Faculty of Engineering

School of Minerals and Energy Resources Engineering

Postgraduate Course Outline

PTRL5008
Petroleum Production Economics
Guy Allinson
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1. INFORMATION ABOUT THE COURSE

<table>
<thead>
<tr>
<th>Course Code:</th>
<th>PTSL5008</th>
<th>Term:</th>
<th>T1, 2020</th>
<th>Level:</th>
<th>PG</th>
<th>Units/Credits</th>
<th>6 UOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course Name:</td>
<td>Petroleum Production Economics</td>
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<tr>
<td>Course Convenor:</td>
<td>Guy Allinson</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Contact Details</td>
<td>School of Minerals and Energy Resources Engineering TEB 2nd Floor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMAIL:</td>
<td><a href="mailto:g.allinson@unsw.edu.au">g.allinson@unsw.edu.au</a></td>
<td></td>
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<td></td>
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<tr>
<td>Phone:</td>
<td>+61 2 9385 5189</td>
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</tr>
<tr>
<td>Contact times</td>
<td>Weeks 1-10 plus Week 11 Thursdays 9:00 am to 12:00 pm in Quad G034 Fridays 9:00 am to 12:00 pm in Quad G034</td>
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</table>

1.1. Course Description

Cash flow analysis in the petroleum industry (definition of cash flow, deriving net cash flow under tax/royalty systems and production sharing contracts, depreciation methods, inflation, sunk costs).

Economic indicators (net present value, rate of return and other indicators).

Risk analysis (risks in each oil industry investment phase, project risk and expected value, sensitivity analysis, probability analysis, Monte Carlo simulation, probabilistic reserves estimates, probabilistic economics, risk and discount rates).

Fiscal analysis (the nature of petroleum fiscal regimes, the effects of fiscal regimes on exploration and field development decision making, economic analysis of fiscal regimes in Australia and Indonesia).

1.2. Course Completion

Course completion requires submission of all assessment items; failure to submit all assessment items can result in the award of an Unsatisfactory Failure (UF) grade for the Course.

1.3. Attendance

To pass this course it is expected that you attend at least 80% of tutorials and lectures. if your attendance is below 80% you will not be admitted to the final exam. Attendance will be recorded when applicable. Normally, there is no make-up work for poor attendance. If you have misadventure or ill-health, please contact your course coordinator soon as possible. The attendance requirement is not meant to be punitive. It is included because participation is an important part of achieving the course outcomes.

2. AIMS, LEARNING OUTCOMES AND GRADUATE ATTRIBUTES

2.1. Course Aims

This course aims to introduce the concepts of economic/financial analysis as they apply to upstream oil and gas industry investment decision-making and petroleum property valuation for acquisition and sale.

2.2. Learning Outcomes

At the conclusion of this course, students should be able to -
1. Understand and construct petroleum industry cash flow projections.
2. Understand and know how to apply economic indicators.
3. Understand and apply risk analysis concepts to exploration & production investments.
4. Understand how economics affects oil & gas reserves definitions.
5. Evaluate and model fiscal/PSC terms of countries worldwide.
6. Apply the techniques of economic evaluation in valuing oil and gas properties.

3. REFERENCE RESOURCES

3.1. Reference Materials

Support material for this course including, whenever available, copies of lecture notes, recommended readings, etc. can be found on Moodle.

The lecture note may be viewed and downloaded from the UNSW-Moodle web site http://moodle.teit.unsw.edu.au/.

3.2. Other References (optional)

The references below are optional additional reading material.


3.3. Other Resources

Links to websites etc.

The University and the Faculty provide a wide range of support services for students, including:

- UNSW Learning Centre (http://www.lc.unsw.edu.au)
- Counselling support - http://www.counselling.unsw.edu.au
- Library training and support services - http://www.library.unsw.edu.au/
- OnePetro – (http://www.onepetro.org)

3.4. Online Resources

There are numerous articles / information sources on petroleum economics on the web. Some of them are sound, but many are very lightweight and/or contain errors. Be very careful in your choice of web sources. Remember, UNSW librarians are usually happy to help you locate articles or make suggestions regarding possible material to help you in your academic work. You can also access basic online help at http://www.library.unsw.edu.au/

3.5. Report Writing Guide

The School has a report writing guide (RWG). A copy of this is available on the UNSW web site.
4. COURSE CONTENT AND LEARNING ACTIVITIES

4.1. Course content

Introduction, Net Cash Flow, Economic Indicators, Case examples, Risk Analysis, Fiscal Analysis

4.2. Learning Activities Summary

<table>
<thead>
<tr>
<th>UNSW Week</th>
<th>Activity</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lecture and Tutorial</td>
<td>Introduction, Net Cash Flow, Oil &amp; Gas Production, Price, Costs, Economic Life, Profit, Tax, Loss Carry Forward</td>
</tr>
<tr>
<td>2</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Production sharing contracts. Sunk Costs, Inflation, Depreciation, Summary</td>
</tr>
<tr>
<td>3</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Net Present Value (NPV), Features of NPV, Nominal and Real NPVs, Internal Rate of Return</td>
</tr>
<tr>
<td>4</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Multiple IRRs, Comparing Investments, Effect of Delay, Nominal and Real IRRs, Capital Productivity Index, Payback, Discounting Methods, Comparing Indicators, Summary</td>
</tr>
<tr>
<td>5</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Optimum Field Development, Drilling Extra Wells, Annuities, Lease Buy Decisions</td>
</tr>
<tr>
<td>6</td>
<td>Mid-Term Exam, Lecture, Quiz and Tutorial</td>
<td>Uncertainty in the Oil and Gas Industry, Sensitivity Analyses, Discrete Probability Distributions, Using Probability</td>
</tr>
<tr>
<td>7</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Monte Carlo Simulation, Exploration Drilling Decisions, Defining Success, Drilling Many Wells</td>
</tr>
<tr>
<td>8</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Decision Trees, Value of Information, Portfolio Analyses, Risk &amp; Discounting</td>
</tr>
<tr>
<td>9</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Australian Petroleum Resource Rent Tax, Australian Crude Oil Leveis, Australian Royalties</td>
</tr>
<tr>
<td>10</td>
<td>Lecture, Quiz and Tutorial</td>
<td>Indonesian Production Sharing Contracts, International Fiscal Terms</td>
</tr>
</tbody>
</table>

The UNSW reserves the right to revise the content and the schedule depending on and the progress of the course.

You will need to bring notebook computer or tablet with a Wi-Fi connection to be able to access Moodle and participate in the class activities.

Study Period 17 February – 28 April 2020
Exam Period 2 May – 16 May 2020
Other UNSW Key dates: https://student.unsw.edu.au/new-calendar-dates
5. COURSE ASSESSMENT

5.1. Assessment Summary

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Weeks</th>
<th>Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quizzes</td>
<td>1 to 10</td>
<td>10%</td>
</tr>
<tr>
<td>Mid-term exam</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>Fiscal Regime Assignment</td>
<td>8</td>
<td>10%</td>
</tr>
<tr>
<td>End-of-term exam</td>
<td>TBA</td>
<td>40%</td>
</tr>
</tbody>
</table>

Total 100%

Assignments related details/submission-box will be available online through Moodle. Access to the Moodle site is via the Moodle icon on the MyUNSW homepage.

6. ASSESSMENTS

6.1 Quizzes

Quizzes will test the understanding of the material presented before the date of the quiz.

7. STUDYING A UG COURSE IN UNSW MINERALS AND ENERGY RESOURCES ENGINEERING

7.1. How We Contact You

At times, the School or your course convenors may need to contact you about your course or your enrolment. Your course convenors will use the email function within Moodle or we will contact you on your @student.unsw.edu.au email address.

We understand that you may have an existing email account and would prefer for your UNSW emails to be redirected to your preferred account. Please see these instructions on how to redirect your UNSW emails: https://www.it.unsw.edu.au/students/email/index.html

7.2. How You Can Contact Us

We are always ready to assist you with your enquiries. To ensure your question is directed to the correct person, please use the email address below for:

Enrolment or other admin questions regarding your program: https://unswinsight.microsoftcrmportals.com/web-forms/

Course enquiries should be directed to the Course Convenor.

7.3. Computing Resources and Internet Access Requirements

UNSW Minerals and Energy Resources Engineering provides blended learning using the on-line Moodle LMS (Learning Management System).

It is essential that you have access to a PC or notebook computer.
Mining Engineering Students: OMB G48/49
Petroleum Engineering Students: TETB

To run Moodle most effectively, you should have a broadband connection (256 Kbit/sec or faster)

More information about system requirements is available at [www.student.unsw.edu.au/moodle-system-requirements](http://www.student.unsw.edu.au/moodle-system-requirements)

### 7.4. Accessing Course Materials Through Moodle

Course outlines, support materials are uploaded to Moodle, the university standard Learning Management System (LMS). In addition, if applicable, any on-line assignment submissions are made using the assignment dropbox facility provided in Moodle. All enrolled students are automatically included in Moodle for each course. To access these documents and other course resources, please visit: [www.moodle.telt.unsw.edu.au](http://www.moodle.telt.unsw.edu.au)

### 7.5. Assignment Submissions

The School has developed a guideline to help you when submitting a course assignment.

We encourage you to retain a copy of every assignment submitted for assessment for your own record either in hardcopy or electronic form.

All assessments must have an assessment cover sheet attached.

### 7.6. Late Submission of an Assignment

Full marks for an assignment are only possible when an assignment is received by the due date.

At times you may not be able to submit an assignment on time or attend an examination. In this event, we recommend you review the UNSW Special Consideration guidelines and read the following section.

### 7.7. Special Consideration

You can apply for special consideration through [UNSW Student Central](http://www.student.unsw.edu.au) when illness or other circumstances interfere with your assessment performance. Sickness, misadventure or other circumstances beyond your control may:

- Prevent you from completing a course requirement,
- Keep you from attending an assessable activity,
- Stop you submitting assessable work for a course,
- Significantly affect your performance in assessable work, be it a formal end-of-semester examination, a class test, a laboratory test, a seminar presentation or any other form of assessment.

We ask that you please contact the Course Convenor immediately once you have completed the special consideration application, no later than one week from submission.

More details on special consideration can be found at: [www.student.unsw.edu.au/special-consideration](http://www.student.unsw.edu.au/special-consideration)
7.8. Course Results

For details on UNSW assessment policy, please visit: [www.student.unsw.edu.au/assessment](http://www.student.unsw.edu.au/assessment)

In some instances your final course result may be withheld and not released on the UNSW planned date. This is indicated by a course grade result of either:

- WD – which usually indicates you have not completed one or more items of assessment or there is an issue with one or more assignment; or
- WC – which indicates you have applied for Special Consideration due to illness or misadventure and the course results have not been finalised.

In either event it would be your responsibility to contact the Course Convener as soon as practicable but no later than five (5) days after release of the course result. If you don’t contact the convener on time, you may be required to re-submit an assignment or re-sit the final exam and may result in you failing the course. You would also have a NC (course not completed) mark on your transcript and would need to re-enroll in the course.

7.9. Students Needing Additional Support

The Student Equity and Disabilities Unit (SEADU) aims to provide all students with support and professional advice when circumstances may prevent students from achieving a successful university education. Take a look at their webpage: [www.studentequity.unsw.edu.au/](http://www.studentequity.unsw.edu.au/)

7.10. Academic Honesty and Plagiarism

Your lecturer and the University will expect your submitted assignments are truly your own work. UNSW has very clear guidelines on what plagiarism is and how to avoid it. Plagiarism is using the words or ideas of others and presenting them as your own. Plagiarism is a type of intellectual theft. It can take many forms, from deliberate cheating to accidentally copying from a source without acknowledgement. The University has adopted an educative approach to plagiarism and has developed a range of resources to support students. All the details on plagiarism, including some useful resources, can be found at [www.student.unsw.edu.au/plagiarism](http://www.student.unsw.edu.au/plagiarism).

All Minerals and Energy Engineering students are required to complete a student declaration for academic integrity which is outlined in the assignment cover sheets. By signing this declaration, you agree that your work is your own original work.

If you need some additional support with your writing skills, please contact the Learning Centre or view some of the resources on their website: [www.lc.unsw.edu.au/](http://www.lc.unsw.edu.au/). The Learning Centre is designed to help you improve your academic writing and communication skills. Some students use the Centre services because they are finding their assignments a challenge, others because they want to improve an already successful academic performance.

7.11. Continual Course Improvement

At the end of each course, all students will have the opportunity to complete a course evaluation form. These anonymous surveys help us understand your views of the course, your lecturers and the course materials. We are continuously improving our courses based on student feedback, and your perspective is valuable.

Feedback is given via [https://student.unsw.edu.au/myexperience](https://student.unsw.edu.au/myexperience) and you will be notified when this is
available for you to complete.

We also encourage all students to share any feedback they have any time during the course – if you have a concern, please contact us immediately.
School of Minerals and Energy Resources Engineering

Assessment Cover Sheet

Course Convenor: ____________________________________________________________
Course Code: __________________ Course Title: ________________________________
Assignment: __________________________________________________________________
Due Date: ______________
Student Name: ___________________________________________ Student ID: __________

ACADEMIC REQUIREMENTS
Before submitting this assignment, the student is advised to review:

- the assessment requirements contained in the briefing document for the assignment;
- the various matters related to assessment in the relevant Course Outline; and
- the Plagiarism and Academic Integrity website at <http://www.lc.unsw.edu.au/plagiarism/pintro.html> to ensure they are familiar with the requirements to provide appropriate acknowledgement of source materials.

If after reviewing this material there is any doubt about assessment requirements, then in the first instance the student should consult with the Course Convenor and then if necessary with the Director – Undergraduate Studies.

While students are generally encouraged to work with other students to enhance learning, all assignments submitted for assessment must be their entire own work and duly acknowledge the use of other person’s work or material. The student may be required to explain any or all parts of the assignment to the Course Convenor or other authorised persons. Plagiarism is using the work of others in whole or part without appropriate acknowledgement within the assignment in the required form. Collusion is where another person(s) assists in the preparation of a student’s assignment without the consent or knowledge of the Course Convenor.

Plagiarism and Collusion are considered as Academic Misconduct and will be dealt with according to University Policy.

STUDENT DECLARATION OF ACADEMIC INTEGRITY
I declare that:

- This assessment item is entirely my own original work, except where I have acknowledged use of source material [such as books, journal articles, other published material, the Internet, and the work of other student/s or any other person/s].
- This assessment item has not been submitted for assessment for academic credit in this, or any other course, at UNSW or elsewhere.

I understand that:

- The assessor of this assessment item may, for the purpose of assessing this item, reproduce this assessment item and provide a copy to another member of the University.
- The assessor may communicate a copy of this assessment item to a plagiarism checking service [which may then retain a copy of the assessment item on its database for the purpose of future plagiarism checking].

Student Signature: __________________________ Date: __________________________

Students are advised to retain a copy of this assessment for their records and submission should be made in accordance to the assessment details available on the course Moodle site.