

TOP STORIES:



PRESIDENT'S NOTE
Jason Sebastinas



FALL LUNCHEONS
Luke McCarley



CLAY SHOOT
Seth Blackwell



QUARTERLY MEETING
Jason Sebastinas

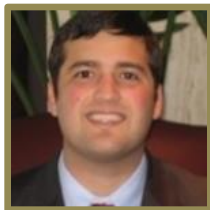


MEMBERSHIP
Will Holstein



- *DECEMBER 11, 2018 – NHAPL CHARITY LUNCHEON***
- *JANUARY 3, 2019 – HAPL/NHAPL/WHAPL JOINT LUNCHEON***
- *APRIL 15, 2019 – NHAPL SPRING GOLF TOURNAMENT***

From the President's Desk



I would like to begin by saying, where has the year gone!?

As I look at the calendar and realize 2019 is rapidly approaching, I'd like to take a minute and reflect on NHAPL's 2018 fall activity. I would like to first and foremost, say thank you to our membership for your continued support for our organization. I am proud to announce that NHAPL has 185 active members as of December 1, 2018. I am glad to see the NHAPL and the industry as a whole rebound with a renewed sense of enthusiasm. To that, we have had some great events this past fall and have I have been impressed with membership turnout. I would also like to take a moment to thank our sponsors of NHAPL. It is with your continued support that NHAPL is able to grow and allows the Board to provide and give back to the membership and the community.

With the membership and sponsorship support the Board has been able to go above and beyond on giving back for our social events and philanthropic donations. Our Vice President, Luke McCarley, has organized three well-attended luncheons. We even had Glen Hegar, the Texas Comptroller, attend and

speak at our October luncheon. We are also proud to announce our annual charity luncheon set for December 11, 2018, where NHAPL will donate to the Montgomery County Women's Center and Children Advocates of Montgomery. Clay Shoot Chairman, Seth Blackwell and Tony Patterson, did an incredible job with this year's event at Blackwood Gun Club in Conroe. We received over \$1,000 from our squares board raffle which we donated to AAPL's Disaster Relief Fund. In November, Cheryl Schmidt organized our annual social at Crush Wine Lounge, allowing a great venue to host over 70 member and non-members to network in the Landman community.

As we close out the year I want to encourage everyone to attend our December charity luncheon. In addition to our charitable donation, we will have a great panel to discuss allocation wells. Let's keep the momentum going into 2019! From the NHAPL Board of Directors, we wish each of you a happy holiday season.

Jason Sebastinas, RPL

NHAPL President

FALL Monthly Luncheons – Closing the year out with a bang



This year we kicked off the NHAPL luncheon schedule in September with a presentation at Landry's Seafood House in the Woodlands with current AAPL President Mike Curry. He gave a great presentation discussing the past year for the AAPL, membership statistics, and the AAPL's past and upcoming budget. In

October we had a great presentation at Pappasito's over fajitas from Glenn Hegar, the Texas State Comptroller, who discussed the state of the current Texas Economy and how Oil & Gas has an effect on it. In November we were fortunate enough to welcome Tom Seng back from the University of Tulsa. His discussion started with an update on current US Hydrocarbon production, consumption, and exports, and continued into a great discussion on the current state of eminent domain usage and the challenges being presented to it regarding pipeline transportation in the US. Our December charity luncheon this year will be at Noble Energy and we will have a panel discussing allocation wells in Texas, the current legal status of them, challenges to them, and how different companies are approaching the PSA vs. Allocation well issue. We will also be showing our support for two fantastic Houston area charities that we are proud to donate to. Sign up today!

As we move into 2019, please keep a lookout for information regarding our Spring 2019 luncheons and our upcoming events such as the half day seminar and the April NHAPL Golf Tournament. We can't wait to see everyone at these events!

Luke McCarley, CPL

NHAPL Vice President

5th Annual Clay Shoot | Blackwood Gun Club

Our 2018 clay shoot was one for the books. We had over 65 shooters as well as great sponsors that made this event a success. We continued the annual squares board for the showcase gun raffle and it surprised us once again. We raised \$1,110.00 on this raffle that will be donated to the AAPL Disaster Relief Fund. I would like to acknowledge all the great sponsors for this fantastic event:

- Repsol Oil & Gas USA, Inc.
- Kuiper, Wheat & Associates, LLP
- Buckley & Turner, PLLC
- Mazurek & Holliday, PLLC
- Kirby, Mathews & Walrath, P.L.L.C
- Kearney, McWilliams & Davis, PLLC
- Percheron
- Texas File
- Genesis Land & Mineral Resources
- T.E.A.M, Inc.
- National Landworks
- Kean Miller, LLP
- LT Global Staffing, Inc.

AAPL September Quarterly Board Meeting | Birmingham, Alabama

I was fortunate to attend and represent NHAPL at the AAPL September Quarterly Board meeting held in Birmingham, Alabama. I had never been to Birmingham but was pleasantly surprised by the hospitality and the food! Saturday afternoon I attended the Board Roundtable Meeting. The discussion centered around educating people on the west coast about what Landmen do, the continuing

AAPL Disaster Relief Fund and seniority awards.

At Sunday's meeting various committees gave updates but it seemed particular focus was placed on NAPE. This year's NAPE will host former President George W. Bush and Laura Bush as keynote speakers for the NAPE Charities Luncheon. It was also noted that locally, NHAPL collected over \$1,000 from our Fall Clay Shoot to donate to AAPL's Disaster Relief Fund, NHAPL's commitment to the AAPL community.

Jason Sebastinas, RPL

NHAPL President

Membership Update

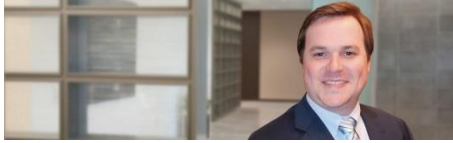


Thanks in large part to the relocation of XTO Energy to North Houston earlier this year, we have seen a large growth in membership over the last several months. Thank you to all land professionals who renewed membership for the 2018-19 calendar year. We would like to welcome the following new members who have joined NHAPL since July 1, 2018:

Don Adams
Sarita Alca-Benedict
Jesse Becker
Steve Black (Newfield)
Greg Boggs (Newfield)
Megan Bosma
Bryan Cifuentes
Steve Cobb
Alan Cody
Jordan Collier (Black Falcon Energy LLC)
Glen Cox
Vincent Cuccerre
Grace Davenport
Natalie Dimon
Erin Elliott
Darlene Fluellen
Cynthia Hollingsworth
Stephen Holstead (Holstead Oil Properties LLC)
Drew Hough (Angelle & Donohue Oil & Gas Properties)
Scott Jacoby
Jeff Jones
Tamaryn King
Kenneth King
Chris Lipari (Upstream Exploration LLC)
Teresia McGinnis
Aaron Norwood
Erica Parker
Nicole Reeves
Angela Repka
Todd Russell
Steven Sarubbi (Eliot Management Group)
Keith Sawyer
Ewell Schirmer
Scott Secrest (Newfield Exploration)
Laura Sharp (Winright Resources LLC)
Jarred Shepard
Kelly Shoulders
Andrea Smith
Suzanne Spahr
Christopher Spencer
Loretta Sprague
Jordan Stepka
Bradley Taillon (Taillon Consulting Inc.)
Kevin VonFeldt
Gregory Waggener
Dorinda West
Eric Wright
David Zhanel
Cy Zimmerman

(Editor's note, unless otherwise noted in parenthesis – all new members recited above are employed by XTO Energy).

EDUCATIONAL DEVELOPMENT



Cory Page - Senior Counsel in The Woodlands office of Kean Miller.

Be Careful What You Contract For: Oil and Gas Contracts and the Regulatory Context

The freedom of parties to contract on their own terms is widely respected by the courts. Texas in particular recognizes the fundamental public policy of allowing parties the broad freedom to enter into contracts and will enforce the terms for which the parties have agreed. However, in the context of oil and gas leases the terms and provisions therein are often subject to extensive government regulation.

This year, the Texas Supreme Court came down with two decisions that highlighted the relationship between the freedom to contract and doing so within the boundaries of the regulatory context in which all oil and gas contracts must abide. Both decisions centered on the interpretation of retained acreage provisions.

Endeavor Energy Resources, L.P. et al. v. Discovery Operating, Inc. et al.

Endeavor acquired leases covering two adjacent sections of land – Section 4 and Section 9. Endeavor completed 2 wells on the southeast quarter of Section 4, and 2 wells on the northeast quarter of Section 9. Endeavor then filed certified proration plats with the Texas Railroad Commission, and designated proration units of 81.00 acres for the 2 Section 4 wells, and proration units of 81.21 acres for the 2 Section 9 wells. Sometime later, Discovery acquired leases covering the southwest quarter of Section 4, and the northwest quarter of Section 9, neither of which were included in any of Endeavor’s proration unit plats.

The Endeavor leases contained the following retained acreage provision:

"[This] lease shall automatically terminate as to all lands and depths located herein, save and except those lands and depths located within a governmental proration unit assigned to a well producing oil or gas in paying quantities ... with each such governmental proration unit to contain the number of acres required to comply with the applicable rules and regulations of the Railroad Commission of Texas for obtaining the maximum producing allowable for the particular well."

The Spraberry (Trend Area) Field rules, being the applicable field rules, provided for 80 acre standard proration units, but allowed for operators to assign a tolerance of 80 additional acres for a total allowable of 160 acres, if they elected to do so. Much of the debate centered on the interpretation of

“assigned to a well” - who assigned? Courts in Texas have consistently recognized that operators, not the Commission, assign acreage to a proration unit. As a result, Endeavor “assigned” a specific amount of acreage, being approximately 80 acres for each of the 4 wells, by filing certified proration plats.

Endeavor further argued that since the Commission uses proration units to assess proper allowables, and not to determine title, the provisions in the leases cannot be read to make their leasehold title dependent upon regulatory filings such as proration plats. It is true that a regulatory body such as the Commission does not have the power to unilaterally change property rights; however, parties are free to contract in a manner that will effect a change in their interest as a result of regulatory filings, which is what Endeavor did. Endeavor could have “elected” to assign 160 acres to each of the 4 wells, but they did not. Pursuant to the terms of the leases, the leases expired as to all lands save and except those lands “assigned” to a proration unit, which assignment was effectuated by Endeavor through the filing of the certified proration plats. See *Endeavor Energy Resources, L.P. et al. v. Discovery Operating, Inc. et al.*, 554 S.W.3d 586 (Tex. 2018).

XOG Operating, LLC v. Chesapeake Exploration Limited Partnership et al.

XOG conveyed its rights in 4 oil and gas leases covering over 1,600 acres to Chesapeake for a term of 2 years, and as long thereafter as operations were conducted on the leases. At the end of the 2 year term, the assigned leasehold would revert back to XOG, subject to the following retained acreage provision:

“... save and except that portion of [leased acreage] included within the proration or pooled unit of each well drilled under this Agreement ... the term “proration unit” as used herein, shall mean the area within the surface boundaries of the proration unit then established or prescribed by field rules or special order of the appropriate regulatory authority for the reservoir in which each well is completed. In the absence of such field rules or special order, each proration unit shall be deemed to be 320 acres of land ...”

Plainly stated, Chesapeake would retain the acreage around each well included within the proration unit “prescribed by field rules”, or 320 acres in the absence of field rules. Chesapeake completed 6 wells during the primary term, 5 of which were located in the Allison-Britt Field. Chesapeake filed Form P-15s for 4 of the wells during the primary term of the assignment, assigning a total of 800 acres. XOG took the position that it was entitled to 821.80 acres pursuant to the retained acreage provision in the assignment, while Chesapeake argued it had earned all of the acreage by completing 6 wells during the primary term.

The applicable field rules provided for proration units not to exceed 320 acres, with a 10% tolerance, and “for allowable assignment purposes, the prescribed proration unit shall be a three hundred twenty (320) acre unit ...”

Similar to the Endeavor leases, the applicable field rules for the XOG term assignment reference assignment of acreage to proration units; however, the applicable field rules for the XOG term assignment also “prescribe” proration units. Though seemingly a subtle nuance, the retained acreage provision in the XOG term assignment further defines proration units as the acreage “prescribed by field rules.” Simply put, the parties to the XOG term assignment effectively agreed that the acreage “included” within a proration unit, was the acreage “prescribed” by the field rules, being 320 acres.

As such, the court ruled that Chesapeake had done more than enough to earn all of the acreage assigned by the term assignment, because each well was “prescribed” 320 acres pursuant to the field rules, which was the amount of acreage Chesapeake was allowed to retain under the retained acreage provision in the term assignment. See *XOG Operating, LLC v. Chesapeake Exploration Limited Partnership et al.*, 554 S.W.3d 607 (Tex. 2018).

Concluding Remarks

Although incorporating regulatory concepts such as proration units into oil and gas contracts may aim to provide clarity, it is imperative for the contracting parties to understand the regulatory context in which said contracts exist. In particular, when drafting retained acreage provisions that will reference or define the amount acreage to be retained using field rules, a firm grasp of the applicable field rules is a necessity. Parties that enter into oil and gas contracts must do so with an appreciation for how the agreed upon terms will function in relation to governmental regulations, and must meet “the condition which they imposed on themselves ... for their failure to do so they have only themselves to blame.” *Freeman v. Magnolia Petroleum Co.*, 171 S.W.2d 339, 342 (Tex. 1943).

NATIONAL & LOCAL INDUSTRY COVERAGE

Registration opens January 2019!



Pittsburgh will surprise you!

Today's Pittsburgh is **fun, inviting and attractive!** It is a model of adaptation, maintaining its independent and inventive spirit while exhibiting an "Old World charm" that is cherished by people who care about heritage and preservation. Pittsburgh has earned a reputation as the nation's "most livable city," and it is chock-full of attractions for visitors!

AAPL will celebrate its 65th Annual Meeting & Conference in this eclectic city. Our host hotel — the Wyndham Grand — is located where Pittsburgh's famed three rivers meet at the heart of downtown, with breathtaking views of Point State Park. Join us in June as we explore our industry's heritage with a visit to the Drake Well Museum, and we look toward the land profession's future by celebrating AAPL's 65th birthday, the thriving Appalachian region and the exciting host city of Pittsburgh!

HAPL January Joint Luncheon with WHAPL & NHAPL

[EVENT DETAILS](#) [EVENT FILES](#)



Join us for our January Joint luncheon with the North Houston Association of Professional Landmen and West Houston Association of Professional Landmen at the Houston Petroleum Club. Check-in starts at 11:30 and lunch will be served at 12:00 followed by a presentation by the American Association of Professional Landmen President, Michael E. Curry, CPL. We hope to see you there!

1 RPL/CPL credit will be available.



REGISTRATION INFORMATION

This is where it all comes together.

NAPE Summit annually brings together the key people and players necessary to forge, facilitate and finalize deals. In the upstream oil and gas business, NAPE is the largest and most successful event of its kind in the world. For those who seek to be successful in the upstream oil and gas business, NAPE Summit is designed to offer a myriad of new and unexpected opportunities.

Registering early qualifies you for special discounts, preferred booth placement as well as other perks.



MONDAY, APRIL 15, 2019 @ 11:30AM

Prizes For 1st, 2nd, And 3rd Place
 Door Prizes Following Dinner & Awards
 Drinks, Lunch, Golf, & Dinner Provided

REGISTER or SPONSOR AT: NHAPL.COM or FORM BELOW

***If registering by cash or check, please fill out the below form and mail along with payment to the below address.

Team / Company / Sponsor Name		SPONSORSHIP TYPE		COST	SELECT CHECK(S)
Golfer Name		GREEN FEE	\$2,500		
Phone Number & Email		DINNER	\$1,000		
Address (+City, ST, Zip)		BEVERAGE	\$1,000		
<input type="checkbox"/>	TEAM REGISTRATION (\$500)	AWARDS	\$1,000		
<input type="checkbox"/>	INDIVIDUAL REGISTRATION (\$125)	DOOR PRIZE	\$1,000		
<input type="checkbox"/>	SPONSORSHIP (SEE TYPES ON RIGHT)	CART	\$500		
<input type="checkbox"/>	PLAYER 2	RANGE	\$500		
<input type="checkbox"/>	PLAYER 3	LONG DRIVE	\$500		
<input type="checkbox"/>	PLAYER 4	CLOSEST TO THE PIN	\$500		
		INDIVIDUAL HOLE	\$250/HL		

***Please make all checks payable to the NHAPL and send to Randy Helms, Tri Energy Asset Management, Inc., 13910 Champion Forest Dr., Ste. 105, Houston, TX 77069