



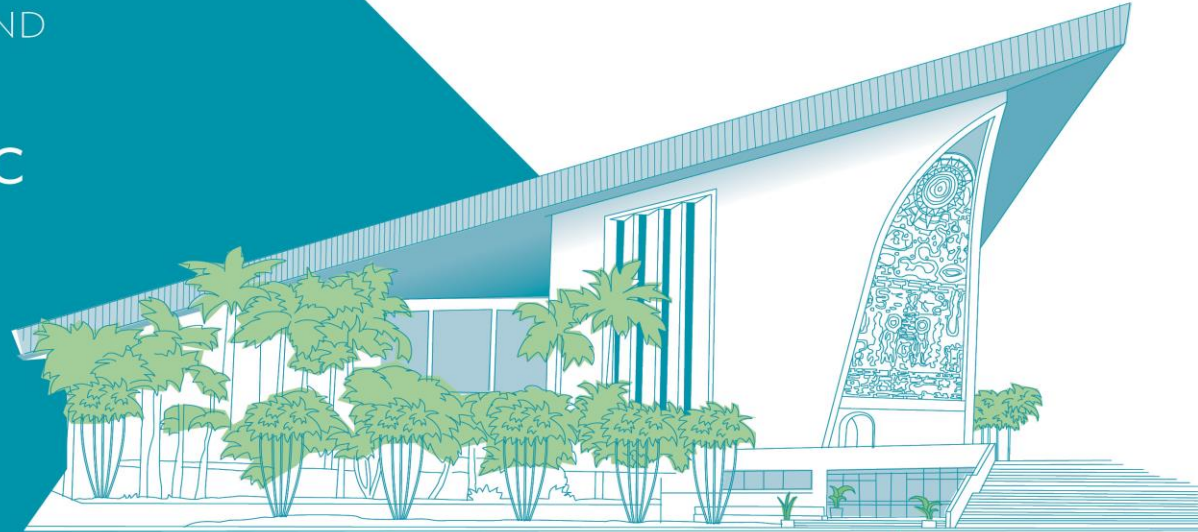
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ARBITRATING TECHNICAL ISSUES – ENERGY DISPUTES EXPLORATION AND PRODUCTION PHASE


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Exploration and Development

- Oil field exploration, development and production is technically complex, very expensive and very high risk – particularly offshore
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Consortiums

- To mitigate the risks and costs, E&P is regularly undertaken by a group of companies working as a consortium
- Such consortiums enter into two main types of contracts:
 - Contracts governing the relationship between the members
 - Contracts with service providers



Consortium contracts

- ▶ Consortium contracts include:
 - ▶ Joint Study and Bid Agreements
 - ▶ Joint Operating Agreements / Shareholder Agreements
 - ▶ Farmin/out Agreements
 - ▶ Sale and Purchase Agreements



Consortium contracts

- ▶ E&P consortium contracts tend to provide for the following key issues:
 - ▶ Appointment, responsibilities and liabilities of the Operator
 - ▶ Cash Calls
 - ▶ Default and the consequences
 - ▶ Cost recovery
 - ▶ Proceeds
 - ▶ Exit and pre-emption rights



Consortium Disputes

- ▶ Disputes between the Operating Party, and non-operating parties often arise over:
 - ▶ The performance of Operations
 - ▶ The cost of Operations
 - ▶ Cost overruns
 - ▶ approved/non-approved expenditures
 - ▶ Non-payment of Cash-Calls
 - ▶ Consequences of default (exclusion/forfeiture)
 - ▶ Exit disputes – pre-emption rights
 - ▶ Proceeds – royalty, production right calculations



Service Contracts



- ▶ Typical service contracts between operators and contractors include:
 - ▶ Seismic Contracts
 - ▶ Drilling and Well Service Agreements
 - ▶ Equipment and Facilities Contracts



Service Contract Disputes

- Disputes with contractors often arise over the quality, timeliness or cost of the service provided, be it:
 - Seismic
 - Drilling
 - Transport, accommodation, catering or security
- IP Disputes
- Disputes can be technically complex - requiring a high level of familiarity with the technical issues



Adjacent operations

- ▶ Disputes might also arise between parties exploring or producing adjacent blocks
 - ▶ Parties exploiting one block might allege that the parties exploiting the adjacent block are harming their own interests
 - ▶ Parties to adjacent blocks sometimes enter into “unitisation agreements” governing the exploitation of cross-boundary reservoirs
 - ▶ Disputes are highly technical

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Thank You

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