

IHS Markit assisted with verifying the validity of cost recovery for upstream project costs from 8 years earlier

Situation



A small independent African oil company took over an oil and gas project that had been developed 8 years prior. Not all records for the expenditures incurred were still available. The regulator was auditing the costs under the PSA cost recovery terms. Both sides wanted the audit to be completed to allow further investments to be made but neither had the ability to justify the previous expenses

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Action



Upstream Oil & Gas Consultants:

- Reviewed the original work scope through site visit and contract documentation
- Used historical databases where possible to estimate the typical costs according to the original scope
- Used current costs for items where costs were not available and applied Upstream Capital Cost Index (UCCI) to de-escalate the costs back to the original year.
- Discussed the findings with both the operator and regulator
- Provided acceptable range of cost for each component claimed

Result



IHS Markit provided a basis for the justification of each of the cost elements. The work carried by IHS Markit consultants allowed agreement between the current operator and the regulator as to what costs could be included in the cost recovery process. The cost recovery audit was closed to the satisfaction of both parties and preparations made for further investment in the field.