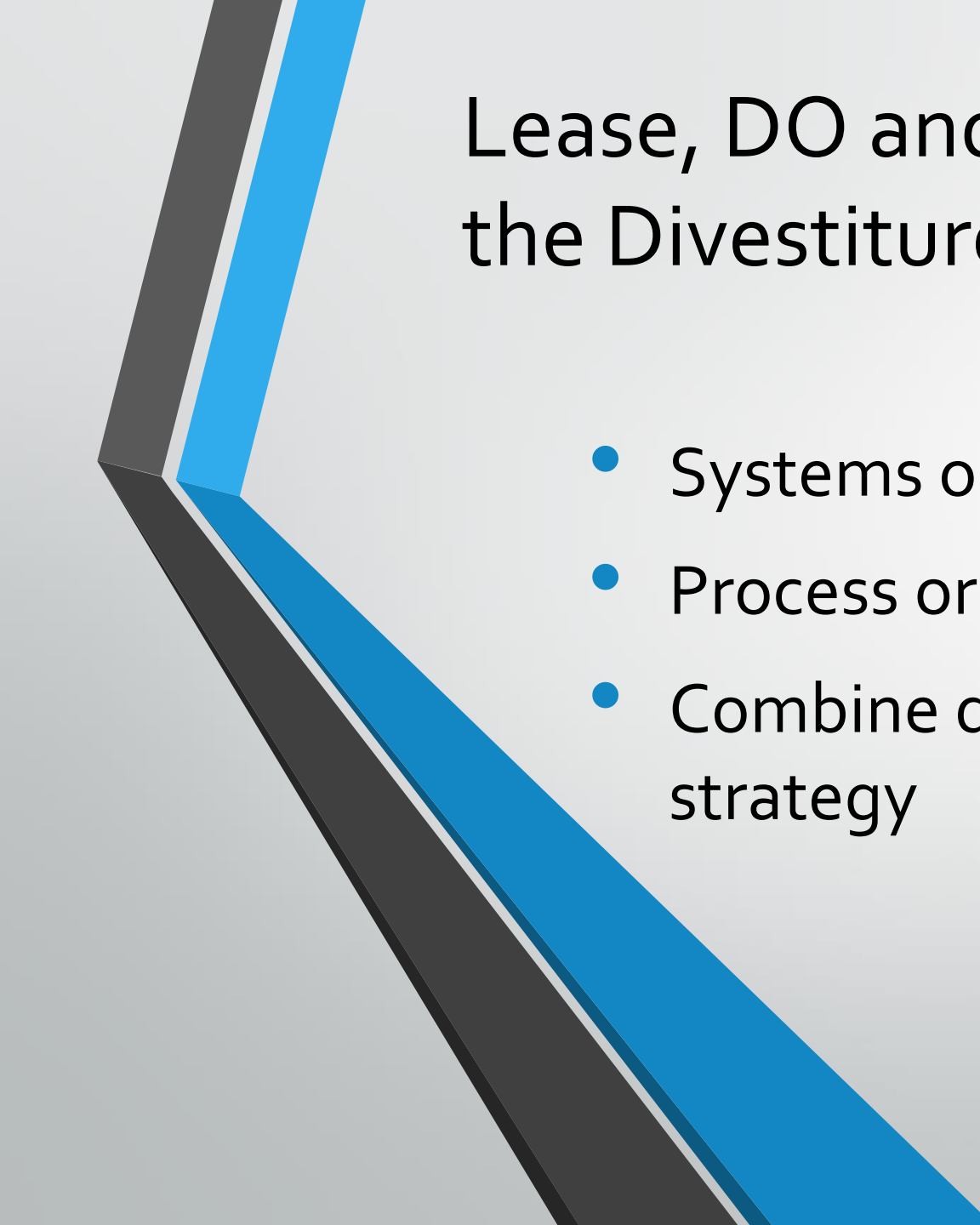


Acquisition Due Diligence

It's not just for Landmen Anymore



Wade Brawley
Land Information Services, LLC



Lease, DO and Land Analysts add value to the Divestiture and Acquisition Process

- Systems oriented
- Process oriented
- Combine due diligence with implementation strategy



Land Administration Exercises:

- Cessation of Production Review
- Satisfaction of Lease Obligations
- Assess depth severance documentation in system
- Surface Agreements and ROW
- Contract sufficiency



Land Administration Exercises:

- Well Interest representations – PSA v DOI v Title
- Payouts
- Compare PSA exhibit to data
- Compare data to hard files
- Compare hard files to images
- Mock conversion

Check List - Leases:

- All lease records captured in system?
- Discuss Analyst Work in Progress. Any particularly challenging issues?
- Lease Records Data System Overview – Document based? Tract based?
- Number of active leases and tracts
- Identify leases with Payments

Check List - Leases:

- Tracting Rules
- Method of reporting true gross – “overlap” method, or “accumulative” method?
- Tract Status coding convention
- Do the system lease records include Lease and Company net acres as an editable field, or by DOI?
- How extensive are tract DOIs?

Check List - Leases:

- ROWs, Easements, Surface Leases
- Contracts captured in system?
- Data Export Capability and Format (need sample)
- How are Units captured in system?
- Are there unit, or well recaps, or similar reference documents?

Check List - Leases:

- Format of images, taxonomy, method of delivery
- Confirm final export date
- Confirm cutoff date for Seller Lease
Maintenance/Payment

Check List – Division Orders:

- DOI numbering convention and exceptions
- Do DOIs contain burden relationships?
- DOI codes – Interest type, Product type, Pay Status, etc.
- Revenue suspense Detail?
- Tax exempt information
- Gas deduct exemption information?

Check List – Division Orders:

- List of wells subject to payouts and current payout statements
- Payout Balances
- Operated Payout Reports
- Split stream information
- Escheat information
- Is Oklahoma Income Tax exemption indexed at the Owner level or DOI level?

Check List – Division Orders:

- Pending DOI Maintenance/Backlog
- Pending New Well DOI setups
- Pending APO DOI setups
- Confirm cut off date for Seller DOI Maintenance
- List of purchasers/remitters
- Who is responsible for preparing/circulating/monitoring Letter-In-Lieu?
- Suspense account to be turned over?

Check List – Records Management:

- Review File procedure for Land, Lease, DO files
- Review sample file format for each
- What file record system is used?
- File shelf Organization
- Estimate file footage for Leases, DOs, Land Well files, Contract files, Operations Well files

Check List – Regulatory:

- Most recent 2014, OGOR, GLO_{1,2,3}, etc.
- List of each well containing BLM/BIA leases
- List of each approved Communitization Agreement (CA) and copy of same
- List of each unapproved/working CA and copy of same
- List of each BLM/BIA Right-of-Way/Easement and copy of same

Check List – Regulatory:

- APDs
- Site Security Plan
- Site Facility Diagrams
- Spill Prevention, Control and Counter-measure Plan (SPCC) documents
- SARA Title III, Tier II filings

Closing Deliverables:

- Conveyance Documents
- Agency Approval Documents
- Change of Operator Forms
- Complete Lease Data export
- Complete Contract Data export
- pdf file of all lease data sheets
- pdf file of all contract data sheets
- Well Datasheets

Closing Deliverables:

- Complete DOI Data Export
- Bearer Group Export
- BA Export – basic
- BA Export – encrypted for EFT and TIN

Closing Deliverables:

- Shape files for leases and contracts in GIS
- Image files
- Original/hard copy files
- Anything requested during due diligence not delivered pre-closing
- Work in progress (separated from routine file room files)

Challenge:

Acquisitions and Divestitures pose an opportunity for Analysts to make their mark in the organization



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