

This information is intended to help educate readers before directly participating in Oil & Gas development. It is our intention to protect all participants, regardless of who they do business with. Whenever anyone decides to participate in an Oil & Gas program, there are several things we would recommend researching prior to participating. As a Joint Venture Administrator, our partners have the benefit of our due diligence process being completed prior to the Joint Venture being offered to them. One would simply need to verify the findings.

Below is a list of things we would recommend looking further into before deciding to participate:

### **The Operator**

This is probably the number one consideration in making a direct participation oil and gas. You should nominally ensure the proposed operator of the well is:

- experienced and can provide a verifiable track record
- has deep experience in the prospect area
- is financially sound
- has proper insurance in place
- is taking a working interest and putting their capital into the project

### **The Deal Structure**

There are many business and legal considerations in evaluating the deal structure. We strongly recommend having an experienced third party review the specific terms of the deal and operating agreement. Some things to look for:

- How much of your participation dollars are going to direct capital costs vs. management or other fees?
- Who and to what level are others getting “carried” as a participant without any obligation to put their money in the deal?
- Are the difference in your net revenue interest (NRI) and your working interest (NRI) reasonable?
- Is an Operating Agreement provided which clearly addresses ongoing operational terms?

### **The Engineering Program**

We recommend a review of the proposed drilling and completion program combined with an assessment of the surface facilities the well will tie in to, assuming it is successful. Drilling, completion, and production operations are complex and it’s best to consult with an independent petroleum engineer. Adroit Oil and Gas, LLC uses several independent engineers to help offer a third party opinion in regards to a proposed location. The reality is once you commit funds and the well is spudded, you’ll be relying on the expertise of the operator and their drilling contractor so performing some checks before hand is your best means to mitigate engineering and operational risk.

### **The Product Price**

As with all commodities, numerous factors go into determining oil and gas prices, none of which you have control over. Using reasonable price forecasts based on historical averages is a standard practice and something to look for in the potential rate of return.

Although no one can guarantee the success of any well drilled, these are the things I recommend looking further into in order to maximize your chances. At Adroit Oil and Gas, our partners can rely on our years

of experience to help them understand direct participation in oil and gas development while learning the required information to be self-proficient in the future.

By,

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