

Doing Business in USA Gulf of Mexico



In association with the
Denson & Tang Law Firm



Introduction

Hugh Fraser International Legal Consultancy Limited and the Denson & Tang Law Firm have established a legal alliance led by Hugh Fraser (former General Counsel of Aberdeen-based John Wood Group) and John Denson (former General Counsel of Houston-based Core Laboratories).

We offer a powerful blend of international oil & gas legal expertise and US/Gulf of Mexico experience, pooling North Sea and Gulf of Mexico (GOM) experience and contacts to support HFI's North Sea client base.

This alliance is focused on supporting oil and gas sector clients seeking to develop their business interests in the GOM, particularly the developing deepwater offshore segment.

The core legal services provided via the alliance are legal services on business establishment and expansion, oil and gas law and contracts, joint ventures, acquisitions and dispute management.

US legal services are provided by way of either direct instructions of Denson Tang or by arrangement with HFI's North Sea and/or Middle East & North Africa offices, with Denson Tang providing sub-contracted services.

Note: All and any legal services under the laws of Texas are provided by the Denson & Tang Law Firm. HFI does not provide legal advice on matters governed by US laws and is not authorized to do so.

Why USA Gulf of Mexico?

The US Gulf of Mexico is presently the largest offshore market in the world with expenditure estimated to be in the region of US\$15 billion per year, about 10% of the global total.

According to Scottish Enterprise Energy Group (SEEG) Spends & Trends Report 2009, "the US Gulf of Mexico remains one of the most important offshore provinces in the world as both an oil and gas producer. Indeed recent deepwater sub-salt successes bode well for a third era of exploration, development and production from multi-billion barrels potential reservoirs".

SEEG predicts that total spend over the period 2009 to 2013 will be a massive US\$67 billion, covering exploration, capital expenditure, operational expenditure and decommissioning.

INTSOK (Norwegian Oil and Gas Partners) identify over 100 Norwegian companies present in the GOM and keen interest from many others, working in a market with over 3,600 energy companies.

The opportunities are also fully recognized by other major industry bodies such as IRO and EIC.

GOM offers a number of specific opportunities for North Sea companies including:-

- Deepwater focus with major recent discoveries including Jack, St Malo and Heidelberg
- BP and Chevron acting as major catalysts in the drive to deepwater activity, many North Sea companies having long standing contractual relationships and experience with

these operators, with Shell and Statoil-Hydro also having a strong presence

- Increasing utilization of FPSO, semi-submersible and TLP production systems, akin to North Sea practices and technology
- Over 15 deepwater projects identified as underway or pending
- Regular new licensing rounds/lease sales with BP winning 2 major positions in the East Breaks area in the 2009 round
- An increasing level of operational and decommissioning expenditure.

There is also strong evidence that the development of strong GOM contacts and track record serves as a catalyst for other international opportunities.

Key Locations

One of the inescapable realities of the GOM is that it involves a number of jurisdictions, sometimes overlapping in their impact on one another. Part of the GOM is subject to the laws and regulations of the various states along the GOM, including Texas, Louisiana, and Mississippi, but other parts of the GOM (generally, those further out on the Continental Shelf) are subject to the Federal jurisdiction of the US government. This means that one needs expert guidance to work through the maze of state and Federal laws that will affect investment and operational decisions.

Choice of Legal Structures

There is a wide variety of legal structures available to investors; the most common structure is a limited partnership, and the choice of alternatives depends in large part on the tax and operational objectives being sought. Keep in mind that, while non-US structures may work in many cases, various laws and regulations involving the GOM will often encourage one to use a structure based in the United States. Because there are no US federal business entity laws, these structures will involve business entities organized under the laws of one of the fifty states.

Corporate and Individual Taxation

Proper planning requires attention to tax consequences both on the business entity level and on the individual level, and not only for income taxes but also for property tax and excise taxes.



While one's primary source of advice on these tax issues should come from your own tax advisor, our lawyers are experienced in recognizing possible issues and incorporating the advice of the tax advisors into the appropriate business structures.

Visa and Employment Issues, including Jones Act

In addition to being able to assist obtaining visas for foreign businessmen to enter the United States, a variety of employment law issues, both at the state and Federal level, will likely be applicable to any employees and perhaps contractors working on projects in the GOM. In addition, the Federal "Jones Act" specifically addresses certain workers working in the offshore GOM, including with respect to workplace injury and liability issues.

Oil and Gas Leases and Services Contracts

In addition to leases for the rights to produce oil and/ or gas in the GOM, there are often various production sharing arrangements and operating

agreements that will govern the relationships among investors and the drilling and production process. There will also be agreements with vendors, suppliers and service providers that will need to be drafted, all of which we will be able to help you with.

Acquisitions Issues, Environmental Laws, and HSR and Anti-Trust Laws

The acquisition of properties, entities and businesses involved in various aspects of the GOM, including the exploration and production of hydrocarbons, tends to be fairly document intensive process. In addition, depending on the size of the deal there could be reporting requirements to the Federal government (such as the Hart-Scott-Rodino notices and approvals) and, depending on the nature of the transaction, the need to get formal approval to transfer licenses and leases. Furthermore, depending on the size of the deal relative to the market affected, there may be the need to examine antitrust issues. Finally, there will be a variety of environmental issues, both during the exploration and production phases but



also in terms of plugging and abandonment phases that will need to be taken into consideration.

Dispute Resolution Themes

As is generally recognized, the US market is a litigious one, and careful planning is necessary to minimize the risk of becoming embroiled in unnecessary litigation. Even with the proper planning, however, there are times when disputes are unavoidable. Because of the high cost of litigation in the US, therefore, it is strongly advised that steps be taken to position any investor or business so that lower cost dispute resolution alternatives will be in place to avoid costly legal battles.

About Denson Tang

John Denson

Mr. Denson's professional experience includes both private and in-house practice, generally focusing on international legal and business matters, and includes the Houston law firm of Baker & Botts; the Singapore and New York City offices of Coudert Brothers, a law firm based in New York City and Paris; and in-house experience as Asian Regional Counsel at Michelin Tire Company based in Clermont-Ferrand, France, and as General Counsel of Core Laboratories, a NYSE-listed oil field services company from 1992 to 2008. Mr. Denson was also an adjunct professor of law at the Universite de Clermont-Ferrand and has lectured at the University of Houston Law Center. On April 1, 2008 he retired from Core Laboratories to focus on pursuing ordination as a deacon in the Roman Catholic Church and to open his own law firm, Denson & Tang, in Houston.

Mr. Denson graduated from the University of Texas School of Law with honors in 1983. Mr. Denson also has a Masters Degree with high honors and a Bachelors Degree with high honors, all from the University of Texas in Austin.

Tan Tang

A first generation Vietnamese-American, Ms. Tang is fluent in Vietnamese as well as English. Ms. Tang was an associate at O'Connor, Craig, Gould, and Evans in Houston before opening her own law firm, Law Office of Tan M. Tang, in 2005 where she handled business matters that included advising small business owners, formation of businesses, preparing documentation for real estate transactions, drafting of wills and probating of wills. She developed a substantial practice in both representing business owners in all law related matters and advising them on legal and business issues, which include drafting and reviewing contracts and documenting transactions. She has represented a mid-sized oil field service company in its ongoing business activities and transactions that included assisting in acquisition transactions and negotiating the terms of various agreements. In addition, she represented individuals in consumer disputes involving defective products/ services and violations of the Texas Deceptive Trade Practices Act.



About HFI

Our People

HFI was established in Dubai in 2003 by Hugh Fraser, former General Counsel of John Wood Group plc in Scotland. Our origins are in the North Sea oil and gas industry and our client base is spread over 20 countries, especially the global energy technology centres in Western Europe, USA, Canada and Australia.

Our legal team comprises full-time employees, specialist consultants and alliance partners working across the energy world including Cairo, Doha, Dubai, Abu Dhabi, Calgary, Houston, Aberdeen, Stavanger, Delhi, Singapore and Perth, WA.

Our team comprises over 15 nationalities speaking 15 languages.

Our goal is to be a world class professional services firm dedicated to the success of our clients and to be a major driving force in the internationalization of advanced technologies and know-how to the world's key developing production markets.



Our Services

HFI provides specialist international corporate/commercial legal, deal-making, business consultancy services and training services to the oil and gas industry including:

Oil & Gas Law and Contracts

- Production Sharing Contracts, Licences and Risk Services Contracts
- Joint Operating Agreements and associated MOUs and Joint Study and Bid Agreements
- Farm-In Agreements and Asset Sale and Purchase Agreements
- Project Agreements including BOT, BOOT and BOOM
- Services Agreements including, Drilling, EPC/EPIC/EPCM, Well Services, O&M Services, Production Enhancement and Decommissioning

Corporate Legal Services

- Joint Ventures
- Acquisitions
- International Group Structures
- Legal Due Diligence



Commercial Law

- Dispute Resolution & Conciliation
- International Trade Regulation
- Employment and Immigration Law
- Intellectual Property
- Agency & Distribution Contracts
- Commercial Property

Deal Making

- Introductions to potential sellers & buyers/investors

Business Consultancy

- Commercial Due Diligence

Training

- Master class in International Oil and Gas Law and Contracts
- International Agency and Distribution Agreements in the Middle East
- Setting Up New Business Ventures in the Middle East
- International Joint Ventures in the Middle East
- International Acquisitions in the Middle East

HFI is Different – come and talk to us

We believe what makes our firm is fully differentiated and can provide a competitive edge for our clients. This emanates from:

- International presence & connections
- Specialisation in the oil and gas sector
- Focus on developing exploration and production territories rather than mature or premature markets
- Integration of legal expertise with commercial and technical skills and knowledge
- Industry People: international spread, experience and track record in the oil and gas sector
- Business cultures and values: proactive, pioneering, results-orientated, integrity, speed
- Remuneration: cost effective and economic value added
- Independence

Contact

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“The driving force for
your international business”

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