

**134 – NORWEGIAN OIL AND GAS  
RECOMMENDED GUIDELINES**

**FOR**

**CLARIFICATION OF THE APPLICATION  
OF ARTICLE 2.2.2 AND 2.2.3 OF THE  
ACCOUNTING AGREEMENT IN THE  
EVENT OF AGREEMENTS REGARDING  
SHARING OPERATING COSTS AND USER  
FIELDS**



*Translated version*

Norwegian Oil and Gas Association recommended guidelines for Clarifying the Application of Articles 2.2.2 and 2.2.3 of the AA in the Event of agreements Regarding Sharing Operating Costs and User Fields

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## **Preface**

These guidelines are recommended by Norwegian Oil and Gas Association's (Norwegian Oil and Gas) economy reference group and by Norwegian Oil and Gas' committee for tax and fiscal framework conditions. Furthermore, it is approved by Norwegian Oil and Gas' director general.

The work group has consisted of the following members:

- Kjell T. Thorsen, ConocoPhillips
- Terje Tysvær, Statoil
- Håvard Sørli, TOTAL
- Hans Lyng, Marathon

The responsible manager in Norwegian Oil and Gas is the manager for fiscal matters, that can be contacted via Norwegian Oil and Gas' switchboard +47 51 84 65 00.

These Norwegian Oil and Gas' guidelines have been prepared with broad-based participation from interested parties in the Norwegian petroleum industry and are owned by the Norwegian petroleum industry, represented by Norwegian Oil and Gas. Norwegian Oil and Gas is responsible for administration.

Norwegian Oil and Gas Association  
Vassbotnen 1, Sandnes  
P.O. Box 8065  
4068 Stavanger  
Telephone: + 47 51 84 65 00  
Fax: + 47 51 84 65 01  
Website: [www.norskoljeoggass.no](http://www.norskoljeoggass.no)  
Email: firmapost@norog.no

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## 1 Introduction - Purpose

The objective of these guidelines is to recommend a uniform industry practice for the area of how articles 2.2.2 *General research and development* and 2.2.3 *Main management and Corporate staffs* of the Accounting agreement are to be interpreted and applied when a user field connects to a host field for purchase of processing and/or transport capacity, renting slots, or similar. There are currently different agreements regarding compensation for such services and various interpretations of article 2.2.2 of the Accounting agreement regarding definitions of tariffs paid in connection with processing of petroleum on third party field installations. This can lead to the same costs being included in the calculation basis for research and development costs as well as the main management and corporate staffs costs twice – first by the operator for the user licence and then the operator of the host licence. The main intention of these guidelines is to avoid such costs being included in the calculation basis more than once by clarifying which operator will have the right to calculate and invoice General Research and Development and well as Main management and Corporate staffs. To achieve this, the various joint ventures must have a joint definition of tariffs pursuant to article 2.2.2 of the Accounting agreement.

This recommendation has been prepared by Marathon, ConocoPhillips, Total and Statoil.

## 2 Description of the problem area

Pursuant to article 2.2.2 (and indirectly 2.2.3) of the Accounting agreement, tariffs paid in connection with processing of petroleum on third party field installations must not be included in the calculation basis for research and development costs and group management and corporate staffs costs. Tariffs are not defined further.

Clarification of tariffs paid in connection with processing of petroleum on third party field installations.

Satellite fields (user licence) are often planned and developed with solutions where equipment belonging to an existing main field (host licence) nearby is used for processing and/or transport of the production. Several types of solutions for the user licence's share of the costs on the host licence have been observed:

- In some agreements, there is a so-called OPEX sharing where the operating costs on the host licence are shared proportionally with the production being processed
- In other agreements there is so-called OPEX sharing where the operating costs on the host licence are shared according to nominated volumes
- In other instances, a fixed amount per unit processed is agreed. There can also be combinations of fixed and variable elements
- An administration fee and/or management fee can be agreed

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- A slot fee can be agreed
  - Other elements can be contributions from the user licence for coverage of equipment that must be installed on the host licence to enable it to process the user licence's production
  - Other

The common denominator for all such solutions is that the costs/income to a greater or lesser degree have a tariff character. It is recommended that this is defined as tariff revenue (host licences) or tariff costs (user licences).

### **3 Recommendation for charging costs to general research and development as well as main management and corporate staffs**

When applying articles 2.2.2 *General research and development* and 2.2.3 *Main management and corporate staffs* of the Accounting agreement, it is recommended that the elements listed in Item 2 above (list in Item 2 is not exhaustive), are all defined as tariff costs/revenue. The host licence's operator will use the host licence's total operating costs (pursuant to Section 2.2.2) as a basis for costs for general research and development as well as main management and corporate staffs. Furthermore, it is recommended that the tariff costs listed in Item 2 are recorded as revenue under Item 7 (reference is made to Article 12.4 of the Joint Operating Agreement).

It is recommended that charges from the host licence to the user licence regarding costs for research and development as well as group management and corporate staffs are not included in the basis for OPEX sharing or equivalent. The final charge of such costs thus takes place in the host licence's joint venture.

For the user group, the user licence's operator will charge costs for general research and development as well as main management and corporate staffs based on the operating costs for the user licences excluding the tariff costs (included in the elements listed in Item 2 above) that are paid to the host licence.

The guidelines will enter into effect from 1 January 2011, and will apply for new agreements being entered and existing agreements. For costs charged before 1 January 2011, it is recommended that the user licences can include their share of OPEX sharing, administration reimbursement, slot fees or other equivalent costs as a basis for calculating costs for general research and development as well as main management and corporate staffs.

Correspondingly, to avoid double charges, it is recommended that the host licences deduct the same costs from their basis for research and development as well as main management and corporate staffs.