

From: [Storm, Evan](#)
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Request for Informal Advice
Date: Wednesday, December 07, 2016 12:06:00 PM
Attachments: [image001.jpg](#)

[REDACTED]

Acquiring C would be separately reportable. Do not allocate C's assets to A and B.

Regards
Evan

From: [REDACTED]
Sent: Monday, December 05, 2016 4:13 PM
To: Storm, Evan
Cc: [REDACTED]
Subject: RE: Request for Informal Advice

Evan,

We've tracked down the relevant information in response to your questions.

C has a contractual relationship with A and B through operating agreements and crude oil transportation agreements. The agreements are at market terms. A and B do not lease any assets from C.

Also, to clarify my initial email, C does serve third-party producers, but only if the third-party producers own interests in the producing properties also owned by A and B.

Our sense was that we would not allocate the value of C's assets to A or B, but we would appreciate your guidance.

Thanks,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

From: Storm, Evan [<mailto:estorm@ftc.gov>]
Sent: Wednesday, November 16, 2016 3:04 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Request for Informal Advice

[REDACTED]

Can you provide some more details regarding C's relationship with A and B. Do A and B pay C to use C's exploration and production assets, similar to a contractor relationship? Do A and B lease the assets from C? What are the terms of the lease? Or if something else completely, please let us know.

Thanks
Evan

From: [REDACTED]
Sent: Thursday, November 10, 2016 3:52 PM
To: Walsh, Kathryn E.; Gillis, Diana L.; Storm, Evan
Cc: [REDACTED]
Subject: Request for Informal Advice

Kate, Diana, and Evan,

[REDACTED] and I represent the parties working on a potential transaction.

Buyer is considering the acquisition of an oil and gas exploration and production business. The business consists of (1) producing oil and gas properties, (2) non-producing oil and gas properties, and (3) associated exploration and production assets.

The target business is held in three different LPs and each LP is a separate UPE. LP "A" holds producing and non-producing oil and gas properties in one area, LP "B" holds producing and non-producing oil and gas properties in another area, and LP "C" holds the associated exploration and production assets that serve only the oil and gas properties held by LP A and LP B.

Buyer has valued (pursuant to 801.10) the producing oil and gas properties held by LP A at below the \$500 million exemption under 802.3(a). Buyer has also valued (pursuant to 801.10) the producing oil and gas properties held by LP B at below the \$500 million exemption. Based on our understanding of PNO Informal Interpretation 1312002, the non-producing properties held by LP A and LP B would be exempt under 802.2(c) as unproductive real property.

Our question is whether the acquisition of LP C would be viewed as a separately reportable transaction (assuming size of transaction and size of person thresholds are met) or whether we should allocate the value of the associated exploration and production assets held by LP C (which serve only the oil and gas properties held by LP A and LP B) to LP A and LP B?

If the latter, Buyer would propose to allocate the value of the associated exploration and production assets based on the revenues generated by the oil and gas properties held by LP A and LP B. Is that an appropriate approach?

Thanks very much for your guidance.

Best,

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