

BOOK REVIEW

OIL AND GAS EXPLORATION CONTRACTS by Anthony Jennings (Sweet & Maxwell, 2002)

Reviewed by Michael J. Wozniak¹

Anthony Jennings has authored a useful primer analyzing the multitude of agreements often encountered in the offshore exploration phase of oil and gas development, primarily in the United Kingdom, but applicable to other countries as well. Jennings' book will be especially helpful for those who do not work with exploration agreements on a day-to-day basis, and will also prove to be useful as a check for more experienced practitioners. His overall view of the role of a lawyer expresses why this primer can be so valuable:

The lawyer is probably the only person who is going to read every word of a hundred-page contract. The lawyer is already one step ahead of the commercial people for that reason. Project managers should never rely on their assumed knowledge. They should make use of their lawyer and always ask for legal interpretation of what the contract says before taking any action based on it.²

Oil and Gas Exploration Contracts is divided into five chapters with convenient page and paragraph references: (I) Contracts and the Operator; (II) Joint Venture Agreements; (III) Agreements for Services; (IV) Drilling Contracts; and (V) Transactions. Each of these chapters offers a break down into definitional sections; an outline of general legal principals, a description of basic terms and conditions; which are generally included in each of these agreements; and an examination of potential problem areas and/or commentary on special clauses. Outside of publications by the Rocky Mountain Mineral Law Institute, Jennings' book provides a unique, systematic clause-by-clause analysis of these types of agreements.

The book begins with an analysis of each type of exploration agreement and an examination of the common terms utilized. The first chapter analyzes basic production sharing agreements, and examines various commercial agreements affecting oil and gas exploration. It also provides a glimpse into the extremely complex set of interrelationships governed by mutual interest agreements, joint bidding agreements, and joint operating agreements.

Jennings also does a good job of comparing the general analysis of each of these agreements to the Cost Reduction Initiative in the New Era (CRINE) standard contracts and model forms. CRINE was established in the United Kingdom in 1992 by a consortium of the government and various industry bodies in an attempt to create a series of pro-forma agreements. For those unfamiliar with the CRINE agreements, these references are helpful even though major companies have not generally adopted them. The author further describes model form agreements by the Oil and Gas Industry Task Force (OGITF), now

1. Partner, Dorsey & Whitney, L.L.P., Denver, Colorado.
2. ANTHONY JENNINGS, OIL AND GAS EXPLORATION CONTRACTS 39 (2002).

called PILOT.

Other discussions include letters of intent and their use, pitfalls of "side letters," and joint bidding agreements and their special clauses. Individual clauses, which are often inserted into joint operating agreements, are also analyzed. However, a comparison of some of these standard clauses to the model form joint operating agreement used throughout the onshore United States was missing, and would have proven useful to those familiar with that form.

The most helpful part of the book is the analysis of each of the so-called "basic clauses." While master contracts and master services agreements are looked on with disfavor in this book, they are widely used in parts of the United States. Consequently, it would have been interesting to have Jennings' views on the disparate use.

Another especially beneficial analysis is that of indemnification provisions. While indemnification clauses are certainly crucial and complex, an anecdotal discussion would have been helpful to explain these clauses. However, a thorough description of "boilerplate" clauses is included, and the analysis could prove useful to those reflecting upon why such clauses are inserted in any agreement. Specific agreements like geophysical and aircraft services agreements will be especially helpful for those who are not familiar with dealing with helicopter services, decommissioning issues, and offshore license matters. Similarly, a discussion of personnel services and consulting agreements is included. Finally, a thorough analysis of numerous issues to consider with respect to the various forms of offshore drilling agreements is included.

Chapter six, regarding transactions, was the only chapter in the book that was disappointing. Admittedly, this is a complicated area and can be difficult to describe in a limited number of pages. As most experienced practitioners know, the determination of whether to enter into asset sales, stock sales, and exchanges are based upon a myriad of considerations. Among other things, such considerations include the nature of the deals at hand, management philosophies, and tax issues. However, for those with limited experience in this area, Jennings' general summary should prove useful.

For those needing a refresher on standard exploration terms or desiring a tightly organized reference to offshore agreements, their clauses and their uses, *Oil and Gas Exploration Contracts* will be a useful addition to their library. I recommend this book for all practitioners who may need an introduction or a refresher on offshore oil and gas exploration contracts.