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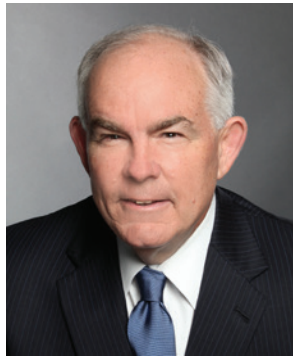
OIL CRASH DRIVES SURGE IN ENERGY ARBITRATION

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Oil prices have plunged more than 50 percent in the last year and many attorneys are wondering about the impact this precipitous drop will have on the legal profession.

Initially, one must consider the current climate in the oil patch. Drilling budgets as well as rig counts have been drastically reduced. Oil industry stocks have declined sharply in value. Broad layoffs of employees have already occurred and will continue to occur in the near future. Oilfield service and equipment providers have seen a marked decline in orders. All of these realities will increase the demand for dispute resolution in the energy sector, be it through litigation, arbitration or some other forum.

Of course, disputes that make their way to arbitration will typically arise from a contractual agreement between the parties that contains an arbitration provision. Traditionally, such agreements in the oil and gas industry have included lease agreements, construction and equipment



Hon. Mark Whittington



Hugh Hackney



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agreements, joint venture and joint operating agreements, merger and acquisition agreements, gas sales contracts and drilling contracts.

Many oil and gas joint ventures that looked lucrative 10 months ago no longer make sense financially. Joint venture partners who initially made significant investments in the partnership will be looking to the other partners to make them whole. Those partners will frequently be looking for ways to terminate or avoid obligations under the partnership agreement in this economic climate. A substantial number of these disputes will be subject to an arbitration provision.

The downturn in the price of oil has already resulted in many layoffs and terminations of oilfield workers. Unfortunately this trend will continue and grievances that arise from these terminations are more often than not subject to an arbitration provision.

The decline in the price of oil will result in significant opportunities for the legal community to assist in the resolution of energy claims and disputes. Many of these disputes will be subject to arbitration and careful counsel will be able provide a valuable service to clients by guiding them through an efficient and cost-effective arbitration process.

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