



Oil & gas accounting

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Oil accounting

- **Oil accounting** refers to the **systematic tracking, recording, and reporting of oil and gas production, sales, inventory, and revenues**. It ensures that all parties involved—such as oil companies, governments, investors, and partners—have accurate information regarding the financial and physical aspects of oil and gas operations.

Why Oil Accounting is Important ?

- Oil and gas operations involve multiple parties (owners, operators, governments) and are subject to fluctuating prices, complex tax regimes, and strict regulations. Oil accounting:
 - Helps allocate revenues and costs fairly.
 - Supports investment and financing decisions.
 - Minimizes disputes among stakeholders.
 - Provides data for performance analysis and planning.

How to configure Petroleum :

- The word petroleum in terms of linguistic Latin word which is composed of two sections, namely: the rock (Petra), oil (Oleum) and this means (Rock oil)
- In terms of scientific, since the eras of old were earth not stable worked earthquake and volcanoes on flipping the Earth's surface strongly with every movement to bury many of the vegetables , millions of fish under mud and swept away by the heavy rains and with the passage of time deposited new quantities of sand, clay and led pressure to lower layers and turn them into a layers of rock and the power and temperature change on the organisms be coal in some cases, and crude oil in the other cases and through the continuation of the sediment fauna and flora in the sea deep and the lower layers of the earth turning this material into oil and gas. The process includes several oil industry operations and activities, and passed through several stages before they reach the latter stages of the consumer are:

1- Exploration stage :

- The first step in the process of searching for crude oil is to determine the geographic area that will be held by the research activities after obtaining a field called really exploration under a contract with the owner of the land and for the purpose of determining the region is the use of information geological geographic area and then select the area and get the company's permission to initiate operations exploration is determined by the part or parts of the region, which will focus its exploration operations.

2- Drilling stage :

- After selecting potential location for the presence of oil which must get a hold called the concession contract from the owner of the land entitles the company the right to explore for oil in the region, which have been selected and are then drilling a pilot when you confirm the presence of oil is drilled wells extractive and start drilling activities.

There are two ways to dig:

1- Cable – Tool Rig

2- Rotary Rig

3- Production Stage or Extraction :

- The production phase of the extraction of oil out of the ground and connected to the Earth's surface using special devices. And that the methods of extraction of crude oil are:
- **A: Lifting a natural way** : This method is when the pressure inside the well enough to push crude oil to the surface of the earth.
- **B: Lifting gas** : This is the way by injecting large quantities of gas under high pressure and used this method when there is a large amount of gas extracted from wells nearby.
- **C: Lifting by water** : This is the way by injecting large amounts of water in the well until can pressure resulting from the injected push crude oil to the high of the well.
- **D: Lifting pumps** : This is the way of the well, installing pumps to pump the crude oil to the high of the well.

4-Transport or (Pipe-line) and Storage Stage :

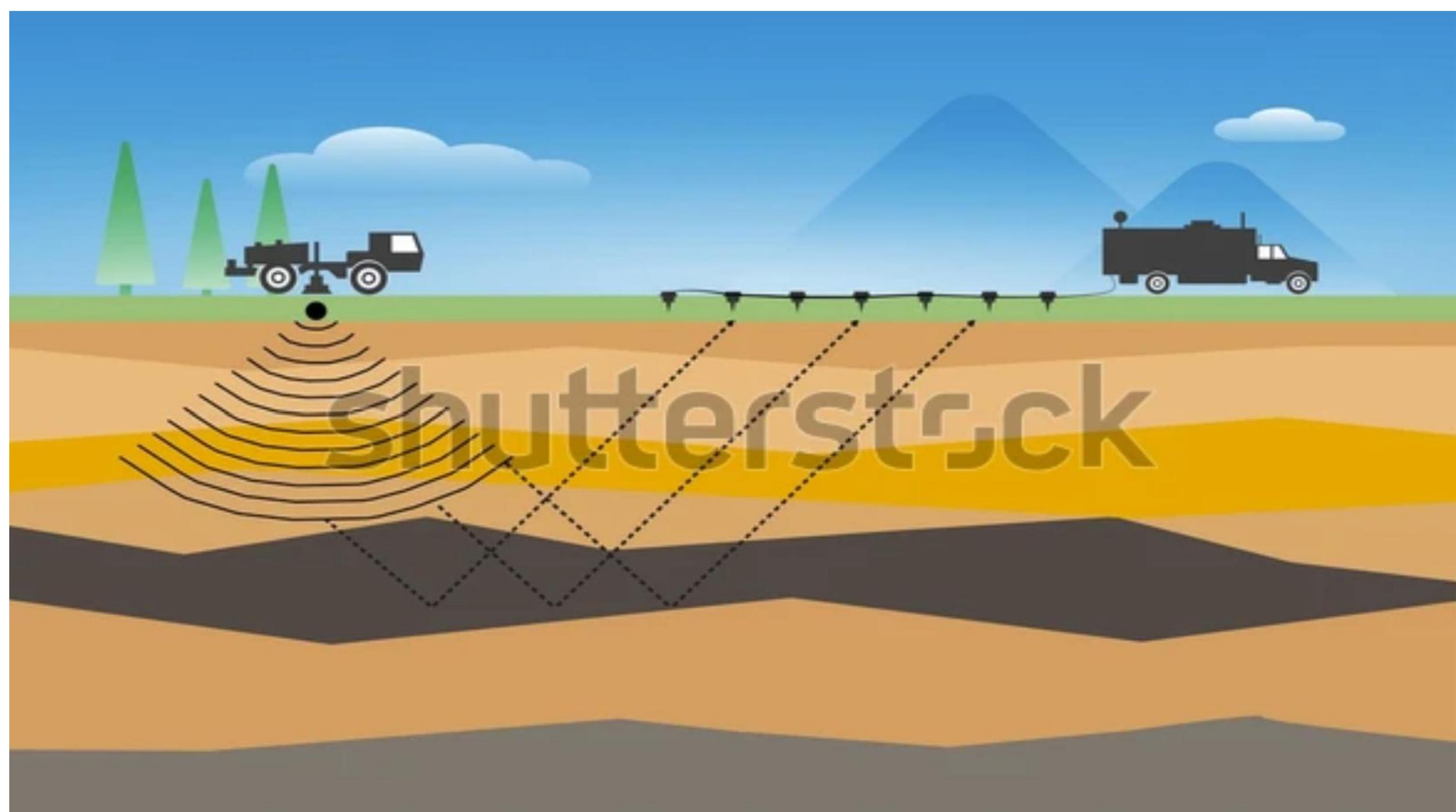
- After the separation of crude oil, gas and treatment of water and other impurities in the stores for the purpose of storage and shipped by cistern to investors or to the refineries.

5- Refining Stage :

- This is the way special treatment where they are receiving crude oil to turn it into petrol derivatives from the aircraft and ending with asphalt.

The main ways to handle the expenses of survey and exploration

- **1- Revenue expenditure method** : According this way is that all the expenses of survey and exploration revenue expenses deducted from income in the period in which they spent where it closes in profit and loss account .
- **2- Full- cost method or (Capitalization method)** : Under this method is that all exploration expenditure expense capitalism, regardless of what it spent in the areas of productive or non-productive.
- **3- Successful efforts method** : Most ways where they are considered part spent on producing areas of capital expenditure deferred to future periods and the portion spent on non productive areas revenue expenses deducted from income for the period spent in them.



Types of exploration expenditure:

- Can distinguish between three types of expenses spent by oil companies at this stage :
- **First: - The cost of obtaining the right of exploration.**
- **1- Cost of primary licenses :** Before you begin the initial exploration process must obtain permits or licenses from the owner , land and often this is the state for a fee for the purpose of treatment these expenses, one of the following methods:

A: In the case of revenue expenditure considered :-

When the agreement is the entry :-

Current exploration expenses	××	
Bank or Cash or Creditor		××

(This entry either found or did not find oil)

At the end of the Year :-

Profits and losses	××	
Current exploration expenses	××	

B: Full- Cost method or (capitalization method) :

1- when the Agreement: -

Suspended properties	××	
Bank or Cash or Creditor		××

2- In the case of capitalized :

Unproved or undeveloped properties	××	
Suspended properties	××	

3- When resolving the results and make sure they explore areas of productive or non-productive is the entry

Proved or Developed properties	××	
Unproved or Undeveloped properties		××

