



SPRING NEWSLETTER

NHAPL SPRING 2017 04/13/2017

TOP STORIES:



PRESIDENT'S NOTE
Andrew Cooper (President)



LOOKING FORWARD
Travis Hill (Vice President)



GOLF TOURNAMENT
Randy Helms (Director)



HALF-DAY SEMINAR
Marisa Holiday (Secretary)



MEMBERSHIP
Jason Sebastinas (Treasurer)

APRIL

13

BY-LAWS LUNCHEON

MAY

11

NOMINATIONS LUNCHEON

JUNE

1

CRAWFISH BOIL

JUNE

20

1ST DAY OF SUMMER!

From the President's Desk



The NHAPL's Board is still hard at work trying to deliver great educational and social activities that provide our members the opportunity to get out and network. Travis Hill, our Vice President, continues to organize successful luncheons with great speakers and interesting topics. Marisa Holliday, the Half-Day Seminar Chairman, organized an extraordinary seminar with four enthusiastic speakers with relevant topics on issues that we are currently encountering in the oil patch. Randy Helms, the Golf Tournament Chairman, with the help of Cheryl Schmidt and Jason Sebastinas, organized a spectacular golf tournament. We had outstanding weather, attendance and sponsorship. I would like to thank our sponsors for making one of the NHAPL's marquee events a huge success.

As we head toward year's end, I encourage you to attend our last two luncheons and the Crawfish Boil to close out the year. We have a great group of individuals involved with the Board this year, but that being said, we are always looking for enthusiastic members to join the team. As we approach the end of the NHAPL's fiscal year of 2016-2017, it is time to officially call for nominations for next year's Officers and Board of Directors. If you want to be considered for an Officer or Board of Director position, please personally notify me at ac@rasoape.com. I encourage anyone who is looking to get more involved to throw their hat in the ring. Finally, I want to thank all of the members of the Board. I have been fortunate to have an outstanding cast of volunteers this term. It has certainly been a rewarding year. I appreciate your continued support of the NHAPL!

Best Regards,

Andrew Cooper, CPL
NHAPL President

Looking Forward!



We've got a few exciting things ahead of us here in North Houston to finish out the spring and roll into summer. First and foremost is the upcoming **April Luncheon** being held at The Steamboat House just off the Beltway west. Come here about some of the changes being proposed to the NHAPL by-laws and listen to a worthwhile presentation by Chuck Kibler of Kirby, Mathews, & Walrath titled *Litigation in the Oil Patch*. Chuck is an Of Counsel working with Kirby, Mathews, & Walrath since 2016 with the goal of expanding the firms litigation practice using his extensive background. Chuck is a graduate of the United States Military Academy at West Point, going on to get his law degree from South Texas College of Law in 2002.

Following up the April Luncheon is the **May Elections & Scholarships Luncheon** hosted at Southwestern Energy Company's headquarters in Spring, TX. Presentation will be by Jack Wilhelm of Wilhelm Law in Austin, TX. He'll be discussing *Curing Title Defects and Addressing Title Requirements Using the Texas Title Examination Standards*. Both of these luncheons will have 1 CPL/RPL/RL credit available.

Finally, look for more information on our **NHAPL "Bring on the Summer" Crawfish Boil** this June 1st at Tamarac Park in The Woodlands, TX. This social will be free to all members and is sure to be a great way to kick off the summer months. See advertisement for the event below. We hope to see you at any and all events upcoming and are excited to be a strong encouragement to your continuing education through the AAPL and others.

Travis Hill, RPL
NHAPL Vice-President and Webmaster



NHAPL Annual Golf Tournament Recap | Augusta Pines Country Club



This past March 27th, we hosted our Annual NHAPL Spring Golf Tournament. We had about 80 golfers out on the links making the most of the beautiful weather and course conditions. The tournament was once again hosted at Augusta Pines in The Woodlands and provided for an incredible atmosphere just weeks prior to the Masters at the real Augusta.

The day started around 11:30am with a provided lunch and drinks for all golfers, went throughout the afternoon and ended with a catered dinner and the NHAPL giving away over \$7,000 in door prizes! We’d like to acknowledge our champions of the 2017 tournament with a low score of 58 (-14) and they are: **Matt Delhomme, Kevin Ferrin, Chris Yancey, and Lee Harrison.**

Our closest to the pin winner was Markus Wesner and our long drive winner was Lee Harrison, taking home is second winning of the day! Huge “thank you” to all those who came out and competed in the event, we’ll look forward to providing you another great NHAPL Golf Tournament experience next year!

Randy Helms, CPL
NHAPL Director

NHAPL Collegiate Scholarships

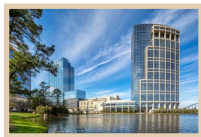


The NHAPL is excited to announce that once again we will be awarding 2 scholarships to worthy future land professionals as a way of giving back to the future of our industry. If you or someone you know is interested in applying for a scholarship, please contact any NHAPL board member. We will be beginning our review this month continuing into May when we will be selecting our winners! The deadline is May 1, so get your applications in soon!

Last spring we awarded \$2,000 total in scholarships to Trevor Berryman of the University of Oklahoma and Evan Estes of Texas Tech University. These two worthy candidates exhibited extreme talent in their fields with a strong desire to progress in the industry and profession that we all know and love. You can find out more about these two individuals on our website using the “About NHAPL” tab and scrolling down to “Giving Back”. Thank you for all your membership support through the NHAPL’s endeavor to give back to our community.

Luke McCarley, CPL
Director

NHAPL Half-Day Seminar Recap | The Woodlands, TX



The NHAPL would like to give a special thanks to our host sponsor, Anadarko Petroleum, as well as the many attendees of this year’s NHAPL Half-Day Seminar. It was again a wonderful event, allowing the NHAPL to extend our educational outreach to many of North Houston’s Landmen, Attorneys, and others

This year’s events went off without a hitch. Our speaker lineup included Randall K. Sadler of Sadler Law Firm, James Dupuis, Jr. of Dupuis & Polozola, Don Hueske of Steptoe & Johnson, and Ben Holliday of Mazurek & Holliday.

You can visit NHAPL.org, using the “Publications” tab to visit many of our past seminar presentations and publications.

Following the Seminar, the NHAPL hosted it’s annual social at Goose’s Acre across the waterway in The Woodlands. It brought a bout an additional, fun-filled atmosphere prime for networking with other Land professionals within the industry. Goose’s Acre is a prime location, promoting exceptional views, great atmosphere, and plenty of space to enjoy the evening. With roughly many of the seminar attendees in attendance, this was the perfect way to cap off the Half-Day Seminar.

Please join us in thanking our host sponsor, Anadarko, each of our speakers, and we hope you enjoyed the quality educational afternoon. If you have any follow-up questions, comments, or suggestions regarding future events, please use our “Contact Us” page to give input.

Marisa Holiday
Secretary

Membership Trends and Philanthropic Gifts



As we see the uptick in the oil and gas industry, we have noticed positive trends regarding membership and event participation. As of today, NHAPL only has an 18% membership reduction from the beginning of 2016, and we have welcomed 10 new members during the first quarter of 2017. This is attributable to NHAPL’s commitment to new membership and membership retention. In March of 2017, NHAPL hosted its annual Spring Golf Tournament consisting of over 85 members and guests in attendance. As the industry continues to grow we continue our commitment to membership.

In December, we were proud to announce our donation of \$1,000 to Court Appointed Special Advocates for children of Montgomery County and the Montgomery County Women’s Shelter. Even though budgets were cut throughout the oil and gas industry over the past year, NHAPL realizes the importance of giving back to the community in a big way. We were happy to have representatives from both organizations in attendance at our December luncheon to accept our donation.

As we break for the summer months, we look forward to our continued commitment to membership and community philanthropy.

Jason Sebastinas, RPL
NHAPL Treasurer

North Houston Association of Professional Landmen
nhapl.org
P.O. Box 673065
Houston, TX 77267-3065





Daniel M. Kennedy, J.D. | BM&K

BIBBY, MCWILLIAMS & KEARNEY
ATTORNEYS AT LAW

Daniel M. Kennedy, J.D.

Oil & Gas, Patent, and Corporate Attorney

✉ dkennedy@bmkpllc.com

☎ (713) 533-8055



EDUCATIONAL DEVELOPMENT

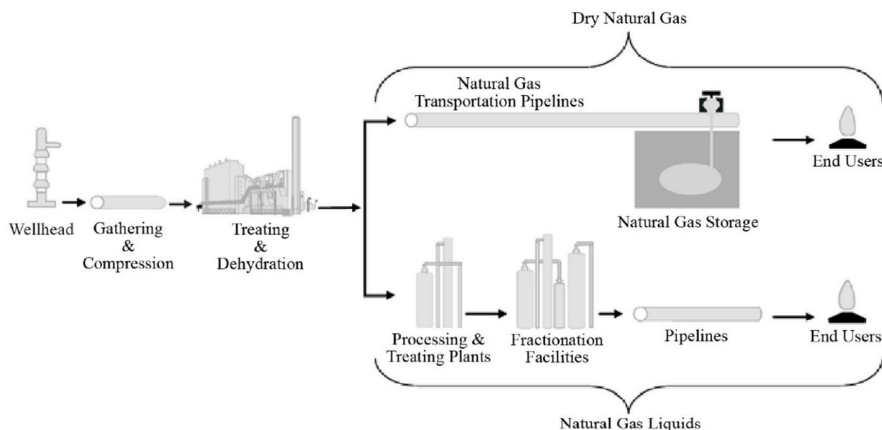
NHAPL SPRING 2017

A Primer on Gathering and Processing Agreements and Their Impact on Asset Value

As oil is transported and processed through its value chain into its component products, it can be stored, trucked, railed, or piped from one location to the next. Natural gas, on the other hand, can only be stored in huge underground salt domes that only exist in certain parts of the country. Consequentially, gas transportation requires a near direct pathway from the producing wellhead to the end user. It passes through hundreds of miles of gathering lines, treaters, dehydrators, compressors, processing plants, and fractionators. This infrastructure costs billions of dollars and a disruption along any part of this system can severely impact profitability by curtailing production, shutting in both oil and gas from affected wells.

To manage this process, production companies negotiate complex gathering and processing agreements with midstream service providers. The contract itself is often the only tool that a producer has for asserting control over the value chain once production leaves their custody. Failure to properly understand these contracts can lead to higher than expected cost through unidentified fees, poor economic performance through reduced profit margins, and increased downtime.

This article will introduce dedication, which is one of the primary components of these agreements, and also raise awareness of related key legal and commercial issues. It will also discuss how dedication relates to a Landman's role in negotiating the purchase and sale of leases and gas production.



Midstream companies invest substantial capital to construct the infrastructure needed to gather and process the producer's gas. They recoup this cost and generate profit through guaranteed fees tied to the production itself for the life of the contract. This guarantee is called a dedication, and can be tied to certain wells, acreage, or production volume. An example of a dedication clause in a contract follows:

"Subject to the terms and conditions of this Contract and except as otherwise provided in this Contract, Producer hereby commits and dedicates exclusively to Processor all of the Committed Gas attributable to the Contractually Dedicated Area Interests for the term of this Contract for the purposes provided in this Contract. The commitment and dedication shall be deemed a covenant running with the Dedicated Area and shall be binding on the successors and assigns of Producer."

With a few notable exceptions (see *In re Sabine Oil & Gas Corp.*, Bankr. S.D.N.Y. March 8, 2016), this language works with assignment language elsewhere in the agreement to ensure that any transfer of ownership of the dedicated well or acreage takes with it the terms of the agreement.

Most importantly, for the producer, this means that any purchase of a dedicated asset comes with (whether good or bad) the commercial rates, the terms of services, and the mechanical efficiency and reliability of the system. To understand how this may affect the performance of an asset, consider the following examples:

- 1) To protect themselves from having to operate an unprofitable asset and filing for bankruptcy, midstream companies frequently use vague or overly broad "uneconomic" clauses to force renegotiation of an offtake agreements' commercial terms. The recent downturn forced these companies to enforce this language, drastically cutting into producer revenues. For example, in *Bowers Oil & Gas, Inc. v. DCP Douglas, LLC* (2012 WY 104), the court verified that DCP justifiably terminated a gathering and processing agreement with DCP. The court's decision was based on the following provision that allowed either party to terminate if in the terminating party's sole opinion, the sale or purchase of the gas became unprofitable or uneconomical:

"In the event the gas delivered hereunder at any point or points becomes insufficient in volume, quality, pressure or for any reason becomes, in the sole opinion of Buyer or Seller, unprofitable or uneconomical for Buyer to purchase or for Seller to sell, then Buyer or Seller shall have the right to terminate this Contract upon thirty (30) days written notice to the other party as to any or as to all such points."

- 2) Two producers operate in neighboring sections in Oklahoma and each section is dedicated to a different midstream service provider. One producer force pools the other, drills a well on their portion of the pooled acreage, and connects the well to their gatherer. Unless the contract is properly drafted, the second producer may be required to split connect the well to connect to their midstream provider or risk violating their agreement.
- 3) My last example is not one for faint of heart, and one that I hope no-one runs into after reading this article. Consider a situation where the sale of an asset comes with dozens of agreements, disclosed in the form of several dusty boxes (or more recently, hundreds of pages of illegible photocopies). Many of these are expired, however one is a simple volumetric production payment, easily overlooked. This agreement promises to deliver 50% of the production from the wells *in exchange for an upfront payment that was already paid to the predecessor*. The result is an asset burdened with the equivalent of a 50% override, something that no amount of reservoir due diligence can overcome.

In summary, it is in the producer's best interest to ensure that these agreements are fully reviewed and that all the future impact of the terms and conditions are identified. On a well, by well basis, this is equally important on a small acquisition as a large one.



ASSOCIATION UPCOMING EVENTS

NHAPL May Luncheon - Elections & Scholarships

WHEN

Thursday, May 11th, 2017

LOCATION

Southwestern Energy Company, 10000 Energy Dr, Spring, TX 77389

REGISTRATION - VISIT NHAPL.ORG

- Member - \$35.00
- Non-Member - \$40.00



WHERE: TAMARAC PARK
1300 N MILLBEND DR
THE WOODLANDS, TX

**WHAT: CRAWFISH!
COLD DRINKS!**
COVERED PAVILLION
RESTROOMS
PARKING
PICNIC TABLES
LAKEFRONT

**HOW TO SIGN-UP:
VISIT NHAPL.ORG**

**NHAPL PRESENTS:
BRING ON THE SUMMER
CRAWFISH BOIL**



NATIONAL & LOCAL INDUSTRY COVERAGE



Join NHAPL Members and others this summer in Seattle for the 63rd Annual Meeting of the AAPL. Your registration will include valuable networking with other industry professionals, education sessions covering current industry trends, earning of up to 15 CEUs, complimentary professional headshots (\$150 value), a welcoming reception, an educational luncheon, the Landman Bash at the EMP Museum, and a membership luncheon all at one inclusive low price!

Sign-up today by visiting Landman.org!



Broadcast by WebEx to 30+ Regional Landman Associations and Companies Nationwide

Sign-up now for the ANADARKO Remote Webinar Location at 1201 Lake Robbins Drive, The Woodlands, Texas!

(Please contact Patsy Elmore at Patsy.Elmore@anadarko.com or 832-636-1429 to Register at Anadarko)

Join the HAPL & NHAPL as they broadcast by WebEx the 48th Annual Technical Workshop at the Anadarko Tower in The Woodlands, TX. Cost is \$60.00 for HAPL Members and \$75.00 for Non-HAPL Members. Please contact (713) 622-6868 to register by phone or Patsy Elmore using the email address above.

HAPL, NHAPL and WHAPL,

AAPL is holding the Oil & Gas Land Review and CPL/RPL Exam in Houston November 7-10, 2017. As you know, certification applicants must now have their application approved by the Certification Chairman *prior* to sitting for the review and exam. We would appreciate you reminding your local association members of this requirement at your next meeting and/or through your newsletter. Also, AAPL will need completed applications, to include all sponsor forms etc. by September 1, to allow sufficient time for the Committee to review the applications.

Below is the link to the November 2017 CPL/RPL Exam information:

<https://personify.landman.org/PersonifyEbusiness/Events/AAPLEventsCalendar/MeetingDetails.aspx?productId=1862713>

If you have any questions, please don't hesitate to contact me.

Thank you!

