



Unitisation: Is it an Approach to Reach the Most Efficient Rate in Exploitation of Common Oil and Gas Deposits?

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Abstract:

Unitisation occurs when licenses of oil and/or gas reserves pool their individual interests in return for an interest in overall unit. It is then operated by a single company on behalf of group. This happens when a field lies under different licenses with differing equity interests. This is the legal definition of unitisation, however, the very basis of the legal concept of the joint development rests on the fluid nature of petroleum or natural gas. If a deposit lies across the boundary line of two or more neighboring owners, a single owner extraction damages the potential share of the other owner or owners. It is desirable, therefore, to avoid such eventuality on the basis on some form of cooperation between them in the exploitation of the sources. Thus, the idea of unitisation arose whereby the deposit of fluid petroleum or natural gas should be treated as a single deposit if it lies across the boundary line and straddles different jurisdictions. This concept later led to on a number of international agreements on unitisation in 1960s and 1970s. Although as there are about over than twenty joint oil and gas fields between Iran and its neighboring countries, for various reasons, most of them are being exploited unilaterally, which is not compatible with the economic interests of Iran, so unitisation process and its role in agreements, particularly those of oil and gas reservoirs and summarizing the common-pool problem faced in carbohydrate productions under the rule of capture is remarkable. It defines unitisation as a solution to the problem and then describes the issues involved in arriving at an unitisation agreement.

Key-words: unitisation, common natural resources, oil and gas, rule of capture, exploitation, joint development.

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