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Petroleum Engineering Economy

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Lecture(2)

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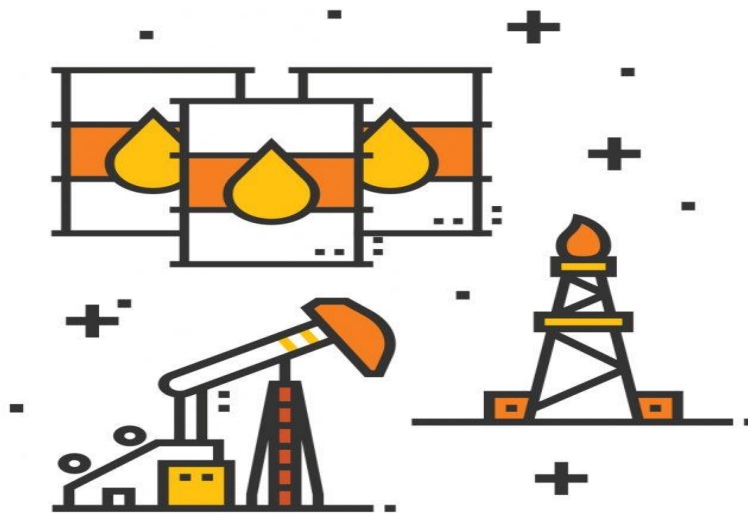
3-Terms of Natural oil And gas industry

If you've listened to any news about the oil and natural gas business, chances are you've heard these three terms. But do you know what they mean? Turns out they're actually three related parts of the same thing – namely, the oil and natural gas industry.

UPSTREAM:

This refers to anything having to do with the exploration and production of oil and natural gas. Geologic surveys and any information gathering used to locate specific areas where minerals are likely to be found is commonly called 'exploration.' The term 'upstream' also includes the steps involved in the actual drilling and bringing oil and as 'production' natural gas resources to the surface, referred.

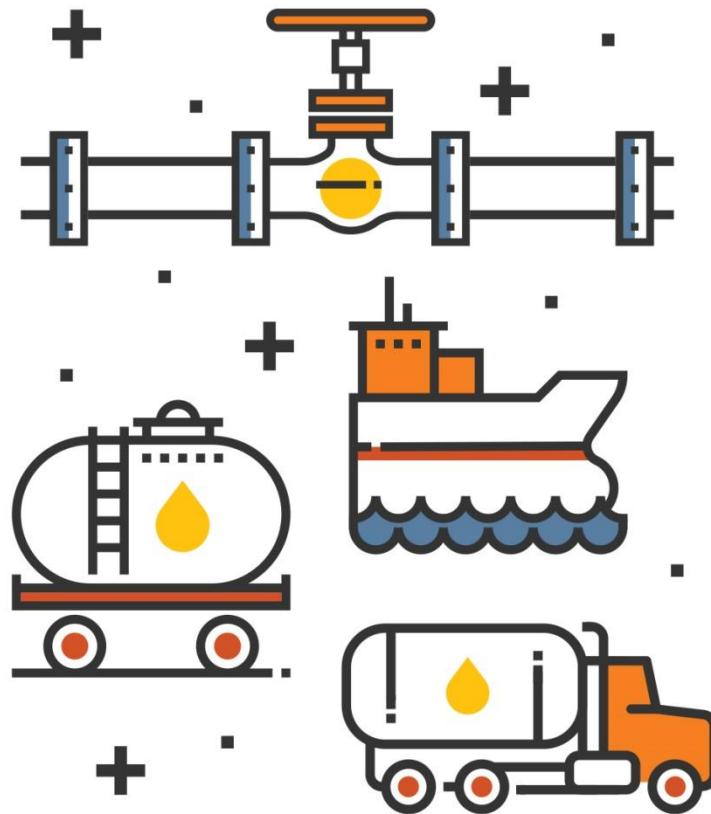
UPSTREAM



MIDSTREAM:

The 'midstream' segment of the oil and natural gas industry refers to anything required to transport and store crude oil and natural gas before they are refined and processed into fuels and key elements needed to make a very long list of products we use every day. Midstream includes pipelines and all the infrastructure needed to move these resources long distances, such as pumping stations, tank trucks, rail tank cars and transcontinental tankers.

MIDSTREAM



DOWNSTREAM:

The final sector of the oil and natural gas industry is known as 'downstream.' This includes everything involved in turning crude oil and natural gas into thousands of finished products we depend on every day. Some of the more obvious products are fuels like gasoline, diesel, kerosene, jet fuels, heating oils and asphalt for building roads. But long-chain hydrocarbons found in both oil and natural gas are

used to make far less obvious products like synthetic rubbers, fertilizers, preservatives, containers, and plastics for parts in countless products. Oil and natural gas products are even used to make artificial limbs, hearing aids and flame-retardant clothing to protect firefighters. In fact, paints, dyes, fibers and just about anything that is manufactured has some connection to oil and natural gas.

DOWNSTREAM



So now you know. 'Upstream' is about extracting oil and natural gas from the ground; 'midstream' is about

safely moving them thousands of miles; and 'downstream' is converting these resources into the fuels and finished products we all depend on.

Together, these three sectors of the oil and natural gas industry sustain the steady flow of fuels and materials that make life better and safer for us all.

EnergyHQ is powered by the Oklahoma Energy Resources Board – OERB – which is voluntarily funded by the state's oil and natural gas producers and royalty owners. The OERB provides free environmental restoration of abandoned well sites and works to educate the state's citizens about the oil and natural gas industry. For more on the OERB's mission and how it is funded, visit OERB.com.

An Introduction to Capital Budgeting

EnergyHQ مدعوم من مجلس موارد الطاقة في أوكلاهوما - OERB - الذي يتم تمويله طوعاً من قبل منتجي النفط والغاز الطبيعي في الولاية وأصحاب الملوك. يوفر OERB ترميمًا بيئيًا مجانيًا لمواقع الآبار المهجورة ويعمل على تثقيف مواطني الولاية حول صناعة النفط والغاز الطبيعي. لمزيد من المعلومات حول مهمة OERB وكيفية تمويلها ، تفضل بزيارة [.OERB.com](http://OERB.com)

What Is Capital Budgeting?

involves choosing projects that add [Capital budgeting](#) value to a company. The capital budgeting process can involve almost anything including acquiring land or purchasing fixed assets like a new truck or machinery.

Corporations are typically required, or at least recommended, to undertake those projects that will increase profitability and thus enhance shareholders' wealth.

However, the rate of return deemed acceptable or unacceptable is influenced by other factors specific to the company as well as the project.

For example, a social or charitable project is often not approved based on the rate of return, but more on the desire of a business to foster goodwill and contribute back to its community.

تتضمن الميزانية الرأسمالية اختيار المشاريع التي تضيف قيمة للشركة. يمكن أن تتضمن عملية إعداد الميزانية الرأسمالية أي شيء تقريبًا بما في ذلك الحصول على الأراضي أو شراء الأصول الثابتة مثل الشاحنات أو الآلات الجديدة.

عادة ما يُطلب من الشركات ، أو على الأقل التوصية بها ، القيام بتلك المشاريع التي من شأنها زيادة الربحية وبالتالي تعزيز ثروة المساهمين.

ومع ذلك ، فإن معدل العائد الذي يعتبر مقبولاً أو غير مقبول يتأثر بعوامل أخرى خاصة بالشركة وكذلك بالمشروع.

على سبيل المثال ، غالبًا ما لا تتم الموافقة على مشروع اجتماعي أو خيري بناءً على معدل العائد ، ولكن يعتمد بشكل أكبر على رغبة الشركة في تعزيز النوايا الحسنة والمساهمة في مجتمعها.

KEY TAKEAWAYS

- Capital budgeting is the process by which investors determine the value of a potential investment project
- The three most common approaches to project selection are payback period (PB), internal rate of return (IRR), and net present value (NPV).
- The payback period determines how long it would take a company to see enough in cash flows to recover the original investment.
- The internal rate of return is the expected return on a project—if the rate is higher than the cost of capital, it's a good project.
- The net present value shows how profitable a project will be versus alternatives and is perhaps the most effective of the three methods.

الماخذ الرئيسية

- الميزانية الرأسمالية هي العملية التي يحدد المستثمرون من خلالها قيمة مشروع استثماري محتمل.

- الأساليب الثلاثة الأكثر شيوعًا لاختيار المشروع هي فترة الاسترداد (PB) ، ومعدل العائد الداخلي (IRR) ، وصافي القيمة الحالية (NPV).
- تحدد فترة الاسترداد المدة التي ستستغرقها الشركة لمعرفة ما يكفي من التدفقات النقدية لاسترداد الاستثمار الأصلي.
- معدل العائد الداخلي هو العائد المتوقع على المشروع - إذا كان المعدل أعلى من تكلفة رأس المال ، فهو مشروع جيد.
- يظهر صافي القيمة الحالية إلى أي مدى سيكون المشروع مربحًا مقابل البدائل وربما يكون أكثر الطرق فعالية من بين الطرق الثلاثة.

Understanding Capital Budgeting:

Capital budgeting is important because it creates accountability and measurability. Any business that seeks to invest its resources in a project without understanding the risks and returns involved would be held as irresponsible by its owners or shareholders.

Furthermore, if a business has no way of measuring the effectiveness of its investment decisions, chances are the business would have little chance of surviving in the competitive marketplace.

Businesses (aside from non-profits) exist to earn profits. The capital budgeting process is a measurable way for businesses to determine the long-term economic and financial profitability of any investment project.

- فهم الميزانية الرأسمالية:

الميزنة الرأسمالية مهمة لأنها تخلق المساءلة وقابلية القياس. أي عمل يسعى إلى استثمار موارده في مشروع دون فهم المخاطر والعوائد التي ينطوي عليها سوف يعتبر غير مسؤول من قبل أصحابه أو المساهمين. علاوة على ذلك ، إذا لم يكن لدى شركة ما طريقة لقياس فعالية قراراتها الاستثمارية ، فمن المحتمل أن يكون لدى الشركة فرصة ضئيلة للبقاء على قيد الحياة في السوق التنافسي.

توجد الشركات (بخلاف المؤسسات غير الربحية) لكسب الأرباح. تعد عملية إعداد الميزانية الرأسمالية طريقة قابلة للقياس للشركات لتحديد الربحية الاقتصادية والمالية طويلة الأجل لأي مشروع استثماري.