounding data in consideration of and quantification of risk in project selection.
4. Have an awareness of the key metrics of the industry and develop the ability to use metrics in analysis.
5. Develop an initial proficiency in use of economic project modeling through use of spread-sheet financial modeling of multiple real-world problems with outcomes.
6. Learn how to undertake an analysis and present the results for management review.
7. Understand the unique language of industry economic analysis and discussion.
8. Gain an awareness of the external and internal forces, drivers and accuracy limits of cost, price and reserve forecasting.
9. Learn how to develop an analysis strategy with consideration of physical product markets, hedging, costs, budget constraints, capital markets and corporate goals.

Duration and Training Method

Three classroom days providing 2.4 CEU (Continuing Education Credits) or 24 PDH (Professional Development Hours)

Who Should Attend

The course is specifically designed for those new to the industry or transitioning from one area of the industry to another. Directors, Government officials and investors as well as new hires and those curious about the oil/gas business space should attend to learn not only the language but also the analysis methods and decision processes as the industry uses its capital to return value to shareholders. The course is very much hands-on with practical case studies and applications.



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Course Content

Course Agenda

Day One

- Introduction to oil/gas economics and common usage
- Economic calculations
- Models
- Money calculations
- Profit indicators and their use
- Case studies 1-4
- Basics of upstream industry language and nomenclature

Day Two

- Case study 5
- Oil price forecasting
- Gas price forecasting
- Oil transportation
- Capital sources
- Reserve forecasting

Day Three

- Cost and capital forecasting
- Valuation and finance
- Risk considerations
- Use of futures - hedging
- Portfolio management
- Joint ventures
- Case study 6