

oil and gas Contracts in Iran

AYE KATEBI
PETROLEUM UNIVERSITY OF
TECHNOLOGY

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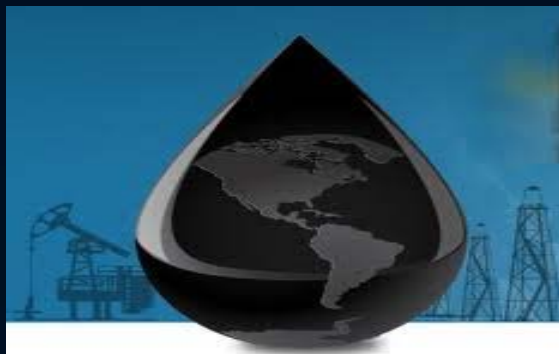
(وقتی دوباره وزیر اقتصاد ملی شدم عزم کردم که هر چه زودتر وسایل ایجاد دانشکده نفت را فراهم آورم، مدرسه باز شد و هزار داوطلب اسم نوشتند، می خواستم ایران به تدریج بر اثر تربیت شاگردان ایرانی از متخصص خارجی بی نیاز شود)

" سید فخرالدین شادمان "

prepared by: Aye katebi

SUBJECTS:

- 1 Types of Oil and Gas Contracts in Iran
- 2 The history of Buy-Back Contracts in Iran
- 3 Main Issues on Buy-Back contract
- 4 Main Reasons of Restructuring
- 5 New model Contract (IPC)



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1. Types of Oil and Gas Contracts in Iran

Oil Act 1974: Risk Service Contracts

IOC → Contractor

IN the name of and On be half of NIOC

5% Discount for 15 years (allocation oil 50%)

Scope: Exploration, Development

Financial resources

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1. Types of Oil and Gas Contracts in Iran

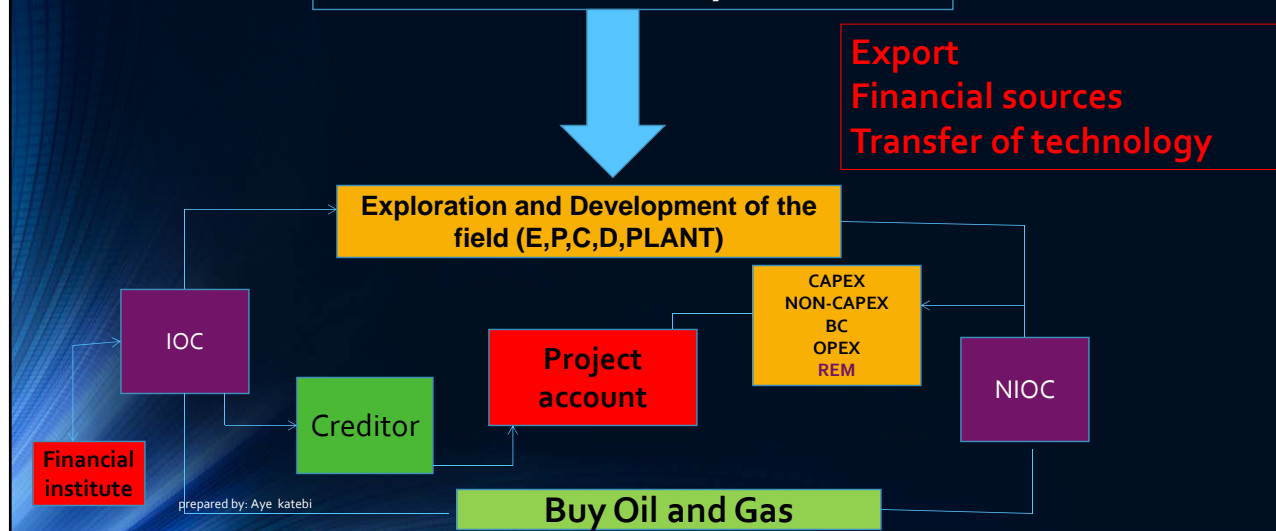
SERVICE CONTRACTS

- The first Service Contract of its kind was concluded between IRAN and the French company (**ERAP**)
- The first Buy-Back Contract in IRAN was signed with (**CONOCO**) company.
- The first Buy-Back Contract was implemented by TOTAL company for Sirri A & E

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1. Types of Oil and Gas Contracts in Iran

Petroleum Buy-Back



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2. The history of Buy-Back Contracts in Iran



3. Main Issues on Buy-Back contract

1	Scope Inflexibility
2	Fix capital cost and no chance to recover the costs over run
3	Limited amortization period for recovering the remaining costs
4	No coverage the Production operation
5	No further investment in development and IOR/EOR operation by IOC,s
6	Approvals time consuming procedures
7	many intervention and difficulty in making final decision

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H.E. the minister of oil decided to form Iran Oil Contracts Restructuring Committee in October 2013

- Application of the most appropriate contract models for oil and gas field development plans and increasing the production capacity of the country.
- Study and analysis of Iran current buy back contracts
- Analysis of the experiences got from buy back contracts during the last 20 years
- Introducing a new model in conformity with current policies, petroleum act and other upstream legislations
- Examining the regional contract models considering their advantages and disadvantages for Iran oil industry
- Attracting foreign capitals, latest technologies and learning from our experiences as a valuable asset of the country's oil industry

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4. Main Reasons of Restructuring

1	Reducing of oil production.
2	Optimized incentive scheme for the investors.
3	Applying the International normal practices.
4	Positive international and political developments.
5	20 years of experience in Iran with Buy-Back contract model.

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Members of Committee

	Mr.Seyed Mehdi Hosseini , former deputy oil minister (chairman of the committee)
	Mr.Seyed Mehdi MirMoezi , Former M.D of NIOC and Deputy Minister.
	Dr.Seyed Mostafa Zeineddin, former Legal manager and board Member of NIOC.
	Mr.Ali Kardor , Investment Deputy Managing Director of NIOC .
	Dr.Gholam Reza Manuchehri , Former Managing Director of " PetroPars Company
	Mr.Espiari, Former Managing Director of South Field Oil Company.
	Dr. Salari, Member of International Institute for energy studies.(IIES)
	Dr. Hassan Shokrollah Zadeh, former Engineering Director of the South Fields Operating Company.
	Dr.Ali Emadi, Member of the NIOC Board of Director.

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Committee Advisors

- o Dr. Firozmand, Director, Legal affairs of NIOC and Member of the Board of Directors.
- o Dr. Narsi Ghorban, Managing Director of NarKangan GTL And Member of Energy Committee of Iran chamber of commerce, Industries and Mines.
- o Dr. Seyed Nasrolah Ebrahimi, Legal advisor of the Committee
- o DR. Fereydoun Barkeshli, Former General Manager of OPEC affairs, Ministry of oil.
- o Mr. Arshi, Former Director, International affairs of NIOC.
- o Mr. Abdolmohammad Delparish, Director, Corporate Planning of NIOC
- o Miss, Aye Katebi, Legal and contractual advisor of Petroiran Development Company (PEDCO). She Serves the committee as an advisor and especial assistant to the chairman.
- o Mr. Rasoul Shaykhi Nejad Deputy Director, Financial affairs ,Petroleum Engineering and Development Company(PEDEC)
- o Mr. Gholamhossein Zoormand, Former Project Manager of the Petroleum Engineering and Development company (PEDEC)
- o Miss. Goodarzi, Legal advisor to the Committee
- o Miss Talin Mansurian, Commercial advisor to the Committee
- o Mr.Seyed Hassan Mousavi , Legal advisor to the Committee

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Committee Meetings

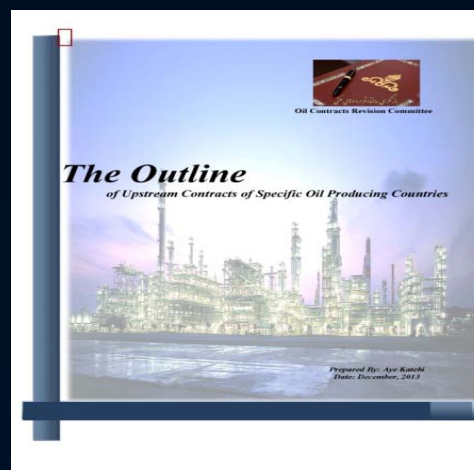


Official meetings	More than 1900 man-hour
Internal meetings	More than 740 man-hour
Expert meetings	More than 1090 man-hour
Meetings with local and international experts	45 hours

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The Gathering of Documents

- Contracts of 33 oil producing countries
(in full or partial)



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The Gathering of Documents

- Report from planning department of NIOC
- Many other relative articles from all over the world
- Study of many articles and research conducted into Service contracts by local and international universities(71 dissertation)

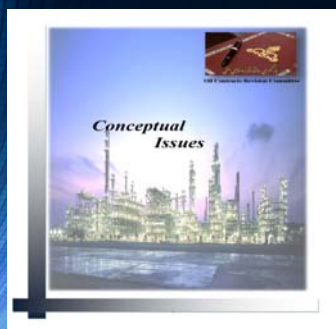


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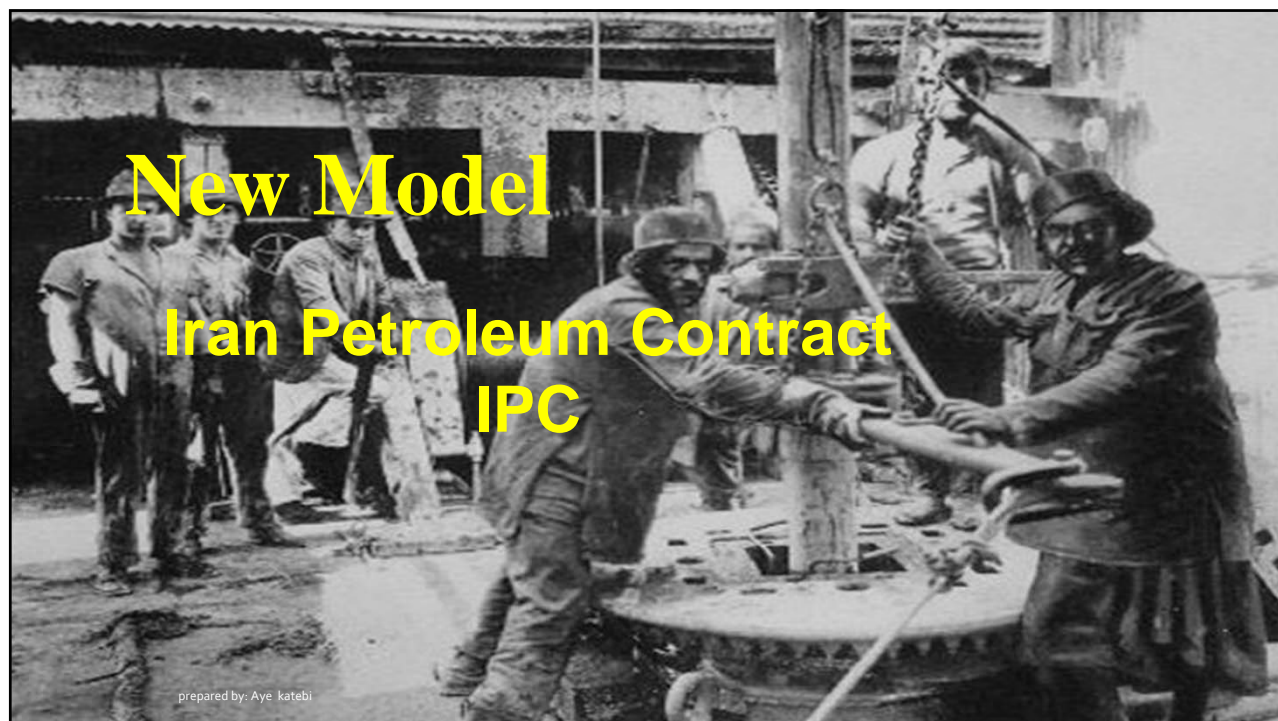


The Gathering of Documents

- Analysis from experts, domestic and foreign companies point of views (welcoming experts, domestic and foreign companies comments on Current Buy Backs)



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5. New model Contract (IPC)

Principals of New Model

1	Reservoir ownership remain solely and totally under title of the Government
2	Preserve the national interest
3	Dully observance of the Laws and regulations
4	win-win situation in the contract
5	Alignment of the parties benefits
6	Sustainable approach
7	Partnership
8	Efficient operations
9	Technology transfer
10	Internationalization

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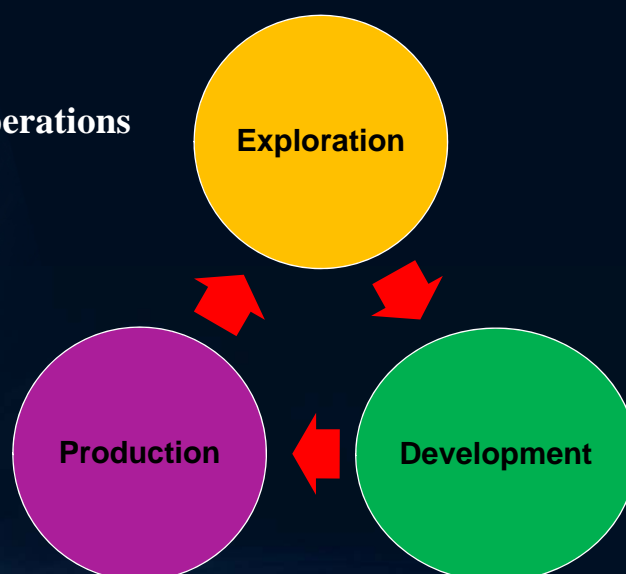
Flexibility of the IPC for being applied in the following Areas and conditions:

1	Exploration
2	Integrated Exploration and Development operation for new areas.
3	Enhance Oil Recoveries of the Brown fields (IOR&EOR)
4	Development of the Common fields with neighboring countries.
5	Exploration, Development & Production Operation in the "High Risks" areas and Deep Waters.
6	Integrated Exploration, Development, Production & IOR/EOR
7	Development of the Green fields

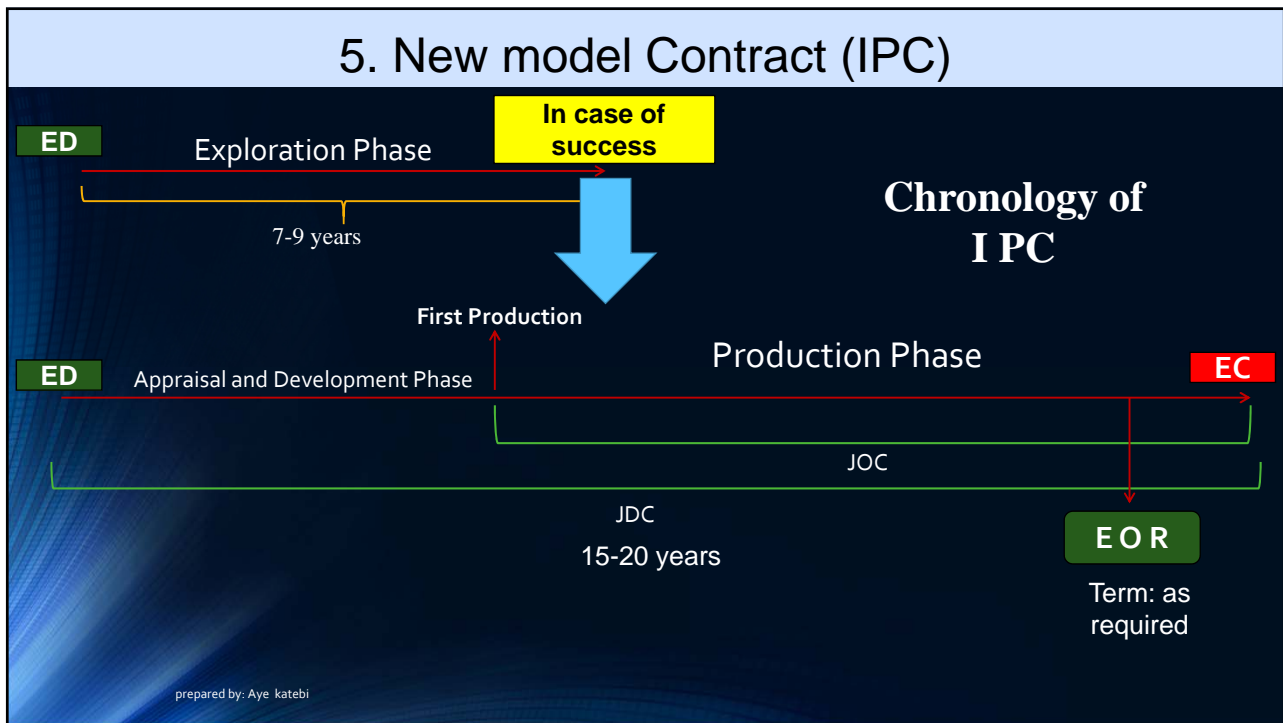
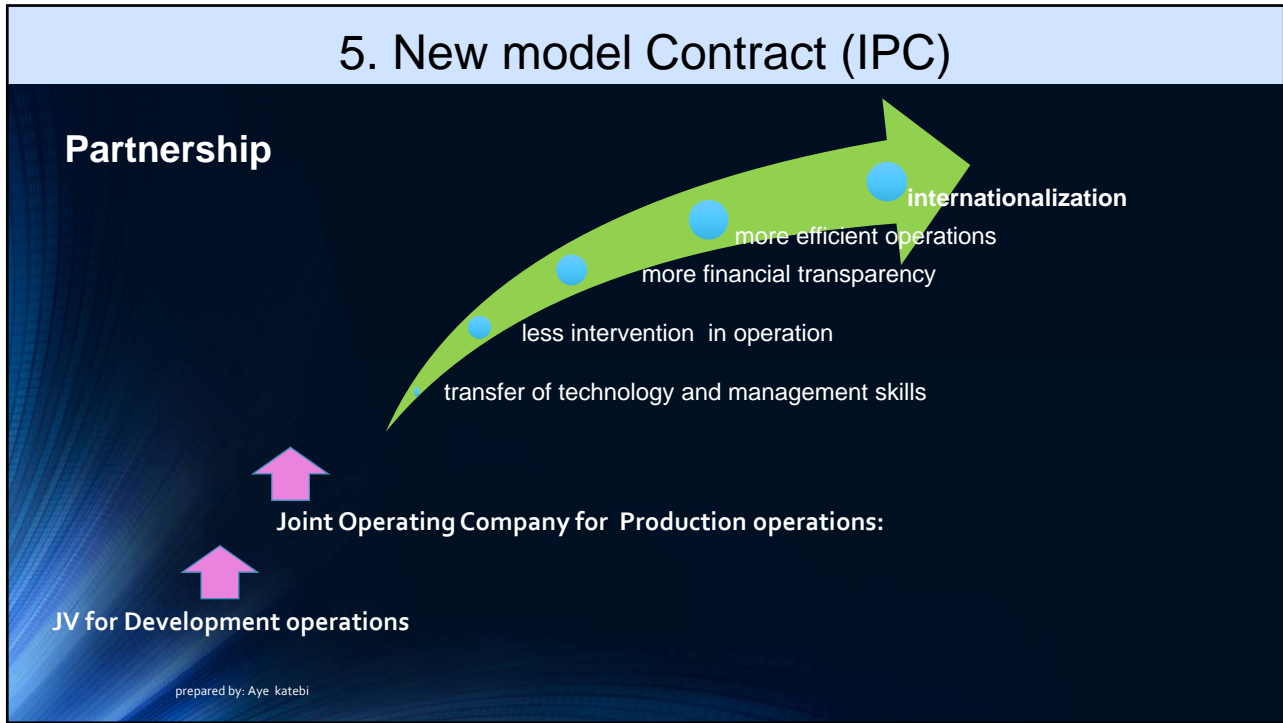
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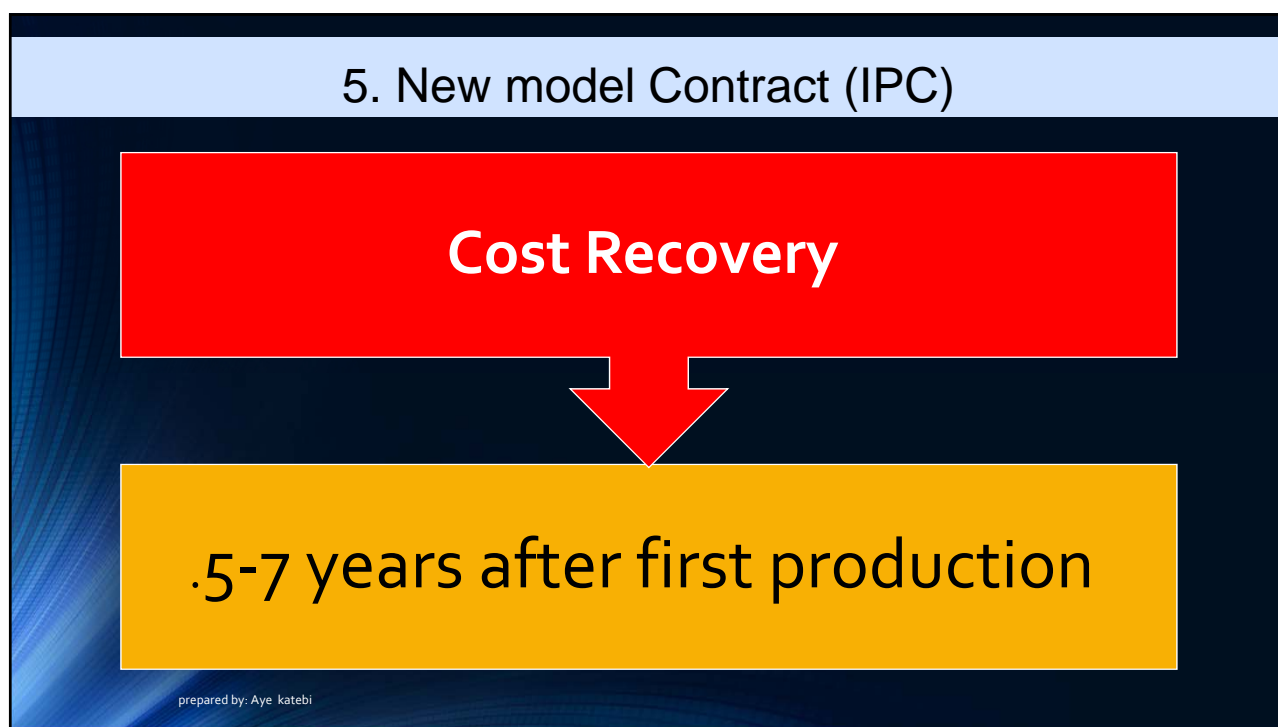
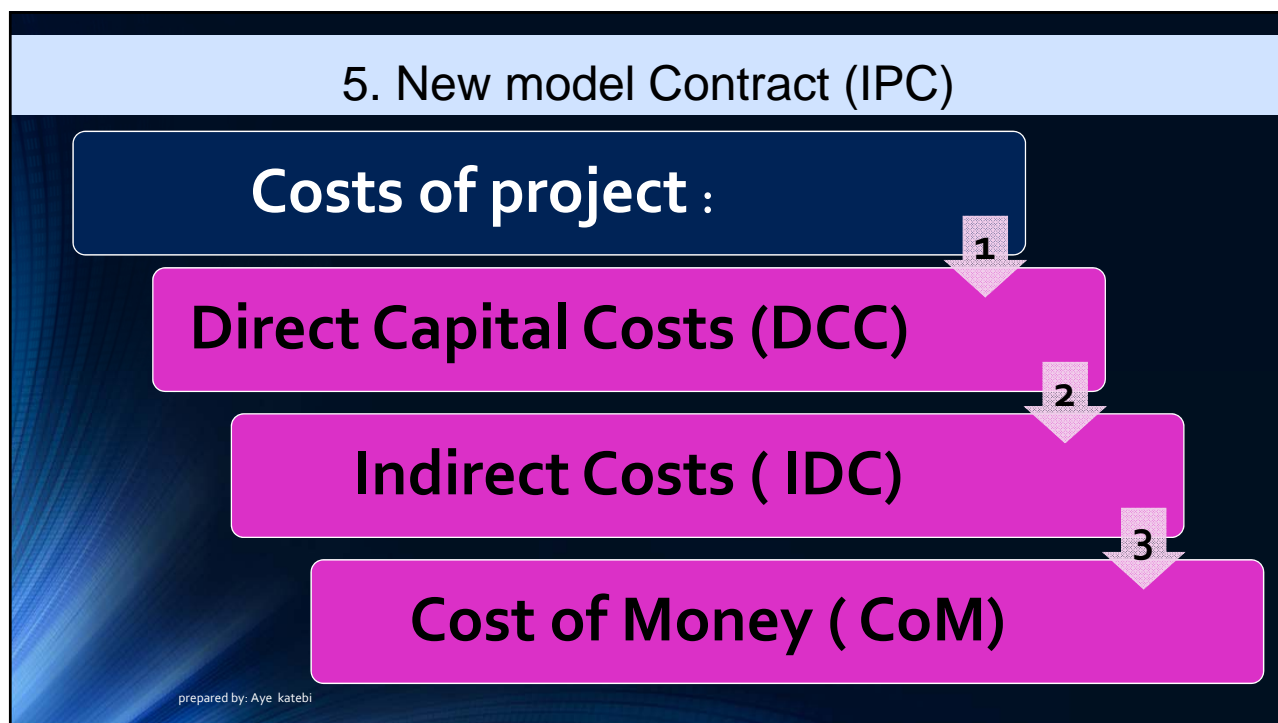
5. New model Contract (IPC)

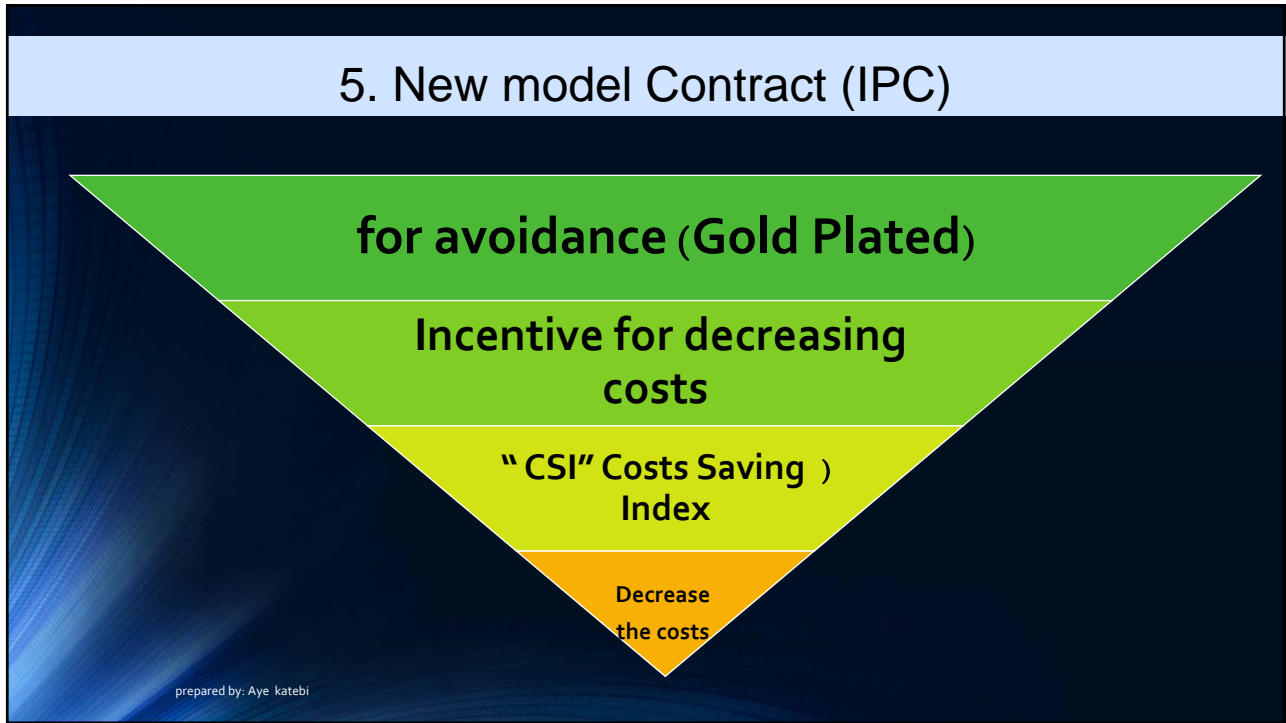
Integrated Operations
for:

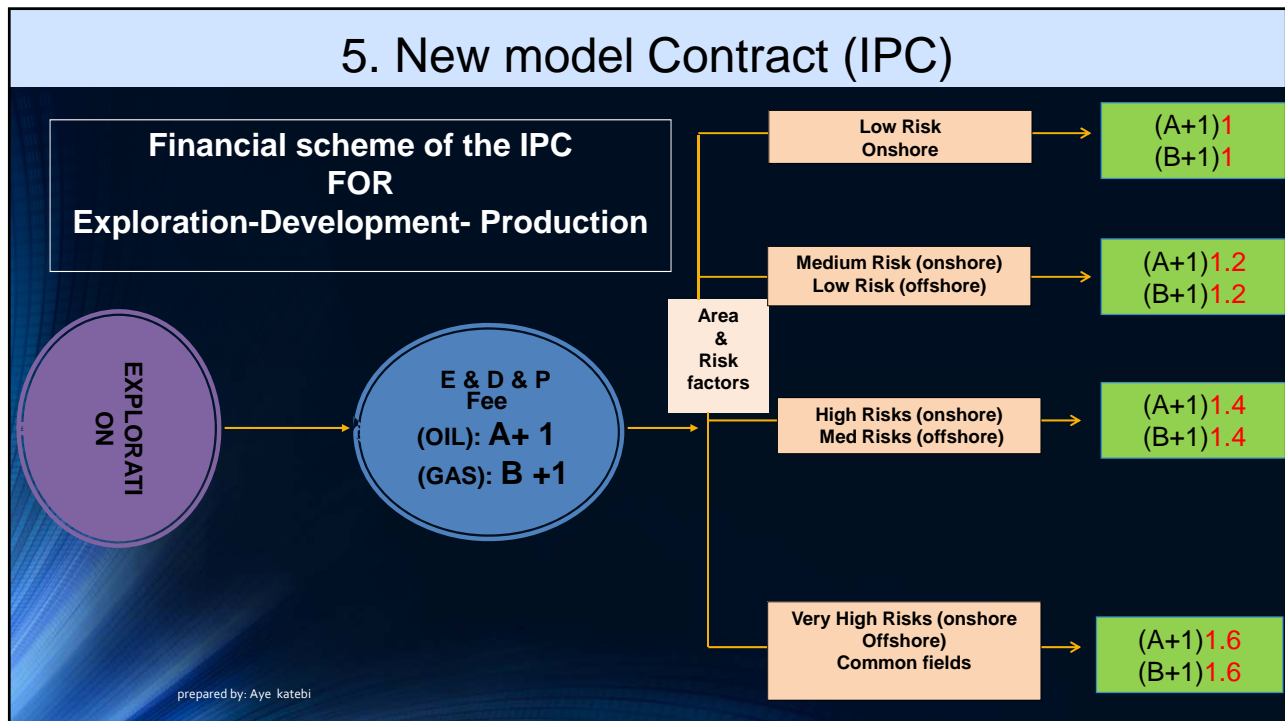
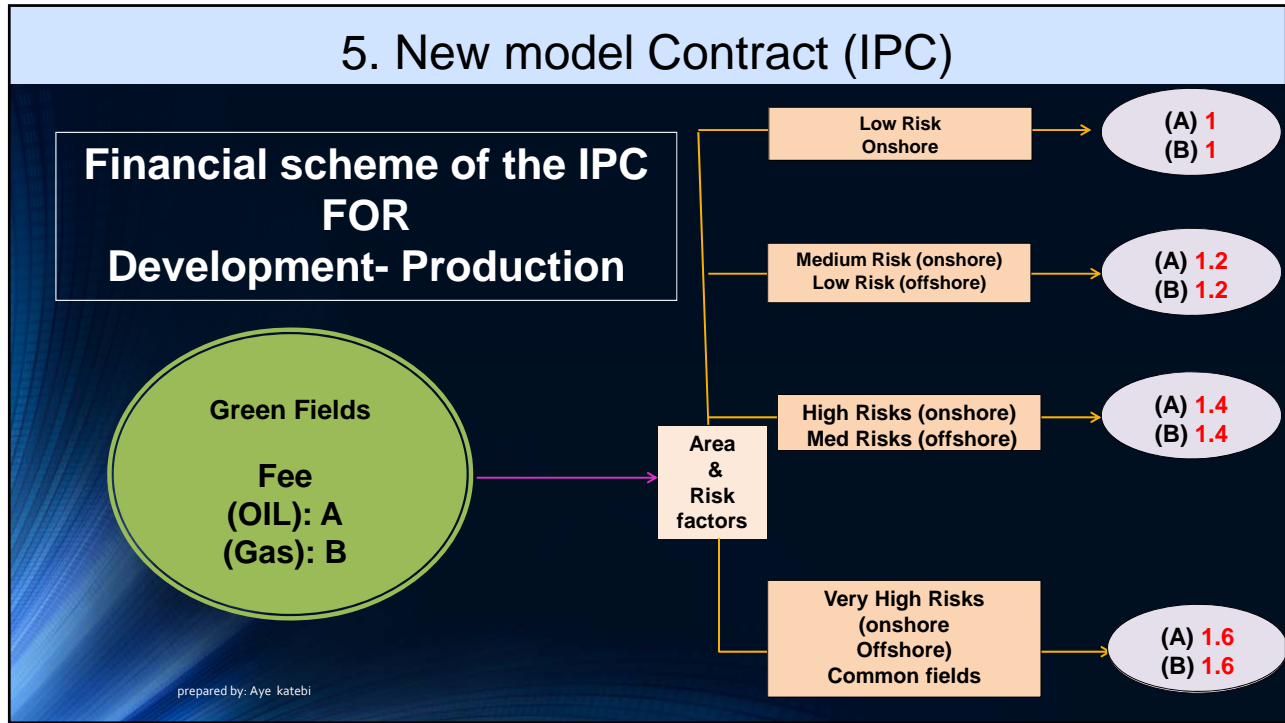


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5. New model Contract (IPC)

Fee base on level of production

Production Rates: (Kbd) For crude oil field:	RI				
	Less Than 1	1<RI<2	2<RI<3	3<RI<4	RI>4
	Fee (\$/b)	Fee (\$/b)	Fee (\$/b)	Fee (\$/b)	Fee (\$/b)
Upto 50	A1	B1	C1	D1	E1
50 to 100	A2	B2	C2	D2	E2
100-200	A3	B3	C3	D3	E3
More Than 200	A4	B4	C4	D4	E4
Remarks:	A1>A2>A3>A4 4 A1>B1>C1>D1>E1	B1>B2>B3>B4 4 B1>C1>D1>E1	C1>C2>C3>C4 4 C1>D1>E1	D1>D2>D3>D4 4 D1>E1	E1>E2>E3>E4 4

5. New model Contract (IPC)

Fee base on level of production

Production Rates: (mCFD) For natural Gas fields:	RI				
	Less Than 1	1<RI<2	2<RI<3	3<RI<4	RI>4
	Fee (\$/mCF)	Fee (\$/mCF)	Fee (\$/mCF)	Fee (\$/mCF)	Fee (\$/mCF)
Upto 1(bcfD)	F1	G1	H1	I1	J1
1 to 2(bcfD)	F2	G2	H2	I2	J2
2 to3(bcfD)	F3	G3	H3	I3	J3
More Than 3(bcfD)	F4	G4	H4	I4	J4
Remarks:	F1>F2>F3>F4 F1>G1>H1>I1>J1	G1>G2>G3>G4 4 G1>H1>I1>J1	H1>H2>H3>H4 H1>I1>J1	I1>I2>I3>I4 I1>J1	J1>J2>J3>J4

Flexibilities of New Model

1. Flexible Development Plan

2. Annual Work Program and Budget instead of fixed capped costs

3. Full Cost Recovery

4. Balance Risk- Reward approach

5. Flexible Reward considering the oil price changes

6. Flexible fee for different areas with different risk involved

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Flexibilities of New Model

7. Cost Saving Index

8. Reforming the Decision Making process

9. Chance of further Exploration operations in neighboring blocks in case of failure

10. Flexibility for long term cooperation

11. Flexibility for longer term in case of EOR

12. Flexible in partnership

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Thank you
a.katebei@gmail.com

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