

Table of Contents

Preface	xi
List of Abbreviations	xiii
Acknowledgements	xv
CHAPTER 1	
General Introduction	1
1. Introduction	1
2. Scope of the Book	11
CHAPTER 2	
Analytical Framework (The Nature of Property Right)	15
1. Introduction	15
2. First 'Pillar': Conceptual Meaning of Property	16
2.1 Legal Perspectives	16
2.2 Meaning of 'Property' in Property Law	17
2.3 Categories of Property	18
2.3.1 Public Property	19
2.3.2 Private Property	19
2.3.3 Common Property	19
3. Theoretical Meaning of Property Rights	20
3.1 Property as a 'Thing'	20
3.2 Property as a 'Bundle of Rights'	22
3.2.1 Aggregate Version	22
3.2.2 Disaggregate Version	24
3.2.3 Bundle of Rights Version	26
4. Exclusivity and Excludability Criteria of Property	27
5. Economic Perspective	29

Table of Contents

5.1	Property as a 'List of Circumscribed Use Rights' (Bundle of Rights)	29
5.2	Property as 'Entitlements'	31
6.	Concept of Property under Investment Laws	33
7.	Concept of Property under Human Right Laws	40
7.1	What Constitutes Property Rights under ECHR?	43
7.1.1	Licences	44
7.2	The Nature of State's Responsibility in Property Rights Protection	46
7.3	Applicability and Enforcement of Property Right under the ECHR	48
7.3.1	Horizontal Effects of Convention Rights at the International Level	49
7.3.2	Horizontal Effects of Convention Rights at the National Level	50
8.	Conclusion	55
CHAPTER 3		
Analysis of the Nature of Interests in Oil and Gas in Accession and Domanial Systems of Mining Law		59
1.	Introduction	59
2.	Accession Systems	59
2.1	Nature of Landowner's Interest in Oil and Gas <i>In Situ</i>	60
2.2	The Legal Nature of the Oil and Gas Lease and the Lessee's Interest in Accession Systems	64
2.2.1	Legal Nature of Oil and Gas Lease	64
2.2.2	Nature of Lessee's Interest Created by Oil and Gas Lease	65
3.	Domanial and Regalia Systems	69
3.1	Ownership of Petroleum and the Nature of Property Rights Created in Petroleum Licences	70
3.1.1	Ownership of Petroleum in Domanial Regimes	70
3.2	Legal Character of Petroleum Licence	75
3.3	The Nature of Interests Granted by Petroleum Production Licence	85
3.3.1	Onshore	85
3.3.2	Offshore	88
3.3.2.1	Theoretical Analysis	88
3.4	Evaluation of the Nature of Oil and Gas Lease or Production Licence and the Interest Granted	100
CHAPTER 4		
Property Rights in Discovered Petroleum Reservoir?		105
1.	Introduction	105

Table of Contents

2.	Petroleum Licence or Lease as Property	105
2.1	Accession Systems	105
2.2	Domanial Systems	106
3.	Incidents of Petroleum Production Licence / Lease as Property	107
4.	Property Rights in 'Discovered Petroleum Reservoir'?	108
4.1	Challenges in Regulating Straddling Petroleum Reservoirs	109
4.2	Overcoming the Challenges	110
4.2.1	Judicial Understanding of Scientific Advances	110
4.2.1.1	Petroleum Geology	110
4.2.1.2	Reservoir Engineering	111
4.2.2	Petroleum Development Phases	112
4.2.2.1	Preliminary Investigation Activities	112
4.2.2.2	The Exploration Surveying	113
4.2.2.3	Exploratory and Appraisal Wells Drilling	113
4.2.2.4	Development and Production	114
4.2.2.5	Decommissioning	114
4.3	Production Licence as Symbol of Overlying Proprietary Rights	115
4.3.1	Conceptual Analysis	116
4.3.2	Conceptual Analysis Contextualised: To Determine Whether Discovered Petroleum Reservoir Is a Property Right	120
4.4	Evaluation of 'Discovered Petroleum Reservoir' as 'Property Rights'	123
4.5	Rule of Capture or Discovered Petroleum Reservoir as 'Property Rights': Theoretical Comparison	124
4.5.1	Natural Right (or Labour) Theory/Desert Theory	125
4.5.2	Desert Theory	127
4.5.2.1	An Assessment of Labour Theory, Its Basis for Rule of Capture and Its Application to Oil and Gas Straddling Reservoir	129
4.5.3	First Occupation / First Possession Theories	132
4.5.4	Utilitarian / Economic Theories	133
4.5.4.1	Utilitarian	133
4.5.4.2	Economic Justification	135
4.5.4.3	Evaluation of Economic Justifications for Rule of Capture: Transition from One Property System to Another	137
4.5.4.4	Shortcomings of Economic Justification	140
5.	Conclusion	141
CHAPTER 5		
The Regime of Unilateral Capture I – Accession Jurisdiction		143
1.	Introduction	143
2.	Historical Background	143

Table of Contents

3.	United States	147	
	3.1 Non-ownership Theory	148	
	3.2 Ownership in Place Theory	149	
	3.3 Qualified Ownership Theory	150	
4.	Classical Rule of Capture Cases	156	
5.	Effects of the Rule of Capture	159	
	5.1 Negative Effects	159	
	5.1.1 Competitive Drilling	159	
	5.1.2 Physical and Economic Wastes	160	
	5.1.3 Enhanced Oil Recovery	161	
	5.1.4 Common Property Regime	161	
	5.1.5 Destroyer of Title to Reservoir Oil and Gas	162	
	5.1.6 Violates Fundamental Rights of the Investor	163	
	5.2 Positive Effects	163	
6.	Alternatives to the Rule	164	
7.	Responses to the Adverse Effects of the Rule of Capture	166	
	7.1 Enactment of Conservation Laws	166	
	7.1.1 Production Limitations (Market Demand Estimates, Prorationing and Allowables)	166	
	7.1.2 Well Spacing	169	
	7.1.3 Pooling	170	
	7.1.4 Unitisation	170	
	7.1.5 Correlative Right	173	
8.	Impacts of Technological Advances in Wells Drilling on Rule of Capture	174	
	8.1 Horizontal Well	174	
	8.2 Trespass to Chattels	178	
	8.3 Hydraulic Fracturing	179	
9.	Conclusion	183	
CHAPTER 6			
The Regime of Unilateral Capture II – Domanial Jurisdictions			185
1.	Introduction	185	
2.	United Kingdom	186	
3.	Nigeria	195	
	3.1 Unitisation Practice in Nigeria	197	
	3.2 Capture Problem in Nigeria	199	
	3.3 The Approach of the Regulatory Agency (DPR)	202	
	3.3.1 Non-producing Reservoirs (Green–Green)	202	
	3.3.2 Producing Reservoirs and Non-producing Reservoirs (Brown–Green Reservoirs)	203	
	3.3.3 Producing Reservoirs (Brown–Brown)	204	
4.	Canada and Australia	206	
	4.1 Canada	206	

Table of Contents

4.2	Australia	207
5.	Netherlands	219
	5.1 Unitisation Practice / Capture Problem in Netherlands	221
6.	Conclusion	228
CHAPTER 7		
	Protecting Property Right in Discovered Petroleum Reservoir	233
1.	Introduction	233
2.	Retroactivity of Unitisation Order, Costs and Production	234
	2.1 Accession Regimes	234
	2.1.1 Texas	235
	2.1.2 Louisiana	235
	2.1.3 Oklahoma	236
	2.1.4 North Dakota	238
	2.1.5 Nebraska	239
	2.2 Domanial Regimes	240
	2.2.1 Nigeria	241
	2.3 Policy Analysis	244
3.	Triggers for Property Rights in Discovered Petroleum Reservoir	245
4.	Protecting Property Rights in Discovered Petroleum Reservoir: Applicability of Investment Treaties and International Human Rights Laws	249
	4.1 Investment Treaties (BITs/MITs)	249
	4.1.1 Failure to Enjoin Unitisation to Prevent Unilateral Drainage	249
	4.1.2 Failure to Make Unitisation Order Effective from Date of First Production or the Date the Innocent Party Established Straddling Reservoir	253
	4.1.3 Fair and Equitable Treatment	263
	4.1.4 Due Process Principle	267
	4.1.5 Good Faith Principle	268
	4.1.6 Applying the above Investment Treaties Principles to Unilateral Capture	269
	4.2 International Human Rights Law	273
	4.2.1 The Rights Guaranteed by AIP1 and Responsibility of State	274
	4.2.2 Interferences with Property	275
	4.2.2.1 Deprivation of Property (The Second Rule Contained in the Second Sentence of the First Paragraph)	276
	4.2.2.2 Lawfulness of Deprivation	278
	4.2.2.3 Public Interest / General Interest of Deprivation	279

Table of Contents

4.2.2.4	Control of the Use of Property (The Third Rule Contained in the Second Paragraph of A1P1)	281
4.2.2.5	Fair Balance / Proportionality Test	282
4.2.2.6	Interference with Peaceful Enjoyment of Possession (The First Rule Contained in the First Sentence of the First Paragraph)	285
5.	An Assessment of the Applicability of A1P1 to Unilateral Capture	287
6.	Conclusion	291
CHAPTER 8		
	Conclusions	293
1.	Answers to the Main Questions	293
2.	Protectable Property Right in Petroleum Reservoir as Solution	299
3.	Triggers for Property Rights in Discovered Petroleum Reservoir	300
4.	Limitation of 'Protectable Property Rights in Discovered Petroleum Reservoir as a Solution	301
5.	Further Research	302
	Bibliography	303
	Table of Cases	313
	Table of Legislations, Agreements, Treaties and Guidelines	323
	Index	327