

# **Outdated, Antiquated and Unsigned Agreements**

## **Issues and Concerns**

**PJVA Early Morning Session  
Tuesday, October 26, 2010**

# Case 1

- Company A sent out a Mail Ballot to recomplete a number of wells under a Unit Operating agreement.
- Current ownership is: A 60%, B 30%, C 10%.
- The voting procedure requires 3 Owners and 75% for a motion to pass.
  
- Company C votes Negative

***Did the Ballot pass?***

## Case 2

- Company A operates a Compressor, it sent out a CO&O a few years ago, but it has not been executed.
- Current ownership is: A 60%, B 30%, C 10%.
- Company A has never sent out an operating budget or a mail ballot. It has been billing partners for operating costs, which have been paid.
- Company A did send out one AFE for a compressor overhaul, which was approved by the partners.
- There is a ROFR provision in the unexecuted CO&O.
- Company B wants to sell its share to Company X.

***Does the ROFR apply, as the agreement is unsigned?***

# Case 3

- Company A operates a Facility, it sent out a CO&O a few years ago, but it has not been executed.
- Current ownership is: A 60%, B 30%, C 10%.
- Company A has never sent out an operating budget or a mail ballot but has billed partners for operating costs based on WI, which were paid. It has also sent out AFE's for work on the Facility, which were approved by the partners.
- Company A issues a 13th month adjustments of operating costs and third party fee income for the last 3 years. Company C owes money in each adjustment.

***Do the adjustments apply and are the monies owed by Company C?***

# Case 4

- Company A has accumulated all ownership in a Unit with one exception, Company C
- Unit Ownership: A 99.5%, C 0.5%
- Company C has not responded to any Mail Ballots for the last 3 years.
- Operator's spending limit is \$50,000
- Company A proposes to send out future AFE's for **Information Only**.

***Is Company C obligated to pay any amounts based on Information Only AFE's?***

# Old Agreements - Missing Provisions

- Negative vote provision, whereby 1 Owner cannot defeat a Mail Ballot
- Provisions for 2 party agreements – voting procedure ineffective
- Provisions for revision of expenditure limits - imbedded in body of Agreement
- Provisions for sharing of third party fees
- Provisions for adding new functional units
- Exemption from ROFR when selling reserves/production

# Out of Date Exhibits/Appendices

- Out of date Accounting Procedure
- Out of date Overhead Provisions, e.g.
  - Flat charge for Unit or Facility
  - Well overhead only charged on “Producing Wells”
  - No overhead for Unit Facilities
- Out of date Unit Well Exhibits
- Out of date Fee Calculation Exhibits (for excess capacity usage and for third party usage)
- Out of date Functional Unit Descriptions
  - includes Functional Units no longer there
  - includes Common Facilities allocation no longer used
- Out of date Allocation Exhibits - allocation formulas incompatible with modern allocation programs