HMRC - OT30132 - Development Carry

Development Carry involves the farmer in agreeing to bear some or all of the development costs relating to the farmer out’s retained interest. Costs will be recovered, usually with an interest element, out of a share of future oil production from that interest.

The value of the ‘carry’ to the farmer out will therefore depend largely on an assessment of the probability of repayment of those costs to the farmer in and a comparison of the terms with those of other forms of available financing.

Where reserves are not clearly established and development is uncertain there may be a number of factors capable of influencing the potential value of such a ‘carry’. These include assessing the profitability of recovery, the carrier’s preferential right to purchase future crude production.

It may be necessary to seek a detailed valuation report in support of any figures put to LB Oil and Gas (see OT30300+).

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