



Dillard College of Business Administration
SYLLABUS: Energy Accounting and Law (Law – second half)
ACCT5313-270, M 7:30-9:50 p.m.
Spring Semester 2022
March 6 - First Edition

Contact Information:

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Course Materials:

TEXTS:

- *Oil and Gas, Cases and Materials*, 9th edition by Martin and Kramer, Foundation Press
- *Oil and Gas Law in a nutshell*, 7th edition by Lowe, West Academic Publishing

Course Description: Focuses on providing an overview of the accounting and legal issues common in the energy industry for those who are not accountants. Accounting topics include accounting for working and royalty interests; depletion; intangible drilling costs; and the financial implications of taxation issues. Taxation issues include state ad-valorem and severance taxes as well as federal taxation issues, such as tax credits. Legal topics include property and contract law applicable to the oil and gas industry.

Course Prerequisite: MGMT 5313

Learning Goals:

1. General Learning Goals: Students will demonstrate problem solving and decision-making abilities through the critical analysis, evaluation, and interpretation of business information. Classroom discussion, problem assignments, and examinations will require students to use critical thinking skills to apply legal concepts and principles to various situations. Demonstrations of problem solving and decision-making abilities will be included in class lectures. Students will develop these skills by completing assigned homework. The development of each student's abilities will be assessed through examinations that require problem solving and decision making.

2. Course-Specific Learning Goals:

1. Understand the basic types of real property interests and key terms. These include: fee simple estate; fee simple defeasible; life estate; leasehold estates; easements; dominant estate; servient estate; liens; future interests; reversionary interests; tenancy in common; joint tenancy; tenancy by entireties; community property; homestead; title examination; abstract; marketable title; general warranty deed; special warranty deed; quitclaim deed; townships; meets and bounds; adverse possession; and acknowledgement.

2. Understand the general purposes of the following seven types of oil and gas contracts: support agreements, farmout agreements, drilling contracts, operating agreements, gas contracts, gas balancing agreements, and division orders.

3. Understand and be able to identify the following types of oil and gas interests: fee interest, mineral interest, leasehold interest, surface interest, royalty interest, production payment, net profits interest, and carried interest. When applicable, be able to determine both net revenue interests and working interest percentages associated with the different types of oil and gas interests.

4. Understand ownership of oil and gas rights. This includes: the rule of capture; limits to the rule of capture; the doctrine of correlative rights; conservation laws regulated by state agencies; and the significance of the corporeal/incorporeal distinction.

5. Understand legal theories associated with protection of oil and gas rights, including: damage to lease value; slander of title; and ejectment and conversion for trespass.

6. Understand the methods of creation and transfer of oil and gas interests, including those by conveyance, inheritance, judicial transfer, and adverse possession.

7. Understand joint ownership of oil and gas rights, including: concurrent owners; pooling; judicial partition; marital rights; executive/non-executive owners; and life tenants/remaindermen.

8. Understand the essential clauses of oil and gas leases, including these clauses: granting, habendum, and delay rental.

9. Understand oil and gas savings clauses, including those that provide for constructive production; pooling and unitization provisions; force-majeure; shut-in royalty; and administrative.

10. Understand the oil and gas royalty clause, including: common lease royalty provisions; royalty disputes; market-value/proceeds problem; what is amount realized; deductions in calculating royalty; division orders; and failure to pay royalties.

11. Understand implied covenants in oil and gas leases, including: the reasonably prudent operator standard; implied covenant to test; implied covenant to reasonably develop; implied covenant for further explorations; implied covenant to protect against drainage; and the implied covenant to market.

12. When states have different approaches to oil and gas rights, give priority to the Texas approach on the subject.

Course Policies:

1. Attendance Policy

Regular attendance is expected, and roll will be taken. Attendance is deemed essential for this class.

Students should read the assigned material and attempt assignments prior to coming to class and should be prepared to discuss and ask questions relating to class material. I follow the university's policies with respect to class attendance (See *Midwestern State University Undergraduate Catalog 2021-2022*). This catalog is electronic only and may be found on the MSU website using the Registrar button, then the University Catalogs button. University attendance policy is then found under Registrar.

2. Participation

"Learn" is a verb, which means it is an action or activity. Learning requires action and effort on your part. Participation, especially when I ask a question in class, is encouraged, and will help you learn.

3. Instructor Drop

"An instructor may drop a student any time during the semester for excessive absences, for consistently failing to meet class assignments, for an indifferent attitude, or for a disruptive conduct." (*Midwestern State University Student Handbook*, p. 61). I do not want to drop anyone from the class, but I will not tolerate disruptive conduct in any form and will drop a disruptive student.

4. Classroom Behavior (Zoom)

Your requirements for each class are as follow:

- Be on time.
- Be prepared (reading requirements).
- Remain awake and attentive and be prepared to engage in class discussions at all times
- Mute your cell phones, laptops/tablets/similar devices that are not essential to using Zoom.
- Use live video showing your entire face.
- Audio should be muted except when you are presenting or asking a question.

5. Lower Grades

I reserve the right to lower any student's final grade two letter grades (i.e., A to C) for:

- (A) Unpreparedness on assigned law case presentations.
- (B) A negative, rude, unreasonably argumentative, or inattentive attitude in class, or,
- (C) Repeatedly disrupting the class for any reason, including leaving and returning to your seat during class, or text messaging, or,
- (D) NOT showing respect for fellow classmates' questions, opinions, or class presentations, or,
- (E) Excessive absences – (see Attendance Policy above), or,
- (F) Violation of use of electronic policies listed above, or,
- (G) Repeated tardiness to class (in addition to consequences in the attendance policy).

6. Academic Integrity

With regard to academic honesty, students are referred to the “Student Honor Creed” of the *Midwestern State University Undergraduate Catalog 2020-2021*. Violation of any of the guidelines in the MSU Student Honor Creed is grounds for being dropped from the class with an F.

In short, cheating, collusion, and plagiarism will not be tolerated. The term “cheating” generally means representing someone else’s work as your own and includes, but is not limited to:

1. Copying someone’s homework and turning it in as your own.
2. Soliciting answers from a fellow student during an exam or quiz.
3. Looking or glancing at another student’s paper or answer sheet during an exam or quiz.
4. Removing a page or pages from an examination booklet before, during, or after an exam.
5. Using a cell phone or programmable calculator during an exam.
6. Acquiring tests or other academic material belonging to a member of the university faculty or staff.

The minimum penalty is an "F" in this course and referral to the Dean of Students for disciplinary action, which may result in expulsion from the University. The full text of the Student Honor Creed in the Student Handbook is as follows:

Student Honor Creed

"As an MSU Student, I pledge not to lie, cheat, steal, or help anyone else do so."

As students at MSU, we recognize that any great society must be composed of empowered, responsible citizens. We also recognize universities play an important role in helping mold these responsible citizens. We believe students themselves play an important part in developing responsible citizenship by maintaining a community where integrity and honorable character are the norm, not the exception.

Thus, we, the Students of Midwestern State University, resolve to uphold the honor of the University by affirming our commitment to complete academic honesty. We resolve not only to be honest but also to hold our peers accountable for complete honesty in all university matters.

We consider it dishonest to ask for, give, or receive help in examinations or quizzes, to use any unauthorized material in examinations, or to present, as one's own, work or ideas which are not entirely one's own. We recognize that any instructor has the right to expect that all student work is honest, original work. We accept and acknowledge that responsibility for lying, cheating, stealing, plagiarism, and other forms of academic dishonesty fundamentally rests within each individual student.

We expect of ourselves academic integrity, personal professionalism, and ethical character. We appreciate steps taken by University officials to protect the honor of the University against any who would disgrace the MSU student body by violating the spirit of this creed.

Written and adopted by the 2002-2003 MSU Student Senate.

7. Grading and Evaluation

This course will consist of two segments, one on Petroleum Accounting and the other on Petroleum Law. Each segment is taught by a different instructor. Professor Cope and I will meet at the end of the semester to compare information and jointly determine your grade. For the law segment of the class, your grade will be based on your two (2) graded case presentations and final exam. The final exam will be worth approximately 300 points.

8. Homework

The main text for this class is Oil and Gas Law in a nutshell (Nutshell). You should read, study, and understand each chapter as assigned. Some of the cases referenced in the Nutshell have been assigned. The assigned cases and notes following the cases are in the Oil and Gas, Cases and Materials (Kramer) text or have been provided in class handouts. You are expected to do a written legal brief for all assigned cases and write out an answer for the note assigned for each case. Your final exam will be open book and open note, using your cell phone for math calculations. This means you will need to summarize and organize homework, class notes, and case briefs so they are easily accessible. Do not fall into the trap of thinking that an open book and note test does not require you to learn the material and understand the concepts.

9. Exams

Make-up or early exams will be given only for an extreme case in which taking the exam was impossible due to a properly documented required university activity, sickness, or emergency. Prior written approval is required in all cases where it is possible. The followings examples are **not** acceptable reasons for missing the exam: wedding events, family reunion, multiple exams on the same date, business trip, prepaid vacation travel, etc. Incomplete Grade Policy: A grade of "incomplete" is given **only** in the case of emergencies, and **complete** documentation for the situation is required.

10. Syllabus Change Policy

This syllabus is a guide for the course and is subject to change. Syllabus changes will be communicated in class and may or may not result in document changes. The tentative schedule with case assignments will be changed as necessary to accommodate the progress of the class.

11. Americans with Disabilities Act

This class follows the guidelines suggested by the Center for Counseling and Disabilities Services for those students who qualify for disability services. See *Midwestern State University Undergraduate Catalog 2020-2021*. Students with disabilities must be registered with Disability Support Services before classroom accommodations can be provided.

12. Law Case Presentation

Each student will be assigned three (3) law cases. The first presentation does not count in calculation of your grade and is used to aid students with constructive feedback. This is so you will further understand the expectations when presenting a graded case. A total of one-hundred and forty (140) points may be earned for the second and third law case presentation. If you are unprepared or absent from class on the date of an assigned case, you will **not** receive any points. This brief must follow the format prescribed for briefing a case in the class handouts. To receive all 140 points (2x70), your case brief presentations must be an excellent delivery that communicates the required case information clearly. This involves doing more than reading your brief to the class. It should be obvious that there was a significant amount of time spent on practice and preparation. This will be evidenced by teaching the assigned case NOT reading the assigned case. A grading rubric for each case presentation is provided.

13. Final Exam:

Point Value: Approximately 300 points

Due Date: April 25, 2022 – Monday

(If we have unforeseen class cancelations or fall behind the final will be due Monday May 2, 2022)