

THE CURRENT STATE

Having identified all the issues, very briefly describe where you are at with each of the issues:

From B Co's point of view

- Well is shut in often due to operational difficulties with water and pressures. Operations looking at different ways of dealing with water
- Fees are increasing because total throughput is declining
- Uncertainty with agreement
- Evaluating economic effect of decreased spacing on B Co (including possible drainage)
- Determining if common carrier application is appropriate action

From A Co's point of view

- Dealing with the objections to reduced spacing application is taking time away from other projects (lost opportunity costs)
- Don't have time to deal with B Co's water problem (easier to keep shut in)
- Pressure on from Management to keep facilities full and unit operating costs low.

UNDERLYING REASONS FOR THE DISPUTE (THE WHY'S)

What got us to this point?

The current situation is the result of various causes and effects, within all of the companies involved. Personalities, corporate cultures and objectives, policies and procedures, financial factors or external pressures may have contributed to the current situation. Analyze the causes and effects by filling in any circles that apply to the situation, or add other possible causes below and explain:

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|---|---|---|
| <input checked="" type="checkbox"/> Information | <input type="checkbox"/> Technical merits | <input type="checkbox"/> Legal issues |
| <input type="checkbox"/> Interpersonal conflict | <input type="checkbox"/> Differences of opinion | <input type="checkbox"/> Strongly held values |
| <input checked="" type="checkbox"/> Differing interests | <input checked="" type="checkbox"/> Perceived differences | <input type="checkbox"/> Other: |

(REMEMBER TO FURTHER EXPLAIN ANY CAUSES AND EFFECTS IDENTIFIED)

Where did we start from? What's behind our dispute?

YOUR COMPANY (B Co)

- Concerns: Uncertainty of hearing costs and uncertainty of outcome
- Hopes: "fair" agreement – fees, term, priority, etc
- Expectations: equitable recovery of reserves
- Assumptions: EUB will solve it
- Priorities: this property is one of few B Co owns – high priority – core property
- Beliefs: B Co should be able to have reliable service from A Co for the fees paid. Because of size BCo is more nimble than ACo to deal with issues (less bureaucratic process)
- Fears: not being able to produce well and being drained; having to spend additional capital to get well producing
- Values: reputation in oil patch is important in order to keep doing deals with the bigger companies

OTHER COMPANY (A Co)

- Concerns: Uncertainty of hearing costs and uncertainty of outcome
- Hopes: reduced spacing application approved
- Expectations: recovery of operating costs and capital return in exchange for B using A's facility
- Assumptions: A has acted fairly towards Bob in providing access to A' compressor but it is up to B to find a solution to the water production problem in B's well.
- Priorities: this property is just one of many that A Co people have to deal with
- Beliefs: A Co should be able to access their owned capacity. ACo has developed tried and true decision making processes and when followed will yield the optimum solution for all parties (ACo knows best)
- Fears: B. Co's well is taking up too much of their operator's time. Water production is a problem
- Values: important to stay on good side of EUB

Based on the interests you (and the team) have identified, what are the next steps?

(To enhance this answer, try utilizing the Cost/Benefit Tool)

YOUR COMPANY (B Co)

- Outline issues in a letter and send to A Co requesting a meeting with appropriate people to talk about the issues
- Continue economic analysis in house to determine WATNA and BATNA. What will each option cost B Co.
- Talk to third parties (EUB, service providers, and JV experts) to see if outside help is available.
- Check out the C2C website
- Engage a facilitator if needed
- Seek legal advice
- Find way of dealing with the water problem from the well

OTHER COMPANY (A Co)

- Agree to meet with B Co.
- Share information on field problems with water
- Disclose the fee calculation so that B Co understands why it is set where it is
- Engage a service provider to work with EUB and B Co to move application along
- Dedicate resources to this problem

What are the challenges that have hindered resolution thus far?

B Co - See A Co as using negotiations as a stalling tactic; direct competition with A Co; Do not trust other party(s) to negotiate in good faith.

A Co - Matter is not a high enough priority to my company; direct competition with B Co; Reluctance to utilize outside resources / ADR professionals; Concerned about losing control, power or money

- | | |
|---|---|
| <ul style="list-style-type: none">• Present Corporate negotiation strategies• Want to gain an advantage over the other party(s)• Do not trust other party(s) to negotiate in good faith• Concerned about losing control, power or money• Other strategies perceived as "weaker"• Personal reluctance to change strategy• Other: | <ul style="list-style-type: none">• Indirect competition with other Party(ies)• Present strategies have been successful in the past• See other Party(s) as using negotiations as a stalling tactic• Senior management do not support negotiation style• Reluctance to utilize outside resources / ADR professionals• Matter is not a high enough priority to my company• Other: |
|---|---|

What are the costs?

The costs of action or inaction are direct and indirect. Direct costs include human resources (people), financial resources (money) and time. Indirect costs also include the potential impact on relationships (personal and corporate). Consider these potential costs, and if possible, estimate the direct and indirect costs below:

- People:
- Money:
- Time:
- Relationships:
- Personal:
- Corporate:

As part of this assessment, consider the Cost/Benefit Tool to carry your strategy forward...

ACTION PLAN – RESOLUTION CHOICES

Having worked through the issues and/or overall dispute and understanding the reasons behind them, brainstorm some possible solutions/options to the underlying reasons for the dispute to ascertain if they meet yours and the other party(ies) 'needs' etc.

- Fix the water problem – agree to choke back well until pressure comes down and evaluate other down hole completion schemes (so it doesn't back out A Co's wells)
- Sell out of area to A Co
- Get another contract operator who can spend more time at B Co's well site until production stabilizes
- Pool or unitize the lands and produce out of A Co's wells (avoid water problem)
- Jointly go into the next land sale to get offsetting lands to fill up the compressor (bring down fees)
- B. Co install pigging facilities at their own cost
- Sit down with EUB facilitator to make sure what options are available. Explore common carrier application or rateable take application to stop drainage
- Jointly agree on how the fee will be calculated in the future
- Pay for firm service

Out of these options may come an action plan that is acceptable for both parties – probably selling out won't work for B Co; pooling may not work for A Co. It may look like the result given in the scenario and repeated below:

In this instance, despite efforts by B Co. to address the issues, they are fuelling growing tensions between the companies, and assistance by the regulator was required. After assessing the situation, consulting with legal counsel and engaging a ADR service provider to help coordinate the file, B Co. determined it would oppose A. Co.'s application to the EUB for spacing. With the assistance of an EUB facilitator, the underlying issue in dispute was successfully settled by the parties, improving access to the Facilities, reducing gas processing fees somewhat and accepting A Co.'s application for spacing, with some restrictions. As a result, the added costs of an EUB hearing intervention were avoided and the business relationship between the two companies, while not issue-free, remained intact. The parties agreed to work together to find viable alternatives that will deal the increasing water issue that will see a cost savings for both go-forward and use the ADR professional if and when required to manage the process for them