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Land

Kelsi Flores, BA Manager/Product Owner

Elements of Land

- Ownership and Contracts
- Royalty Negotiations and additional Lease Burdens
- Drilling and Operations
- Land Administration Management
- GIS (geographical information system)

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Ownership and Contracts



Land

- Tract
- Parcel
- Real Property



Ownership

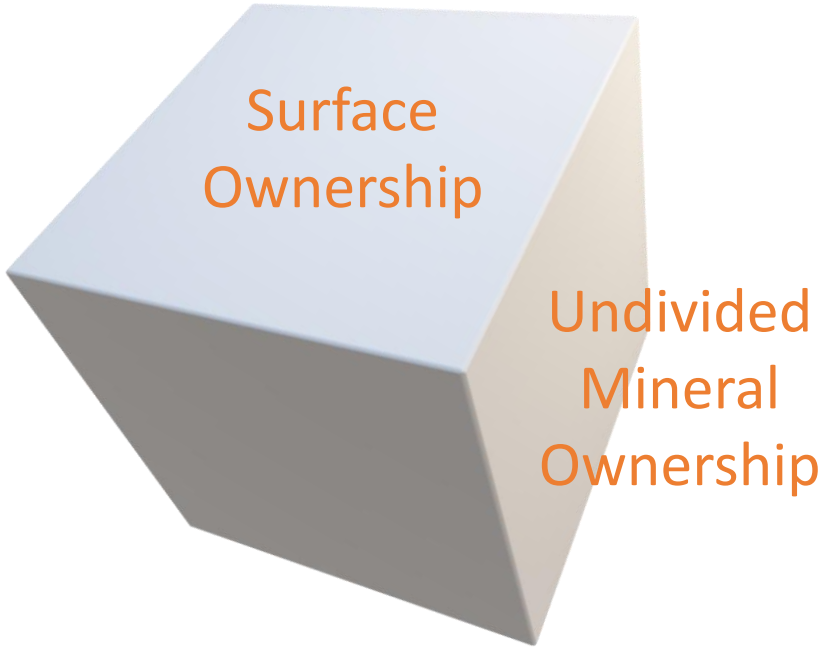
- Surface
- Minerals
- Depth Restrictions



Contracts

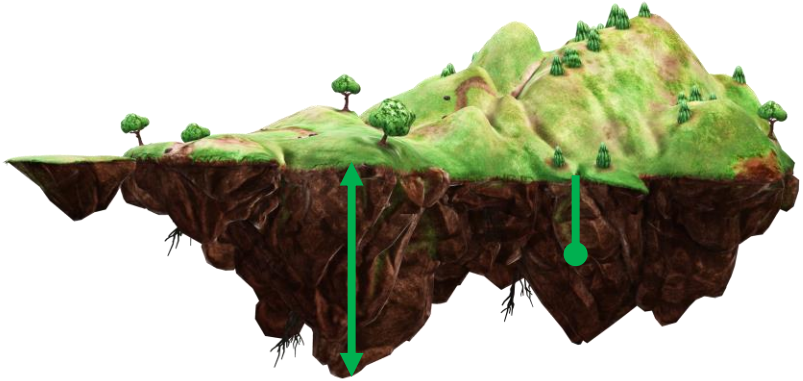
- Surface/Mineral Agreements
- Right of Ways

Ownership



- Review County/Parish records for ownership of both surface and minerals
- Track chain of title through inception to present day
- Create Title Run sheets to capture Surface and Mineral ownership

Ownership



- Tracts of land are described by the legal surface ownership boundary
- Mineral Leases are taken against the ownership of the minerals below the surface boundary
- Leases can be taken against certain depths or against the full depth
- Ownership of these leases by the lessee (company) determines a Company's ownership in the tract of land

Ownership → Contracts

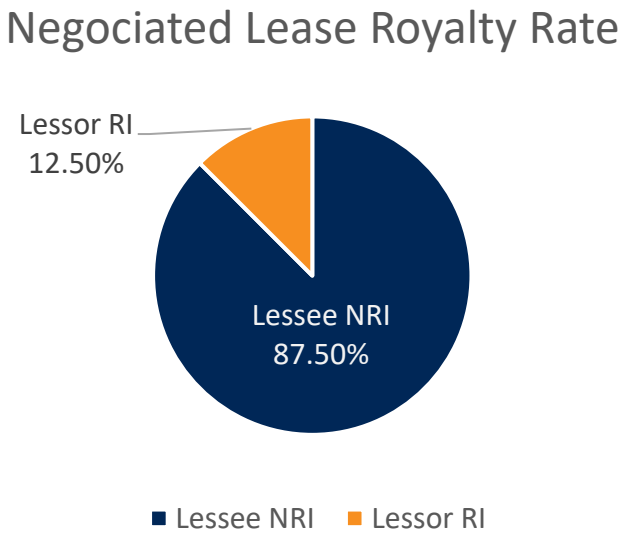
Mineral Ownership/Rights

- Lease Agreement (contract) is signed between a Lessor (owner) and Lessee (company)
- Grants the company permission to develop the minerals under certain terms and conditions known as Provisions
- Payment is made in various ways
  - One time Lease Bonus
  - Royalty (% of future profits)
  - Provision required payments

Surface Ownership/Rights

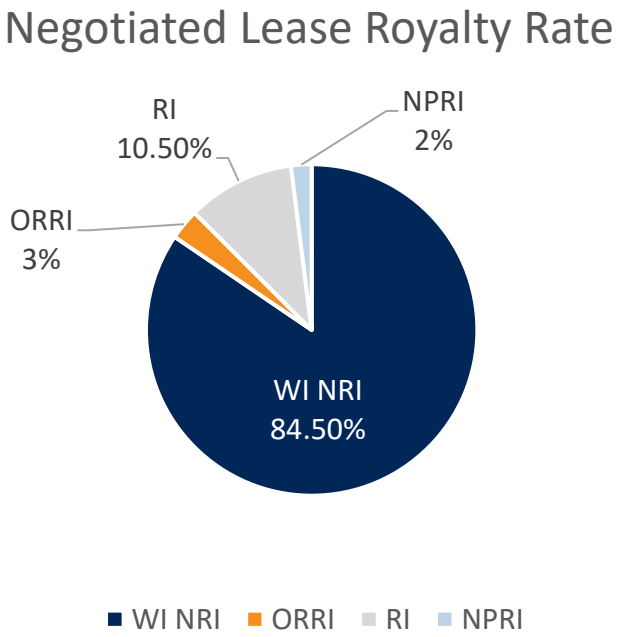
- Right of Way (contract) is signed between a Grantor (owner) and Grantee (company)
- Grants the company permission to access the landowner's surface either to pass through to drill site or to create a drill site (for example)
- Payment is made in various ways
  - One time Bonus
  - Damages

Lease Royalty Negotiations



- Royalty Rate due to the Mineral owner (Lessor) is negotiated and stated in the Lease Agreement contract
- Royalty Rate represents a percentage of future revenue profits produced from a well
- Typical rates include 1/8 (12.5%), 15%, 3/16 (18.75%), and 20%
- Remaining percentage of profit is due to the Lessee (i.e., Company) and referred to as a Net Revenue Interest (NRI)

Additional Royalty Burdens



- Mineral Owner (lessor) can carve out(sever) a *Non-Participating Royalty (NPRI)* from their Lease Royalty via a Deed
  - (12.5% - 2% = 10.5%)
- A NPRI owner typically has no mineral ownership or leasing rights
- Working Interest Owner (lessee) can carve out an *Overriding Royalty (ORRI)* from its royalty share via an Assignment
  - (87.5% - 3% = 84.5%)
- An ORRI owner has no ownership

Drilling Operations



Pooling and Unitization

(DOA)



Joint Operating Agreements

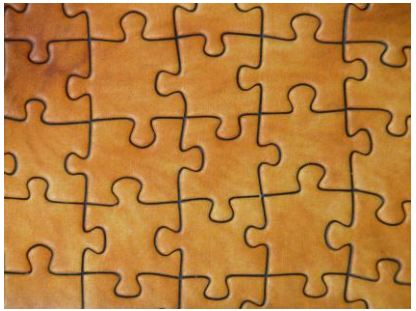
(JOA)



Affidavits for Expenditure

(AFE)

Drilling and Operations



Pooling & Unitization Agreements

- Allow for the placement of separately owned mineral interests or leasehold interests into a single entity with enough acreage to receive a drilling permit under the relevant state or local regulations
- Royalties are paid based on a proportionate ownership in the unit as apposed to a full share on his/her land

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Drilling and Operations



Joint Operating Agreement (JOA)

- A contractual agreement between two or more parties with shared interests in a tract or leasehold that outlines coordinated exploration, development and production activities in a designated contract area
- Outlines how each contractual party's interest is to be calculated
- It sets out terms and conditions for the entity classified as the operator to perform operations

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Drilling and Operations



Affidavit for Expenditure (AFE)

- Outlines cost estimates incurred in conducting an operation, such as drilling, completing, reworking, equipping, or plugging an oil or gas well
- An AFE commonly details the costs as intangible or tangible expenses, which are handled differently under the IRS code
- Operators typically prepare an AFE and send it to the other owners in the well when seeking their approval of the proposed operation

Land Administration Management









Land Administration Management

The process whereby land and the information about land are effectively managed



- Transfer of rights in land from one party to another



- Regulation of land and property development



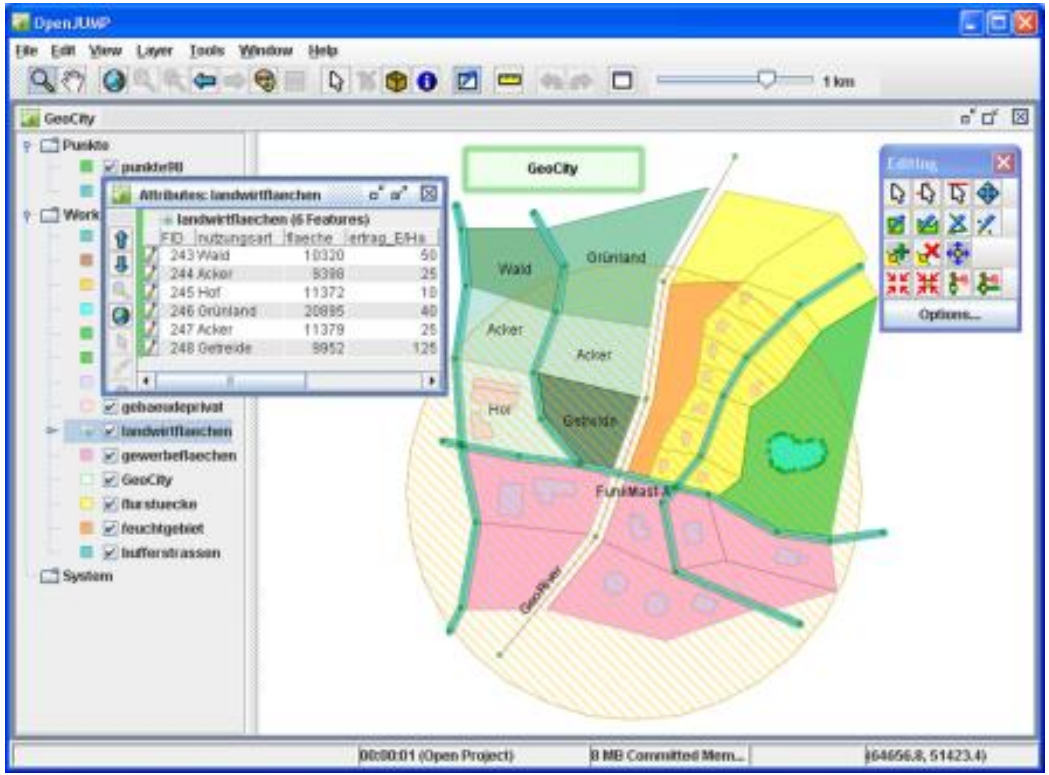
- Gathering of revenues from the land through sales, leasing, and taxation
- Disbursement of revenues to own and retain leasing contracts



- Conflict resolution concerning the ownership and use of land

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Geographical Information Systems



GIS (geographical information system)

Definition at its core

- A computer system that analyzes and displays geographically referenced information
- Powerful decision-making tool that allows for the analyzation of critical business data

Software Application

- ESRI ArcGIS software most widely used industry software
- Offers desktop and web mapping
- Integrates with W Energy

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