

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. Where there is an inconsistency with the Accounting Procedure, the Accounting Procedure will prevail.

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## 1. Introduction

To present recommended methods of fair and equitable cost sharing across Ventures of pooled logistics costs in relation to vessel, air support and supply base/quayside activity. SOAP 6 provides documented allocation methodologies complete with 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. SOAP 6 should be used as a benchmark against which logistics function vendors are audited.

This standard sets out the generally accepted practices within the oil industry to allocate logistics costs and Operators are encouraged to utilise these. The Operator should remain consistent with their selected method and not vary from year to year unless there is a strong business case to change.

## 2. Helicopter Allocations

### 2.1 Helicopter Flights (Excluding Shuttles)

- **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;
- 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.

- **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;
- Allocations are made to the respective installations and are split between operating expenditure and capitalised expenditure e.g., this split can be made by utilising the drilling activity schedule, or alternatively by using the number of passengers which can be directly attributed to either capitalised project or operating expenditure;
- 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 & Flight Diverts

These flights are used to transfer personnel between the various structures within a large offshore field, hub or defined core operating area. Flight Diverts are for flights from heliport to different fields of the same Operator.

- **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 500 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.

- **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 Oil industry standard in the UK not to back charge one another for the cost of any flights associated with the evacuation of the above personnel.

- **Allocation Method A (Increase Actualised PoolRate)**

- 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.

- **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.

## 2.4 Search & Rescue Services (SARS)

Operator will receive the outbound passenger and average POB numbers for each offshore location of the participants, on a monthly basis from the helicopter provider. This is the basis used for the SARH participant share (Monthly Standing Charge) whereby the total value of the monthly SARH invoices are apportioned between the locations using the formula noted below per SARH User Agreement.

$$\text{Participants Share} = (\text{TC} * ((0.5 * (\text{POHPax} / \text{TOHPax})) + (0.5 * (\text{PPOB} / \text{TPOB})))) + \text{PFHC}$$

Where:

TC	= Training Flight Flying Hour costs in the previous month
POHPax	= All outbound Helicopter passengers flown by the relevant Participant in Month
TOHPax	= Total outbound Helicopters passengers flown by all Participants in Month
PPOB	= Total average POB in Month for relevant Participant inside the Service Area
TPOB	= Total average POB in Month for all Participants inside the Service Area
PFHC	= All other Flying Hour costs incurred by the Contractor in responding to a tasking involving the relevant Participant in the previous month

In respect of POHPax, PPOB and PFHC, references to “the relevant Participant” shall include any member of such Participant’s Participant group, or its Affiliate’ “Other Contractors”

In respect of TOHPax and TPOB, references to “all Participants” shall include all members of the Participants Group and Other Contractor Group.

## 2.5 VIP flights

Where a VIP flight has occurred, the Operator should determine if the flight is a benefit to the joint venture of the installation. If the flight is deemed to be beneficial then it is tracked by the Operator on the aviation flight diary and included in the location share of total monthly flying time. As per the normal helicopter allocation process the total value of the monthly invoice is then apportioned between locations based on their relative share of the total monthly flying time which would include VIP / unscheduled flights.

VIP flights deemed not to be beneficial to the joint venture of the installation and of a corporate nature would then be allocated to the sole account.

### 3 Fixed Wing Allocations

#### 3.1 Flights

- **Allocation Method (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.

- **Allocation Method (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

- **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 if vessels are contracted for long term hire;  
Note, if Anchor handlers are being taken on hire primarily on a spot hire basis it is recommended that these are charged direct as noted in Method B. If an Anchor handler performs PSV duties during its period of hire those costs should be coded to the PSV pool. See 4.4
- Each month using a forecast day rate, allocations are made to the respective installations based on the forecast number of days used;
- At the end of the year the anchor handler pool is actualised (both days and rates) and the over or under recovery is charged to the respective installations based on the actual number of days utilised during the year;
- As an example, if the Anchor Handler is involved in a rig move the first Joint Venture will pay for the estimated vessel days 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 estimated charge from tight tow until the Anchor Handler goes off-hire.

- **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 from hire commencement until termination. It is the responsibility of the Operator to code the invoice appropriately. As an example:

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 from tight tow until the Anchor Handler goes off-hire.

**Note:** Anchor Handler vessels may also be used as Platform Supply Vessels (PSV) whenever this is the case, appropriate allocation methods applicable to supply vessels should apply.

When Anchor Handlers are involved in a rig mobilisation where there is more than one well in the programme, reference should be made to Paragraph 3.1 Rig Mobilisation in SOAP 3 Revision 7. When Anchor Handlers are involved in a rig demobilisation where there has been more than one well in the programme, reference should be made to Paragraph 3.2 Demobilisation in SOAP 3 Revision 7.

#### 4.3 Emergency Response and Rescue Vessels (ERRV)

An Emergency Response and Rescue Vessel is defined as a vessel which, for safety reasons, is located permanently in close proximity to an offshore installation or installations. Depending on size and location, one ERRV may be assigned to more than one installation.

- **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.

- **Allocation Method B (Pooled Standby Costs)**

- Standby costs are accumulated in an Emergency Response and Rescue Vessel 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.

Note: Emergency Response and Rescue Vessels (ERRV) may also be used as Platform Supply Vessels (PSV), whenever this is the case, appropriate allocation methods applicable to supply vessels should apply.

#### 4.4 Platform Supply Vessels (PSV) & Diving Support Vessels (DSV)

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.

Diving Support Vessels are defined as vessels which are specifically designed to carry diving personnel to participate in Inspection, Repair & Maintenance (IRM) programs at designated installations.

- **Allocation Method A (Direct Charge Invoice)**

- Vessels are charged directly to installations via a monthly invoice for both vessel charter, fuel usage, port duties etc. Any allocations between operating expenditure and capitalised expenditure will be done at coding stage by the Operator.

- **Allocation Method B (Pooled Supply Vessel Costs)**

This method is designed for assets which are in close proximity to each other. Where installations are not in close proximity, then allocation C is likely to be more equitable.

This method is based on the following:

- Location Time: Applies from entry to within the 500m zone, until departure from, the 500m zone excluding waiting on weather and masters rest time;

In order to calculate the total charge, the forecasted pool rate is applied to the Total Time allocated to each location. Once allocated to the location, the apportionment of these costs can be allocated further

between drilling and platform support based on deck and bulk tonnes shipped to that location.

At the end of the year, once all pool costs are captured and the actual times confirmed, a final rate will be established. Adjustments will be processed to ensure actual time and actual final rates are charged, meaning the pool is equalised with no over / under recovery remaining in the pool.

- **Allocation Method C (Location, Port and Voyage Time Method)**

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

This method is based on the following:

- Location Time: being time spent at a location, including time waiting for platform operations, charged direct to that location;
- Port Time: being time spent in port whilst loading materials for a particular location, including any delay time waiting for materials for that location;
- Voyage or Transit Time: being the notional steaming time pro-rated to each location based on their actual distance from port;
- Waiting on weather and unallocated standby time (non-location specific) being allocated on an equal basis across all locations.

**Calculation:**

- The invoice from the charter company will provide details of rate, duration and fuel usage;
- Vessel logs should accompany the invoice as back up (or Database access). From these, analysis should be performed to calculate the port time, steaming time and WoW/ standby time for each location;
- These should be input to the Vessel Voyage Analysis template for calculation and apportionment. Transit time is based on actual mileage of port to location, WoW / standby time is an equal allocation whilst location and port times are based on actual durations;
- These calculations will produce a time allocation, the percentages of which should be applied against the vessel and fuel costs to derive the allocation to each location.
- Once allocated to the location, the apportionment of these costs can be allocated further between drilling and platform support based on deck and bulk tonnes shipped to that location.

A calculation example is noted below, to produce a Vessel Voyage Analysis

Voyage number	VOY12344			Vesel rate (£)		7,500
Vessel name	Ocean Blue			Fuel rate (£)		478.15
On hire date/time	26/3/2019 : 12.00			Hours per day		24.00
Off hire date/time	30/3/2019 : 01:25			Total vessel cost (£)		26,692.71
Total Voyage time	85.25			Fuel Consumption (£)		10,000.60
Total port time	15.25			Total voyage cost (£)		36,693.31
Total steaming time	29.59					
Total location time	16.01					
Total wow; s/by time	24.00					
Fuel usage mt	20.92					
TIME ALLOCATION						
Location	Miles	Location time	Port time	wow; standby	transit	total
Location 1	118	1.02	0.01	6.00	8.03	15.11
Location 2	94	8.16	7.32	6.00	6.39	28.16
Location 3	111	3.31	6.32	6.00	7.55	23.42
Location 4	112	3.12	1.20	6.00	7.62	18.16
TOTAL	435	16.01	15.25	24.00	29.59	85.25
COST ALLOCATION						
Location	Vessel cost (£)	Vesel fuel cost (£)				total cost (£)
Location 1	4,743.31	1,777.13				6,520.44
Location 2	8,832.61	3,309.19				12,141.80
Location 3	7,407.22	2,775.16				10,182.38
Location 4	5,709.57	2,139.12				7,848.69
TOTAL	26,692.71	10,000.60				36,693.31

• **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 based on operating expenditure and capitalised expenditure.

**5. Quayside/Supply Base**

**5.1** Supply Base or Warehouse and Quayside services are defined as facilities and services that manage and control the delivery of oil and gas equipment and materials to onshore and offshore locations.

- **Allocation Method A (Direct Charge Invoice/TotalTonnes)**

- 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 tonnes. The agreed rate is then multiplied by the number of total tonnes for each individual installation to achieve the total charge to the installation.

- **Allocation Method B (Pooled Costs)**

- The above costs are accumulated in a Marine Pool;
- This is allocated in line with the vessel activity i.e. lifts or tonnage;
- Pooled costs can be allocated based on tonnages moved or number of lifts or other consistent and equitable method. At the end of each year, the pool rate is equalised, so no over/under recovery remains in the pool.

## **6. Marine Gas Oil**

**6.1** Used by Vessels, Marine Gas Oil is similar to diesel fuel, but has a higher density. Unlike heavy fuel oil (HFO), Marine Gas Oil does not have to be heated during storage.

- **Allocation Method A (Direct Charge Invoice)**

- Marine Gas Oil is charged directly to installations via a monthly invoice derived by vessel.

**6.2 Allocation Method B (Pooled Costs)**

- Where PSV, DSV or ERRV vessels are pooled to serve multiple location, the Marine Gas Oil stock can be on a vessel-by-vessel basis or in a pool to give a rolling average price based on Marine Gas Oil deliveries, vessel usage and offloads to rigs and other vessels;
- Offloads charged at the average price at the time of offload.

**6.3 Allocation Method C (Location, Port and Voyage Time Method)**

- Refer to 4.4. Marine Gas Oil offloads are charged directly to specified locations, whilst vessel Marine Gas Oil consumption is allocated as part of the journey cost.

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