

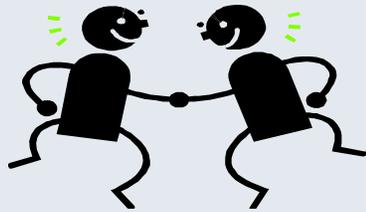
CONTRACTS AFFECTING THE DIVISION ORDER ANALYST

CDOA Review
Chapter 4

CONTRACTS AFFECTING A DIVISION ORDER ANALYST

■ Contract

- - an agreement between or among two or more parties which is enforceable in a court of law



■ Consideration

- - a mutual exchange between or among the parties to the agreement of something of value



CONTRACTS AFFECTING THE DIVISION ORDER ANALYST

- The Lease
- The Assignment
- The Force Pooling Order
- The Farmout Agreement
- The Purchase and Sale Contract
- The Division Order Title Opinion
- The Joint Operating Agreement

THE LEASE

- The lease is a usufructuary agreement between the mineral owner and the operator who drills the well.
- There are many functions of a lease
 - Conveyance
 - Leasehold Estate
 - Chain of title is born
- Important information held in the lease
 - Addresses and Social Security numbers
 - Delivery in kind
 - Purchase and Sale Contract

THE ASSIGNMENT

- Challenges for the DO Analyst
 - Questions that may arise
 - Did they intend to convey a portion of the mineral rights or only a right to royalty under the lease?
 - What fraction interest did the grantor intend to convey?
 - “Duhig” Rule

THE ASSIGNMENT

- Did they reserve anything?
 - ORRI
 - Back-ins
 - Productions Payments
- We as Division Order Analyst need to know this so when setting up the deck we know how to set up ownership and if this is a well we need to pay more attention to when it pays out.

FORCE POOLING ORDER

- What is forced pooling?
 - To be force pooled is the act of being forced by state law into participation in an oil and/or gas producing unit.
- What do the pooling orders tell us?
- How does this affect the division order analyst?

THE FARMOUT AGREEMENT

- What is a Farmout Agreement?
 - A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions.
- Why would a company decide to farmout?
- How does this affect the DO Analyst?

PURCHASE AND SALE CONTRACT

- What is a Purchase and Sale Contract (PSA)?
 - An agreement that is most often started out as a verbal agreement where the operator sells the production from the well at a purchaser's posted price.
- Why would an operator utilize a purchase and sale agreement?
- How does this affect the Division order analyst?

DIVISION ORDER TITLE OPINION

- **Division Order Title Opinion?**
 - A Division Order Title Opinion is an opinion, generally written by an attorney, stating the names and decimal ownership interests within a producing oil or gas well, unit, or lease.
- **Is it considered a contract?**
- **Who is responsible for errors on a DOTO?**

JOINT OPERATING AGREEMENT

- Facts about the Joint Operating Agreement (JOA)
 - It is an agreement between the operator and non-operator working interest owners
 - It brings uniformity to the drilling and completion as well as the day-to-day operation of the well.
 - The most recent form is the AAPL form 610 (revised in 1989)
- How does the JOA affect the DO Analyst?

CONCLUSION

