



JEDEX Can Confirm the Physical Assets before Closing the Deal

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The acquisition trail is over, you have found that property or company with lots of upside, and they have accepted your offer, subject to a number of conditions including “due diligence.” Due diligence (DD) has several branches and is a rigorous process unto itself. Most times it can be a larger task than the initial evaluation of the land, reserves and identifying the upside.

We are all familiar with the usual DD items such as land, contracts, financials, environmental, people and above all confirming the production levels. However, one of the more important items is taking a detailed inventory of all of the surface equipment you think is included in the acquisition. This will ensure all of the necessary equipment is included in the sale. Taking pictures of the assets, cataloging all the necessary specifications and noting the condition and status of the equipment can ensure that what is purchased is the same as what is received at closing, no more or no less.

JEDEX Equipment Ltd. (JEDEX) has performed numerous field equipment inventories for our clients as part of their due diligence for acquisitions. Our field auditors visit each field site and create electronic data records for the equipment. Values are then assigned to each piece of equipment by our CPPA accredited appraisers. In addition we attach available performance data, curves, any drawings or schematics, original invoices, or maintenance items to each electronic record. The data is housed in our proprietary inventory management software called AMICs (Asset Management Inventory Control System). AMICs is web based solution making it easily accessible by everyone in your company that is an authorized user. AMICS also incorporates electronic material transfers as well as a maintenance scheduler, with all of the appropriate electronic notifications.

Once the equipment has been inventoried and loaded into AMICs, it is possible to use this data to assist in the negotiation of the “Price Adjustment,” to assist in the Purchase Price Allocations, ensure there is adequate insurance coverage, ensure all notifications are sent to ABSA, ensure the equipment has not been removed or damaged before closing, confirm working interests of the equipment, confirm there are the appropriate operating agreements in place, and confirm all of the critical equipment is in fact in place.

An engineer related an experience involving an acquisition where they did not perform due diligence on the equipment inventory. Their company had purchased a gas property that, with some work, they could double the production to 20 mmcf. They were told by the seller there was compression capacity for 20 mmcf. The company proceeded to sidetrack and test the well and confirm the capability. The problem came when they were to put the well on sustained production and the compressor specs weren’t what they were told. \$2 MM and 2 months later, the well was put on production. The only comment was “we should have done a detailed inventory of all the equipment on site.” JEDEX can help avoid this pitfall.

JEDEX has developed a proven, sustainable, repeatable process to accomplish due diligence field inventories in a timely manner, in order to enable clients to manage their time constraints related to the due diligence process.

JEDEX Equipment Ltd. is a subsidiary of International Oilfield Management Services Ltd. which specializes in Full Cycle Asset Management Solutions for the oil industry – from acquisition to development to redevelopment to disposition.

Visit our website at www.ioms.ca or www.jedex.ca
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