





Panel Participants

Jeff Weems, Partner
Staff Weems LLP

Jeanine H. Piskurich, CPL, East Area Land Manager
BP America Production Company

Edmund M. Sierra, CPL, Vice President - Land
Continental Resources, Inc.

David Sutter, Vice President – Permian Land
Pioneer Natural Resources USA, Inc.

Andrew Graham, Attorney
Steptoe and Johnson PLLC

Mark J. Goss, CPL, Senior Consultant
Petro Harvester Oil and Gas, LLC

Jared Hembree (Moderator), Partner
Hinkle Shanor LLP



SEATTLE
AMERICA'S LANDMEN

I. Allocation of Well Production and the Production Sharing Agreement "PSA"

1. Why is a Production Sharing Agreement needed?



I. Allocation of Well Production and the Production Sharing Agreement "PSA"

2. It seems Production Sharing Agreements are used predominately in Texas, how is allocation handled in Oklahoma, North Dakota, Pennsylvania and West Virginia?



I. Allocation of Well Production and the Production Sharing Agreement "PSA"

3. How are benefits allocated according to a PSA? What is the basic formula for allocating production under a PSA? Are there issues concerning the formulas adequately reflecting the amount of production entering the wellbore under each of the tracts covered by the PSA?



II. Risks, Rewards and Royalty Owners

1. What do you see as the various risks and rewards between the division of benefits provided by PSA's? Is there a balance between the risks and rewards? Operator? Royalty owners?



II. Risks, Rewards and Royalty Owners

2. Can a royalty owner refuse to sign a PSA? What happens if he/she refuses?



II. Risks, Rewards and Royalty Owners

3. Does signing a PSA change the terms of a royalty owner's lease?



II. Risks, Rewards and Royalty Owners

4. Can the executive rights owner enter into a PSA binding a non-participating royalty interest owner or, as in the case with pooling, does the NPRI owner need to consent to or ratify the PSA?



III. Regulatory Concerns

1. There is some debate among commentators as to whether a PSA well is actually a form of pooling agreement, is a PSA essentially a voluntary pooling agreement? Why or why not?



III. Regulatory Concerns

2. If a PSA is essentially a voluntary pooling agreement, is an allocation well effectively a form of 'forced pooling'?

The RRC's issuance of permits for "allocation wells" without requiring the operator to obtain production sharing agreements or pooling agreements from royalty owners in the tracts crossed by the wellbore is in effect allowing operators to force-pool tracts. Forced pooling in Texas is allowed only under limited circumstances and requires an application, notice to affected parties, and a hearing. Texas – unlike other producing states – has never given its regulatory body broad authority to force-pool tracts into drilling units.



III. Regulatory Concerns

3. If a lessee/operator owns 4 leases on 4 separate tracts, the lessee has the right to reasonably use the surface of each of those tracts to extract oil and gas from each respective tract. The lessee/operator could use the surface of Tract A to extract oil and gas from Tract A, but could not use the surface of Tract A to extract oil and gas from Tracts B, C, or D. This change if the lessee/operator pools the 4 tracts. However, in the context of a horizontal PSA well, is the operator's use of the surface of Tract A reasonable or more than the reasonable use since it is being used to extract oil and gas from neighboring tracts?

SEATTLE



AAPL

IV. Closing and Additional Questions

1. What other surface issues may arise in the context of PSA or allocation wells?

SEATTLE



AAPL
