

# Building a Financial Model

Of an Oil & Gas Company

## Summary

This course focuses on the skills required to design and create a dynamic financial model of an oil and gas exploration and production company. The model includes producing oil and gas reserves and development drilling to increase production.

The course material includes model design, logic, construction, financial concepts and accounting treatment.

Various intermediate Excel tools along with helpful keyboard shortcuts will also be covered throughout the course.



### Prerequisites

Participants should have a basic working knowledge of Excel and the oil and gas sector prior to taking this course.



### Timing

This course requires 8 – 16 hours, depending on the amount of material to be covered.

## Learning Topics

### 1. Design and Structure a Financial Model

- ✓ Design a clear and logical financial model
- ✓ Discuss the need for a model to serve as a marketing tool
- ✓ Create clearly defined inputs and assumptions sections

### 2. Build Scenarios and Financial Forecasts

- ✓ Use switches to create effective scenarios and value drivers
- ✓ Forecast and build-up a company's revenues and expenses
- ✓ Construct all necessary schedules, including:
  - Commodities pricing fundamentals (includes regional differentials)
  - Reserve summaries and depletion calculations
  - Production profile (includes decline curve)
  - Effective schedule to forecast the company's depreciation / depletion expense
  - Effective schedule to forecast the company's income tax expense (includes COGPE, CDE and CEE pools)
  - Effective schedule to forecast the company's working capital

### 3. Incorporate the Capital Structure

- ✓ Properly incorporate Senior Term Debt with an amortizing repayment schedule
- ✓ Create a robust Bank Operating Line (or Revolving Credit Facility)
- ✓ Design and incorporate a cash sweep for a company's Bank Operating Line
- ✓ Balance the company's balance sheet
- ✓ Calculate key operating and credit statistics