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Oil & Gas Transportation Service Agreements: Key Issues & Considerations

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Transportation Service Agreements



Why do we care?

- The value of the produced hydrocarbons is of little value, if they cannot be transported to market.
- Marketing is a fundamental and an invaluable component of the hydrocarbon value chain.

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What does “midstream” mean?

- **Upstream:** Exploration and production
- **Midstream:**

Gathering	Processing
Compression	Fractionation
Transportation	Storage
Treating	Purchase and sale
- **Downstream:**

Finished products	Refining
Marketing and distribution	

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Oil vs. Gas

- **Oil:** A viscous liquid
Aggregated via storage tanks or central tank batteries
- **Gas:** Gaseous
Aggregated via points of interconnection with larger pipeline networks
Compressed, treated, and/or processed within, or within close proximity to, the field

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Gathering vs. Transportation

- **Gathering:** The process of individually collecting oil, gas, and water from one or more wellheads and their relatively short movement to various points where they are independently aggregated
- **Transportation:** The movement of independently aggregated quantities of oil, gas, and water out of the field

Service-Level Commitments

- **Firm:** Performance may not be interrupted, unless and to the extent excused by force majeure
- **Interruptible:** Performance may be interrupted at any time, for any reason or for no reason, without liability
- **Issues & Considerations:**
 - Short- / long-term transportation needs and operational constraints
 - Alternative transportation pathways

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"A Primer on Oil and Gas Transportation Agreements: Key Issues & Considerations"