



## **Standard Oil Accounting Procedures (SOAPs) – An introduction & history**

Introduced in October 1997, Standard Oil Accounting Procedures (**SOAPs**) have underpinned how the Oil and Gas industry accounts for and audits its operations, providing a benchmark on which discussions between Operator and Co-venturer can be based.

Currently, there are seven SOAPs in place;

1. Joint Venture Accounting for the UK Oil & Gas Industry (*first issued October 1997*)
2. Statement of Common Standards in Joint Venture Auditing (*first issued October 1997*)
3. Minimum Standards for Well Cost Reviews and Recommended Well Accounting Policies (*first issued March 1998*)
4. Recommended Treatment of Operator Manpower and Overhead Costs (*first issued May 2001*)
5. Materials Accounting (*first issued February 2001*)
6. Accounting for Logistics (*first issued March 2001*)
7. Decommissioning (*first issued March 2017*)

The United Kingdom Continental Shelf (UKCS) operates predominately through Joint Ventures. This brings the practice of allocating common costs to the attention of all parties and as such the SOAPs have been developed to ensure that allocated costs are charged on a **fair, equitable and standard** basis. The underlying concept of a JOA is that an Operator should neither **gain** nor **lose** by virtue of being the Operator. The SOAPs have been developed over time to ensure that these common allocations of costs are fair and equitable for both the Operator and Co-venturer.

SOAPs are generally regarded in the Industry as good practice and as such are guidelines and not mandatory. This enables Operators, who may adopt different standards in a particular situation or develop their own procedures within the standard framework, to meet objectives in which to do so, while maintaining consistent levels of accounting and reporting.

Benefits of the SOAPs are recognised as:

- SOAPs are well established;
- The adoption of the SOAPs has led to efficiencies;
- SOAPs are standard procedures and, in the same way as model JOAs and model contract terms bring benefits;
- SOAPs are often written into The Accounting Procedure within JOAs. Where there is inconsistency with the Accounting Procedure, the Accounting Procedure will prevail;
- In discussions/ disputes on cost allocation, SOAPs provide a framework/ benchmark for the discussion and ultimately the resolution of differences;
- Without SOAPs, each Operator is free to develop their own approach to the implementation of the terms of The Accounting Procedure in each JOA...i.e. there is no industry best practice, leading to increasing compliance costs and areas of disagreement at the expense of value-added activities;
- SOAPs bring standardisation of accounting for the allocation of costs across activities which underpins the smooth operation of Joint ventures and is well aligned with industry cost saving initiatives;
- The common allocation methods developed mean that all participants understand the concepts. There is an understood method for the sharing of facilities across Operator groups/fields leading to overall basin efficiencies and cost reductions;
- As assets change hands, new Operators have a clear set of principles to follow which should be consistent with previous incumbents instead of developing their own procedures.

In late 2018, the Oil Industry Finance Association (OIFA) made the collective decision, in light of the passage of time, that all seven SOAPs should be reviewed and refreshed to bring an order of consistency and clarity and to ensure best practice in the industry continues.



The Oil Industry Audit Development Group (OIADG) is particularly concerned with JV Auditing within the OIFA umbrella and any questions regarding JV Audit / SOAP 2 and audit cost sharing should be addressed to the OIADG Committee.

The SOAPs are hosted on the website of OEUK (formerly OGUK (2007-2022) and UKOOA (1973-2007) on behalf of OIFA and OIADG.

**Note**

If OEUK members have any specific queries, please refer to contact details below:

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