

Gaffney  
Cline

Field Unitisation and Redetermination Expertise



## GaffneyCline

GaffneyCline is a global consultancy that has been offering technical, commercial, and strategic advice to the oil and gas sector for over 50 years. GaffneyCline's reputation demonstrates that advice, along with its insight, is high-quality, impartial, technically based, and commercially astute. GaffneyCline is often referred to as one of the leading Reserves consultants within the industry, but in reality, GaffneyCline offers a full range of upstream, midstream and downstream technical and commercial consultancy services. These range from seismic interpretation, static and dynamic reservoir modelling, field development planning, field engineering, gas monetisation, LNG/GTL, mergers and acquisition, economics and project finance. GaffneyCline operates worldwide from three main offices in London, Houston and Singapore, and from regional offices located in Dubai, Argentina and Australia.

## Unitisation and Redetermination

Unitisation and Redetermination (U&R) can be a time consuming and costly activity for any company involved in the process. U&R requires specialist skills and experience that may not be readily available within the company. These issues can be managed by appropriate planning and training, and the use of teams skilled and experienced in Technical and Commercial U&R matters.

GaffneyCline has a wide experience in U&R projects gained over many years and in many geographical locations, and can work with your company to ensure that the U&R process achieves the best outcomes. GaffneyCline has worked with clients to advise on the process, undertake work as part of a client team (or act as the clients' team) as well as being the Expert in matters of dispute. This experience allows GaffneyCline to provide an unrivalled understanding of the U&R process which it uses to help deliver bespoke solutions to address the clients' needs. This can range from providing techno-commercial advice on the basis for tract participation (Table 1), to providing a full technical team to undertake the project on behalf of the company.

| Straddle Situation                | PRINCIPAL OPTIONS |                         |              |         |                           |                               |                                |        |                         |                               |
|-----------------------------------|-------------------|-------------------------|--------------|---------|---------------------------|-------------------------------|--------------------------------|--------|-------------------------|-------------------------------|
|                                   | No Unit           |                         | Unit         |         | Unit + Redetermination(s) |                               |                                |        |                         |                               |
|                                   | Sole Development  | Partitioned Development | Fixed Equity | Buy-Out | Asset Swap                | Flexible Technical Procedures | Unitise Fluid-types Separately | Hybrid | Retroactive Unitisation | Unitisation with Pre-activity |
| <b>Economically Marginal</b>      |                   |                         | X            |         | X                         |                               |                                |        |                         |                               |
| <b>Market Volatility</b>          |                   |                         |              |         | X                         |                               | X                              |        |                         |                               |
| <b>Complex Lithology</b>          |                   |                         | X            |         |                           | X                             |                                | X      |                         |                               |
| <b>Hidden Pay</b>                 |                   |                         |              |         |                           | X                             |                                | X      |                         |                               |
| <b>Multiphase Fluids</b>          |                   |                         | X            |         |                           |                               | X                              |        |                         |                               |
| <b>Cross-License Trends</b>       |                   |                         |              |         |                           | X                             |                                | X      |                         |                               |
| <b>Small Tract Participations</b> | X                 |                         |              | X       |                           |                               |                                |        |                         |                               |
| <b>Predominant Unit Owner</b>     |                   |                         | X            | X       |                           |                               |                                |        |                         |                               |
| <b>Brown-Green</b>                | X                 |                         |              | X       |                           |                               | X                              |        | X                       | X                             |
| <b>Brown-Brown</b>                |                   | X                       |              |         |                           |                               | X                              |        | X                       | X                             |

Modified after Worthington (2011)

## GaffneyCline U&R Experience

GaffneyCline has, for more than thirty years, been actively involved in work relating to U&R. This includes the role of the Independent Expert in matters of dispute, advisor to individual companies (or groups) and as a substitute technical and commercial team for companies or groups.

Equity determinations have long history, and were relatively frequent in Europe, and especially the North Sea. GaffneyCline has built on this experience to develop a U&R practice that now encompasses many regions; from the Americas, through Africa and Asia to Europe. This has allowed GaffneyCline to develop a techno/commercial understanding of all aspects of the U&R process and allows GaffneyCline to provide a unique offering to clients.

## GaffneyCline U&R Experience Examples

### "Reserves" Redetermination, UK North Sea:

GaffneyCline carried out a detailed study to resolve "Matters in Dispute" for the redetermination of reserves in an oil field situated in the UK North Sea. In this regard, GaffneyCline acted as an independent expert appointed jointly by all parties after they had failed to agree on a reallocation of equity in the field.

**Training Course Provision, Europe:** For a European national oil company GaffneyCline prepared and presented a training course to provide knowledge and understanding for staff with limited experience of U&R. GaffneyCline also recommended manpower allocation and negotiating strategies to achieve corporate objectives.

**Techno-commercial Advisor, Norway:** For a Norwegian company involved in a significant oil field redetermination, GaffneyCline provided techno-commercial advice to optimise the company's negotiating position. GaffneyCline acted as technical team leader and undertook a state-of-the-art evaluation of the key petrophysical parameters utilised in calculating oil-in-place, the technical basis for the derivation of tract participation.

**Procedure Review, Australia:** For an operator involved in complex unitisation and redetermination negotiations relating to a large number of onshore oil and gas fields in Australia, GaffneyCline reviewed the draft unit procedures and suggested amendments in order to reduce ambiguity and highlight potentially problematic areas.

**Expert Witness, Australia:** For an Australian operator, GaffneyCline acted as an Expert Witness during a redetermination dispute involving onshore gas fields.

**Training Course Provision, Australia:** For a consortium of Australian companies planning to engage in unitisation negotiations, GaffneyCline prepared and presented a training course, and recommended manpower allocation and negotiating strategies designed to achieve corporate objectives.

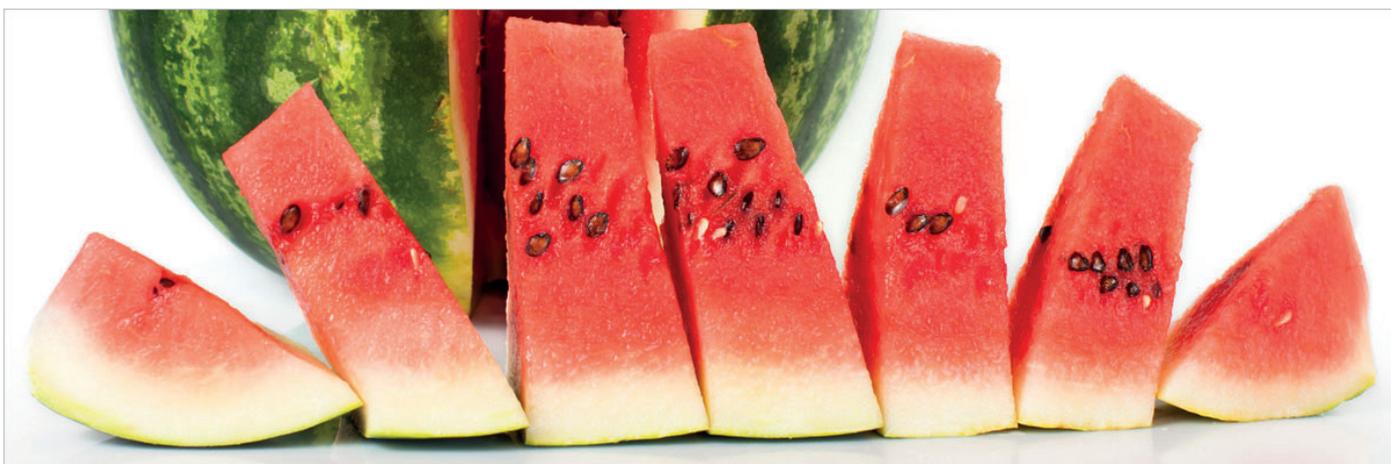
**Commercial Advisor, Denmark:** For a Danish company involved in unitising a small offshore oil field across an international boundary, GaffneyCline provided commercial advice on the structure, basis and format of the unitisation agreement and the associated transportation and processing agreements. GaffneyCline also provided advice during the unitisation negotiation process.

**Unitisation Agreement, Nigeria:** For a European company in a redetermination of an offshore oil field in Nigeria, GaffneyCline drafted a modified unitisation agreement and developed a commercial case for the modification which was utilised by the client in negotiations with the other parties. The amended agreement superseded the earlier 'Heads of Agreement' then in place. Supporting evidence (drawn from the public domain and from GaffneyCline's previous experience) substantiating the techno-commercial basis for the amended agreement was also provided.

**Training Course Provision:** For an eight-company group involved in unitising an offshore gas condensate field in a Joint Development Area in the Timor Sea, GaffneyCline was commissioned to present a four-day training/orientation course in the principles of unitisation and redetermination.

**Technical and Strategic Advisor:** For a large European company involved in a major redetermination, GaffneyCline provided technical and strategic advice covering the optimisation of the documentation to be submitted to the independent expert. GaffneyCline also provided strategic advice on the expert selection process and the expert's contract.

**Field Model Update and Evaluation, Norway:** For a major non-operating partner involved in an equity redetermination in Norway, GaffneyCline provided an integrated team of technical and commercial/strategy expertise to update and evaluate the client's field model and to evaluate sensitivities to the equity tract participation. GaffneyCline reviewed the operator's equity proposals and prepared a detailed rebuttal to generate the client's 'matters of disagreement'. Based on this work, GaffneyCline prepared the company's submission to the selected expert.



**Strategic Advisor:** For a large European company involved in the negotiation of a unitisation agreement for a major gas field in the Far East, GaffneyCline provided strategic advice on the implications of the proposed agreement terms.

**Technical and Strategic Advisor:** GaffneyCline worked for a major European company to support their on-going U&R projects. This provided training and advice to their in-house team, including specialist technical and strategic input in support of the teams submissions.

**Redetermination Advisor, Norway:** For an international Major with a non Operating interest in a multi license development involving three large fields in Norway, GaffneyCline provided advice during the first equity redetermination. The fields include multiple pools with reservoir fluids varying from volatile oil to dry gas. GaffneyCline also assisted the client to develop a 'list of disagreements' on the Operator's proposals, and represented the client at negotiations with the Operator.

**Technical Evaluation:** GaffneyCline working for a major oil company undertook a full technical evaluation of a giant offshore gas field using the prescribed Technical Procedures in support of the unitization process. This involved the definition of the straddle and the evaluation of non-straddling reservoirs.

**Field Unitisation Strategy Advisor:** For a European independent GaffneyCline was retained to provide advice on a field unitisation strategy and subsequently to host a seminar to review this strategy with partners.

## Additional Information

For more information about GaffneyCline's integrated services, please contact your local GaffneyCline office.

### EMEA & Russia Caspian

United Kingdom  
Bentley Hall, Blacknest,  
Alton, Hampshire  
GU34 4PU, United Kingdom  
Tel: +44 1420 525366  
london@gaffneycline.com

United Arab Emirates  
TechnoPark Jabel Ali,  
Dubai, United Arab Emirates  
Tel: +971 55 992 2918  
dubai@gaffneycline.com

### Americas

United States of America  
5555 San Felipe Street  
Suite 550  
Houston, TX 77056, USA  
Tel: +1 713 850 9955  
houston@gaffneycline.com

Argentina  
Edificio Puerto León  
Juana Manso 205, piso 4  
Dique 4, Puerto Madero  
C1007CBE  
Buenos Aires, Argentina  
Tel: +54 11 4378 6497  
buenosaires@gaffneycline.com

### Asia Pacific

Singapore  
80 Anson Road, #31-01C  
Fuji Xerox Towers  
Singapore 079907  
Tel: +65 6225 6951  
singapore@gaffneycline.com

Australia  
Level #16-04, 275 Alfred Street  
North Sydney, NSW 2060  
Australia  
Tel: +61 2 9955 6157  
sydney@gaffneycline.com



[www.gaffneycline.com](http://www.gaffneycline.com)

## GaffneyCline Offering

GaffneyCline uses its techno-commercial experience in U&R to provide to the client a range of solutions to any U&R issue. This can range from a seminar providing introductory information focusing on the technical or commercial issues as required, to providing full technical and commercial support to the client throughout the U&R project. In addition GaffneyCline has worked as the "Expert" in Matters of Disagreement.

GaffneyCline also offers a 2 to 3 day duration U&R training course that provides in-depth understanding of the processes and procedures commonly used in U&R. This provides the clients team with a clear understanding of what can happen during a U&R project and can help in the development of a "road map" to navigate this complex issue thereby assisting in maximizing the value of the process.

GaffneyCline will be pleased to discuss how it can help any client and to develop bespoke advice or training to meet the clients ongoing U&R needs and requirements.

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