

ABSTRACT

With the recent global crude oil price decline, Oil and Gas companies are facing challenges to keep its Exploration and Production going while contains its cost in order to maintain the healthy cash flow and company's profit margin. Many Oil and Gas companies operate in different countries which has diverse geographical, politics and social condition, the different operating environment between these countries pose a different impact to the company's operation cost in carrying out its E&P activity.

This research highlight the main challenge face by O&G managers when analyzing its operation cost and identify the needs to develop a new cost management model to better equip the managers to make decision. Conventionally, company's operation cost is registered and prepared as a financial report which comply with International Financial Reporting Standard (FRS) but it does not give the Oil and Gas managers an easy way to understand the cost.

The research compares conventional life cycle costing and the Activity Based Life Cycle (ABC) Costing and study the ABC model as better alternative for managers to assess their cost. It also discuss how managers can adopt ABC to prepare the production budget and profitability analysis on project which later can be used as basis for cost benchmarking against pass year project or the industry players.