

PRESENTED AT

13th Biennial Parker C. Fielder
Oil and Gas Tax Conference

November 19-20, 2015
Houston, Texas

Purchase and Sale Transactions

John T. Bradford

Maria T. Collman

Robert A. Jacobson

Clifford M. Warren

Catherine Lueck Zabel

Sample Oil and Gas Property Purchase and Sale Agreement
Names, Dates, Addresses, and Dollar Amounts Altered

PURCHASE AND SALE AGREEMENT

DATED AS OF DECEMBER 13, 2012

BY AND BETWEEN

CELENA OIL & GAS INC.,

AS SELLER,

AND

SOUTHERN STAR OFFSHORE GROUP, LLC,

AS BUYER

TABLE OF CONTENTS

	Page
ARTICLE I. Definitions	- 1 -
Section 1.01. Definitions.....	- 1 -
Section 1.02. Use of terms	- 10 -
ARTICLE II. Purchase and Sale	- 10 -
Section 2.01. Purchase and Sale of Properties	- 10 -
Section 2.02. Properties; Assets.....	- 10 -
Section 2.03. Excluded Assets.....	- 12 -
ARTICLE III. Purchase Price and Adjustments	- 13 -
Section 3.01. Purchase Price.....	- 13 -
Section 3.02. Adjusted Purchase Price	- 13 -
Section 3.03. Gas Imbalances	- 14 -
Section 3.04. Closing Statement	- 15 -
Section 3.05. Post-Closing Adjustments.....	- 16 -
Section 3.06. Section 1031 Exchange.....	- 17 -
Section 3.07. Allocated Amount; Scheduled Property	- 17 -
Section 3.08. Allocation for Tax Purposes	- 17 -
Section 3.09. Withholding	- 18 -
ARTICLE IV. Representations and Warranties.....	- 18 -
Section 4.01. Representations and Warranties of Buyer.....	- 18 -
Section 4.02. Representations and Warranties of Seller	- 20 -
ARTICLE V. Condition of the Properties; Waivers, Disclaimers and Defects.....	- 26 -
Section 5.01. Review of Records.....	- 26 -
Section 5.02. Title Waivers.....	- 26 -
Section 5.03. Hazardous Materials	- 27 -
Section 5.04. Disclaimers and Waivers	- 27 -
Section 5.05. Inspection of Properties	- 29 -
Section 5.06. Transfer of Operatorship.....	- 30 -
Section 5.07. Title Defects.....	- 30 -
Section 5.08. Preferential Rights and Consents	- 34 -
Section 5.09. Title Benefits.....	- 35 -
Section 5.10. Environmental Review and Environmental Defects.....	- 36 -
Section 5.11. Casualty Loss	- 39 -

ARTICLE VI. Pre-Closing Obligations.....	- 39 -
Section 6.01. Pre-Closing Obligations of Seller.....	- 39 -
Section 6.02. Pre-Closing Obligations of Buyer.....	- 42 -
ARTICLE VII. Termination	- 42 -
Section 7.01. Right of Termination.....	- 42 -
Section 7.02. Effect of Termination.....	- 43 -
ARTICLE VIII. Closing	- 44 -
Section 8.01. Date and Place of the Closing.....	- 44 -
Section 8.02. Seller’s Conditions.....	- 44 -
Section 8.03. Buyer’s Conditions	- 44 -
Section 8.04. Closing Obligations	- 45 -
ARTICLE IX. Post-Closing Rights and Obligations.....	- 46 -
Section 9.01. Records	- 46 -
Section 9.02. Further Assurances; Cooperation.....	- 47 -
Section 9.03. Revenues and Costs	- 47 -
Section 9.04. Tax Matters.....	- 48 -
Section 9.05. Suspense Accounts.....	- 49 -
Section 9.06. Seller’s Retained Obligations and Indemnification	- 49 -
Section 9.07. Buyer’s Assumption of Liabilities and Indemnification.....	- 50 -
Section 9.08. Procedures for Claims.....	- 51 -
Section 9.09. Arbitration.....	- 53 -
Section 9.10. Waiver and Limitation of Liability.....	- 55 -
Section 9.11. Survival of Representations, Warranties and Obligations	- 56 -
Section 9.12. Express Negligence.....	- 56 -
Section 9.13. Confidentiality.....	- 56 -
Section 9.14. Cooperation in Connection with Regulatory Matters	- 56 -
Section 9.15. Governmental Bonding.....	- 57 -
ARTICLE X. Miscellaneous.....	- 57 -
Section 10.01. Notices.....	- 57 -
Section 10.02. Entire Agreement.....	- 58 -
Section 10.03. Table of Contents/Headings.....	- 58 -
Section 10.04. Exhibits and Schedules	- 58 -
Section 10.05. Governing Law	- 58 -
Section 10.06. No Partnership Created	- 58 -
Section 10.07. Severability	- 58 -
Section 10.08. No Construction against the Drafter	- 58 -
Section 10.09. Amendments	- 59 -
Section 10.10. Waiver.....	- 59 -

Section 10.11. Parties in Interest.....	- 59 -
Section 10.12. Waiver of Consumer Rights.....	- 59 -
Section 10.13. Counterparts.....	- 59 -
Section 10.14. Expenses of Sale	- 59 -
Section 10.15. Announcements.....	- 60 -

Exhibits

Exhibit 1, Part I – Leases
Exhibit 1, Part II – Wells
Exhibit 1, Part III – Contracts
Exhibit 2– Excluded Assets
Exhibit 3 – Form of Assignment and Bill of Sale
Exhibit 4 – Allocations
Exhibit 5 – Form of Seller Guaranty

Schedules

Schedule 4.02(d) – Conflicts
Schedule 4.02(h) – Compliance with Laws/Regulation of Properties
Schedule 4.02(i) – Taxes
Schedule 4.02(j) – Material Contracts
Schedule 4.02(k) – Contested Payments-Claims
Schedule 4.02(l) – Gas/Oil Imbalances
Schedule 4.02(m) – Preferential Rights and Consents
Schedule 4.02(o) – Payout Status
Schedule 4.02(p) – Current Commitments
Schedule 4.02(q) – Contribution Requirements and Non-Consent Elections
Schedule 4.02(r) – Environmental
Schedule 4.02(s) – Lease Expiration
Schedule 4.02(u) – Plugging and Abandonment
Schedule 4.02(v) – Permits
Schedule 4.02(w) – Suspense Funds
Schedule 4.02(x) – Condition of Personal Property
Schedule 4.02(y) – Bonds and Credit Support
Schedule 4.02(z) – Insurance Policies
Schedule 5.02 – Title Defects

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this “**Agreement**”), dated as of the 13th day of December, 2012 (the “**Execution Date**”), is made by and between Celena Oil & Gas Inc., a Texas corporation (“**Seller**”), and Southern Star Offshore Group, LLC, a Delaware limited liability company (“**Buyer**”).

WHEREAS, Seller desires to sell, and the Buyer desires to purchase, the Properties effective as of the Effective Time for the Purchase Price, all under the terms, conditions, covenants, agreements and other provisions of this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits set forth below and other good and valuable cause and consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer (collectively, the “**Parties**”; and each individually, a “**Party**”) agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01. *Definitions*. Wherever used in this Agreement, the following capitalized terms (along with the singular and plural thereof) have the meanings set forth in this Section 1.01:

“**AAA Rules**” means the Commercial Arbitration Rules of the American Arbitration Association

“**Adjusted Purchase Price**” shall have the meaning set forth in Section 3.02.

“**AFEs**” shall have the meaning set forth in Section 4.02(p).

“**Affiliate**” with respect to the Person specified means any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the Person specified, where the phrase “controls or is controlled by or is under common control with” refers to the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Person specified, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” shall have the meaning set forth in the preamble.

“**Allocable Amount**” shall have the meaning set forth in Section 3.08.

“**Allocated Amount**” with respect to any Property means the dollar amount allocated to such Property as set forth on Exhibit 4. The Allocated Amount for any Property not listed on Exhibit 4 is \$0.00.

“**Allocation Schedule**” shall have the meaning set forth in Section 3.08.

“**Anti-Terrorism Law**” shall have the meaning set forth in Section 4.01(j).

“Arbitration Panel” shall have the meaning set forth in Section 9.09(a).

“Assets” shall have the meaning set forth in Section 2.02.

“Assignment” means the Assignment and Bill of Sale from Seller to Buyer, pertaining to the Properties, substantially in the form attached to this Agreement as Exhibit 3.

“Assumed Obligations” shall have the meaning set forth in Section 9.07.

“BOEM” shall have the meaning set forth in Section 4.01(a).

“Business Day” means a day (other than Saturday or Sunday) on which commercial banks in Houston, Texas are generally open for business.

“Buyer” shall have the meaning set forth in preamble.

“Buyer’s Auditor” shall have the meaning set forth in Section 9.14.

“Buyer’s Environmental Consultant” shall have the meaning set forth in Section 5.10(a).

“Buyer’s Environmental Review” shall have the meaning set forth in Section 5.10(a).

“Casualty Loss” shall have the meaning set forth in Section 5.11.

“Claim” shall have the meaning set forth in Section 9.08.

“Claimant” shall have the meaning set forth in Section 9.08(a).

“Claim Notice” shall have the meaning set forth in Section 9.08(b).

“Closing” shall have the meaning set forth in Section 8.01.

“Closing Amount” shall have the meaning set forth in Section 3.04.

“Closing Date” shall have the meaning set forth in Section 8.01.

“Closing Statement” shall have the meaning set forth in Section 3.04.

“Code” shall have the meaning set forth in Section 8.04(a)(iv).

“Commercially Reasonable Efforts” means commercially reasonable efforts that do not require Seller to incur any out-of-pocket expense, to assume any financial or other obligations, to waive or forego any rights or interests, to pay any consideration or to institute any litigation or proceeding.

“Consent” means any consent, approval, authorization, permit of, or filing with or notification to, any Third Party which is required to be obtained, made or complied with for or in connection with the sale of the Properties to Buyer as contemplated by this Agreement,

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Purchase and Sale Transactions

Also available as part of the eCourse

[Domestic Tax Issues for Oil & Gas](#)

First appeared as part of the conference materials for the
13th Biennial Parker C. Fielder Oil and Gas Tax Conference session
"Purchase and Sale Transactions"