



Standard Oil Accounting Procedures
Accounting for Logistics

SOAP 6
March
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These Procedures set out what is generally regarded in the Industry as good practice. They are not mandatory and operators may adopt different standards in a particular situation where to do so would maintain an equivalent level of reporting.



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1 Objective

To present recommended methods of fair and equitable cost sharing across ventures of pooled logistics costs in relation to vessel, air support and quayside activity. SOAP 6 provides documented allocation methodologies complete with worked examples.

Where the logistics support function is assigned to a third party the contracts function/purchasers should be aware of the SOAP 6 methodologies. This would permit confirmation, prior to contract award, that the cost allocation methodologies adopted by the purchased logistics function vendors are in compliance with the industry standard. Likewise SOAP 6 should be used as a benchmark against which logistics functions vendors will be audited.

In summary, this standard sets out the generally accepted practices within the oil industry to allocate logistics costs and companies are encouraged to use these.

2 Helicopter Allocations

2.1 Helicopter Flights (Excluding Shuttles)

2.1.1 Allocation Method A (Pooled Helicopter Costs Allocation)

- Helicopter related costs are accumulated over the calendar year within the aviation pool;
- Each month, using a forecast rate per flying hour, allocations are made to the respective installations based on the flying times provided by the service provider;
- The cost allocations are split between operating expenditure and capitalised expenditure e.g. drilling activity;
- The total chargeable flying time is calculated as follows:

Heliport to Installation Time + Time on
Installation with rotors moving + Installation to
Heliport Time

- If the helicopter is returning with freight the loading time will be included in the flying time;
- If there is a change in weather conditions during the journey and the helicopter cannot land on the installation then the attempted journey will still be considered chargeable flying hours;

- However, if a helicopter arrives at an installation whereupon the weather deteriorates and the helicopter shuts down and has to wait on the installation for the weather conditions to improve, then this waiting time does not constitute chargeable flying hours;
- At the end of the calendar year, the aviation cost pool is actualised. Any over or under recovery is charged to the respective installations based on the number of flying hours during the year.

2.1.2 Allocation Method B (Direct Charge Invoices)

- Monthly invoices are received from the service provider highlighting the flying hours used by each installation;
- The cost of each flying hour has been contractually agreed between the service provider and the Operator;
- The allocations can be split between operating expenditure and capitalised expenditure e.g. drilling activity;
- Alternatively the Operator may make the above split by using the number of passengers which can be attributed to either a capex project or opex;
- A further option is to split the costs based on the type of passenger regardless of the number of such passengers e.g.

A flight has an even mixture of personnel on board – core personnel and project personnel. The flight costs would be allocated on a 50/50 basis i.e. core personnel 50%, project personnel 50% by cost of flying hours.

2.2 Shuttle Flights

These flights are used to transfer personnel between the various structures within a large offshore field, or defined core operating area.

2.2.1 Allocation Method A (Pooled Helicopter Costs for Shuttle Flights)

- The flying hours are apportioned to each individual installation by taking the total chargeable flying hours for the journey and allocating them using the direct distance from the heliport to the individual platforms divided by the sum of the individual distances e.g.

A shuttle flight had total chargeable flying hours of 4 hours 25 minutes and the total distance travelled is 600 miles. The allocated flying time would be as follows:

Platform	Distance from Heliport	Allocated Flying Hours
A	100 miles	$100/500 \times 4 \text{ hrs } 25 \text{ mins} = 53 \text{ mins}$
B	150 miles	$150/500 \times 4 \text{ hrs } 25 \text{ mins} = 1 \text{ hr } 19.5 \text{ mins}$
C	250 miles	$250/500 \times 4 \text{ hrs } 25 \text{ mins} = 2 \text{ hrs } 12.5 \text{ mins}$

- These flying hours are then applied to the forecast rate and the allocations are made to the respective installations;
- The allocations are split between operating expenditure and capitalised expenditure e.g. drilling activity;
- At the end of the calendar year the aviation cost pool is actualised. Any over or under recovery is charged to the respective installations based on the number of flying hours during the year.

2.2.2 Allocation Method B (Direct Charge Invoices)

- Same as allocation method B related to 2.1 Helicopter Flights.

2.3 Medivac/Casevac/Compassionate Flights (cross Operator)

It is UKOOA's practice not to back charge one another for the cost of any flights associated with the evacuation of the above personnel.

2.3.1 Allocation Method A (Increase Actualised Pool Rate)

- The flying hours for these types of flights are not directly allocated to the installation requiring the flight;
- These flying hours are however charged by the service provider to the Operator;
- The cost of these flights is charged to the aviation cost pool;
- When the pool is actualised the cost of such flights would be allocated to each installation on the basis of the total flying hours incurred during the year.

2.3.2 Allocation Method B (Direct Charge Invoice)

- In the event of such an incident, an invoice would be submitted by the service provider to the Operator, that is, to the Operator that chartered the helicopter;
- This invoice would be directly charged to the installation which originally required the flight.



3 Fixed Wing Allocations

3.1 Flights

3.1.1 Allocation Method A (Direct Charge Invoice)

- The service provider submits a monthly invoice which charges the costs directly to the installation(s) based on passengers on board and end destination(s).

4 Vessels

4.1 Spot Charter

An arrangement whereby a vessel is chartered for a specific activity e.g. one round trip or the support of a short term drilling operation.

4.1.1 Allocation Method A (Direct Charge Invoice)

- When the spot charter is requested a rate for the voyage is agreed between the supplier and the Operator;
- This invoice shows the specific charge for each individual installation using the spot charter.

4.2 Anchor Handlers

4.2.1 Allocation Method A (Pooled Anchor Handler Cost Allocation)

- Anchor handler related costs may be accumulated over a period of a calendar year within the anchor handler pool;
- Each month using a forecast day rate, allocations are made to the respective installations based on the number of days used;
- At the end of the year the anchor handler pool is actualised and the over or under recovery is charged to the respective installations based on the number of days utilised during the year;
- If the anchor handler is involved in a rig move the first joint venture will pay for the vessel from on-hire until the rig has its last anchor racked/on tight tow. At such point, unless otherwise stated in the contract, the second joint venture will pick up the charge until the anchor handler goes off-hire.

4.2.2 Allocation Method B (Direct Charge Invoice)

- When the need for an Anchor Handler arises, a deal at the current market rate is negotiated through a broker;

- The invoice is submitted by the Service Provider and charged as a daily rate split by the drilling activity;
- If the anchor handler is involved in a rig move the first joint venture will pay for the vessel from on-hire until the rig has its last anchor racked/on tight tow. At such point, unless otherwise stated in the contract, the second joint venture will pick up the charge until the anchor handler goes off-hire.

NB: Anchor handling vessels may also be used as platform supply vessels, whenever this is the case, appropriate allocation methods applicable to supply vessels should apply.

4.3 Standby Vessels

A Standby Vessel is defined as a Vessel which, for safety reasons, is located permanently in close proximity to an offshore installation.

4.3.1 Allocation Method A (Direct Charge Invoice)

- A contract day rate is agreed for each individual installation between the service provider and the Operator;
- Each month an invoice is received which directly charges each specific installation for the standby costs of each vessel.

4.3.2 Allocation Method B (Pooled Standby Costs)

- Standby costs are accumulated in a Standby Boat marine pool;
- The allocation to installations is made by applying the pool rate to personnel numbers onboard the installations, or some other equitable measure to determine the split between locations. If required this can be further allocated to reflect rig activity.

4.4 Supply Vessels

Platform Supply Vessels are defined as vessels which are specifically designed to carry loads to offshore installations and participate in loading/unloading by crane (or hose for water and fuels).

4.4.1 Allocation Method A (Direct Charge Invoice)

- Supply vessels are charged directly to installations via a monthly invoice;
- Each year the service provider and the Operator agree a charge for each installation per outward tonne;
- The agreed rate is then multiplied by the number of outward tonnes for each individual installation to achieve the total charge.

4.4.2 Allocation Method B (Pooled Supply Vessel Costs)

- Supply Vessel costs can be allocated based on the Voyage and Location Time Method.

This method is based on the following:

- Voyage Time: Standard Time calculated from port to the core area. Standard times include port time, waiting on weather, masters rest time etc.
- Location Time: Applies from entry to, until departure from, the core area excluding waiting on weather and masters rest time.
- Total Time: Voyage and Location Time for scheduled voyages is apportioned based on Location Time.
- In order to calculate the total charge, the tariff rate is applied to the Total Time allocated to each location. Once allocated to the location, the apportionment of costs can be allocated further between drilling and platform support based on deck and bulk tonnes shipped to that location.

4.4.3 Allocation Method C (Installation, Port and Voyage Time Method)

- Supply Vessel costs can be allocated based on the Installation, Port and Voyage Time Method.

This method is based on the following:

- Installation Time: being time spent at an installation charged direct to that location;
- Port Time: being the in port vessel time allocation based on the Total Installation Time of each voyage;
- Voyage Time: being the allocation of Voyage Time based on the distance from port to each installation in isolation. The distances are totalled and percentage ratios calculated. Such ratios are applied to the Total Voyage Time in order to allocate the time to the respective installations. Total Voyage Time also includes transit time between locations;
- Waiting on Weather time is totalled at the end of each voyage and allocated based on the Port Time Method.

4.4.4 Allocation Method D (Direct Charge Invoice/Days)

Where an Operator is supporting a number of assets in close proximity to one another, it may be equitable to allocate the costs in the following basic manner:

- The Service Provider submits an invoice based on a daily charge, at a contract rate per day;
- The cost of the Sailing Time is allocated over the number of installations visited on an equal share basis;
- The cost of the time spent at an installation is captured wholly by such installation;
- The Operator may then wish to further allocate the installation costs to specific projects be they Opex or Capex.

4.5 Quayside, Port Charges & Agency Fees

4.5.1 Allocation Method A (Direct Charge Invoice/Total Tonnes)

- Quayside, Port Charges and Agency Fees are charged directly to installations via a monthly invoice;
- Each year the service provider and the Operator agree a charge for each installation per total tonne;
- The agreed rate is then multiplied by the number of total tonnes for each individual installation to achieve the total charge to the installation.

4.5.2 Allocation Method B (Pooled Costs)

- The above costs are accumulated in a Marine Pool;
- This is allocated in line with the vessel activity as set out in 4.4 above.