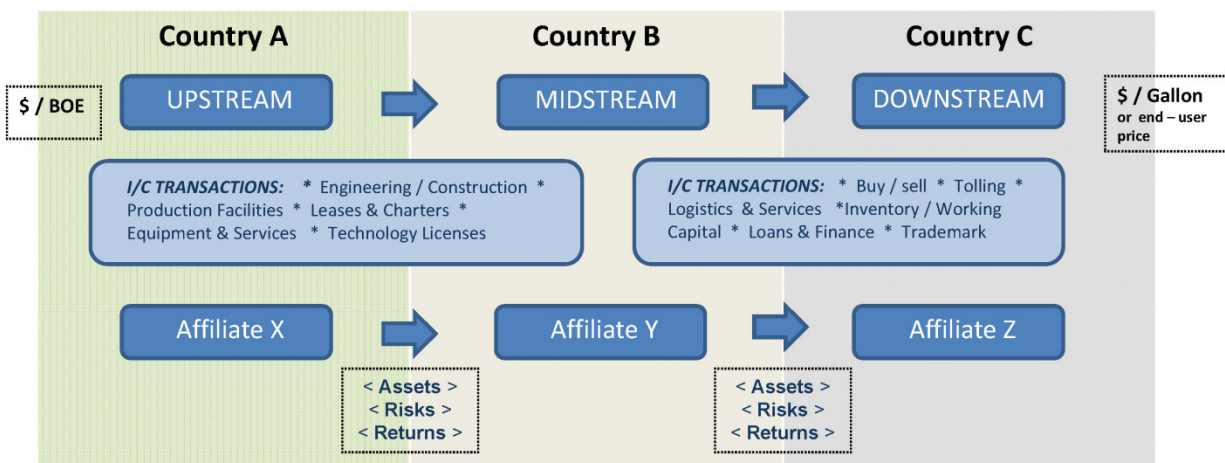


## Oil & Gas Industry Transfer Pricing and Intercompany Transactions

### Expert Consulting on Related Party Transactions

Market prices for oil, natural gas, and other energy sources are readily observable. But at intermediate steps in the production and distribution process, transfer prices between affiliates of a multinational group are not so easily measured. Intercompany services, leasing, and licensing arrangements add further complexity.

Taxing authorities scrutinize intercompany (“I/C”) transactions with a focus on returns attributable to affiliates’ allocations of functions, activities, assets, and risks. However, key roles and risks are often divided between affiliates in different jurisdictions, as illustrated below.



While related party arrangements must meet the widely accepted arm’s length standard, taxing authorities regard the allocation of taxable income across the group on an affiliate-specific basis. Expert support is needed to satisfy this constant scrutiny on affiliates’ returns across multiple jurisdictions.

**Bates White LLC** and **PTB Consulting LLC** have teamed to provide expert consulting and transfer pricing analysis for US- and international-based taxpayers with operations in the oil and natural gas sectors. Our deep experience in measuring and defending the arm’s length nature of transactions between related party affiliates across multiple jurisdictions spans the production cycle, and allows us to focus analyses on clients’ specific needs, from **planning** and **compliance** to **audit**, **controversy**, and **expert testimony**.

### Experience Highlights:

- Transfer pricing consulting: Extensive consulting experience in the oil and gas industry, from planning, compliance, and documentation to audit, Appeals, and other controversy contexts.
- Expert testimony: Substantial testifying experience on oil and gas- and energy-related transactions in wide-ranging contexts, including litigation, arbitration, and regulatory contexts.

### Example Engagements:

- IRS Appeals: Assisted a major oil and gas equipment and services company in IRS Appeals proceedings regarding a multi-hundred million dollar proposed adjustment to intercompany bareboat charter rates between foreign affiliate rig owners and US-based operating companies. Rebutted IRS transfer pricing methodology with corroborative analyses, including profit split and ROA analyses, and rebuttal analysis regarding intangibles and allocations of risks and investments.
- Transfer Pricing Planning and Documentation: Analysis of intercompany lease of a semi-submersible oil production facility in the Gulf of Mexico. Measured returns to the foreign lessor given fixed and variable compensation structures to the US-based lessee under production handling agreements with third-party oil producers.
- Offshore Facilities, Rig, and Equipment Leasing: Analysis of intercompany leasing of offshore construction and production vessels and related equipment. Client fleet included vessels with deepwater, crane, and pipelaying capabilities and ultra-deepwater drillships operating in the Gulf of Mexico, North Sea, and western African coastal regions. Intercompany transactions also involved provision of remotely operated vehicles (ROVs) and engineering services.
- LNG Contract Price Arbitration: Provided expert analysis on behalf of an LNG supplier seeking a price adjustment under an LNG supply agreement. Analysis and testimony in arbitration covered netback calculations, loss estimates, and the calculation of the embedded option value of the buyer's right to divert cargoes.
- Natural Gas Litigation: On behalf of JPMorgan Chase, provided expert testimony in a civil litigation regarding the enforcement of guarantees of Enron's performance under a number of forward natural gas sales contracts. *JPMorgan Chase v. Liberty Mutual Insurance Co.*, No. 01 Civ. 11523 (S.D.N.Y.)
- Market-Based Rate Proceedings: Testified on behalf of BP Canada Energy Marketing Corp. and IGI Resources, Corp. in FERC proceedings (Docket No. RP06-407) related to the application by Gas Transmission Northwest Corporation for market-based rate authority and flexible services rates for certain transportation services provided by the GTN natural gas pipeline.

**Key Team Members:**

**David DeRamus** is a founding member of Bates White, LLC and acts as the Partner in charge of the firm’s Energy Practice. He specializes in economic and financial analysis; transfer pricing; quantitative modeling; antitrust, pricing, and damages analysis; and valuation. Dr. DeRamus has an extensive background in industrial organization, international economics, antitrust economics, microeconomics, finance, financial modeling, and statistical analysis.

**Patrick Breslin** founded PTB Consulting LLC and has extensive experience advising multinational clients on establishing intercompany transactions according to the arm’s length standard and compliant with US Treasury Regulations (Section 482), OECD guidelines, and various international laws and regulatory guidance. He has advised in litigation, planning, business restructuring, R&D cost sharing arrangements, Advance Pricing Agreements (APAs), audits, and IRS Appeals settlement negotiations, including audit, Appeals, planning and documentation engagements on behalf of major multinational oil and gas services and equipment companies.

**Christopher Gulick** has more than 30 years of experience in the natural gas and energy sectors. He specializes in fuel markets, with a focus on natural gas supply and transportation contracting, operations, and portfolio planning; demand and price analyses; and developing and implementing fuel supply plans. As a consulting and a testifying expert, Mr. Gulick has evaluated transactions across natural gas infrastructure and LNG facilities, advised on contracting for fuel supply chains, analyzed numerous fuel-related markets, and provided expert analyses relating to allegations of price manipulation in natural gas markets, as well as advisory services in a number of other disputes and regulatory proceedings.

Prepared at every step to achieve successful results.

<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>* New transactions</li> <li>* New markets &amp; structures</li> <li>* Mergers &amp; Acquisitions</li> <li>* Sound pricing strategies</li> </ul>	<p><b>Audit &amp; Controversy</b></p> <ul style="list-style-type: none"> <li>* Substantial audit experience</li> <li>* Assist counsel</li> <li>* Rebuttal analysis</li> <li>* Resolve areas of dispute</li> <li>* Limit transfer price adjustments</li> <li>* Extensive testifying experience</li> </ul>		
<p><b>Documentation</b></p> <ul style="list-style-type: none"> <li>* U.S. &amp; global compliance</li> <li>* Ensure consistency</li> <li>* Tailored local studies</li> </ul>			
<p><b>Support</b></p> <ul style="list-style-type: none"> <li>* Valuation / Acquisitions</li> <li>* FIN 48</li> <li>* Changes in business</li> </ul>			
<p><b>Contacts:</b></p> <table border="1" style="width: 100%;"> <tr> <td style="background-color: #e6f2ff;"> <p><b>Pat Breslin</b> PTB Consulting LLC Tel: 202 468 9347 pbreslin@ptbconsultingllc.com</p> </td> <td style="background-color: #e6f2ff;"> <p><b>David DeRamus</b> Bates White LLC Tel: 202 216 1154 david.deramus@bateswhite.com</p> </td> </tr> </table>		<p><b>Pat Breslin</b> PTB Consulting LLC Tel: 202 468 9347 pbreslin@ptbconsultingllc.com</p>	<p><b>David DeRamus</b> Bates White LLC Tel: 202 216 1154 david.deramus@bateswhite.com</p>
<p><b>Pat Breslin</b> PTB Consulting LLC Tel: 202 468 9347 pbreslin@ptbconsultingllc.com</p>	<p><b>David DeRamus</b> Bates White LLC Tel: 202 216 1154 david.deramus@bateswhite.com</p>		