TRINITY
MINERAL MANAGEMENT, LTD.

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"Profitable Mineral Management"
BREAKFAST SERIES *for*
Surface and Mineral Owners
Admission by Invitation Only

DATE:	**September 19, 2017**
TOPIC:	**Oilfield Cleanup: Statewide Rule 15 (House Bill 2259)**
LOCATION:	**San Antonio Petroleum Club** 8620 N New Braunfels, Suite 700 San Antonio, TX 78217-6363 P 210.824.9014 F 210.829.5443
TIME:	**7:30 AM Breakfast - 8:00 AM Presenters - 8:50 AM Questions & Answers**
PRESENTERS:	**E.O. (Trey) Scott, III, Trinity Mineral Management, Ltd.**

- Cowboy Ethics: *What Wall Street Can Learn from the Code of the West*, James P. Owen
  - Live Each Day with Courage
  - Take Pride in Your Work
  - Always Finish What You Start
  - Do What Has to Be Done
  - Be Tough, But Fair
  - When You Make a Promise, Keep It
  - Ride for the Brand
  - Talk Less and Say More
  - Remember That Some Things Aren't for Sale
  - Know Where to Draw the Line

- Be Prepared: Another Bite At The Apple
  - Realizing that a deal is a deal, many of us have experienced the down side of lease provisions that were negotiated in a different era under circumstances. Perhaps we weren't even present for one reason or another. It is impossible to imagine every eventuality that the future will hold. So, it is with leasing for oil and gas; our best

thinking at the time was only as good as our ability to foresee the future and apply the experience of the past. The challenge for most of us is that we are limited by our experiences. Some of our experiences may serve us well, while others may be limiting at best. Please don't get us wrong; experience is invaluable. How we live into it and apply its lessons in the present can shape the future. One of the finest oil and gas attorneys in South Texas once said, "a lease is outdated the day after it's signed". With that said, let's have a keen understanding of the past, an acute focus on the present and be prepared for the future.

- How can we best be prepared for the future? We will offer for consideration that staying dialed into current activity will be a reasonable start. This begins with communication, research and oversight. The hard part is seeing the trees for the forest. In the midst of keeping up with current operations and all that is involved in modern day exploration, it can be difficult to focus on what may need attention in the future or where the past may need to be revisited. It is not unforeseen that an oil company may fall short of their obligations under an oil and gas lease. This can happen for many reasons. Legacy leases that change hands several times are difficult to keep up with for the operator and mineral owner alike.
- With the excitement of a new deal, the details of a distant memory can fall through the cracks. If not reasonably monitored, obligations can be overlooked by the operator. This may present an opportunity for the mineral owner to "have another bite at the apple". Staying on top of the lessee's obligations under old leases can be difficult. Often times, these leases do not generate sufficient revenue to offset the cost of the attention they require, however; there is no better time to identify and address issues that could jeopardize a leases validity. One challenge for the operator under these type of leases is that the cost of plugging and reclamation can far exceed the value of the remaining reserves. If the cost of operations exceeds the income generated, there can be an issue of Paying Quantities" The habendum provision of most leases provide that: "Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of three (3) years from the date hereof called "primary term" and as long thereafter as there is production in "paying quantities". There are countless variations of this language and the other provisions of the oil and gas lease that are intertwined and must be considered for compliance. This will be discussed with more detail in the Lease Provision section to follow. This is only one issue among many that could present the mineral owner an opportunity to revisit the lease provisions.
- We like to call it a "wish list". What would I want if the opportunity presented itself to revisit the deal that was previously made? Above, we mentioned the downside of lease provisions negotiated in a different era under circumstances that could not see into the future. Oil companies are quick to point out and benefit from legacy provisions included in outdated oil and gas leases, but

the point swings both ways; sometimes good for the oil company, sometimes good for the mineral owner. It's these points (the ones that are good for the mineral owner) that we need to stay attuned to while at the same time making our "wish list" for when opportunity strikes. It may be a month, a year or several years before opportunity presents itself. Knowing what you want ahead of time can go a long way to improving your position. Here's the rub: it is easy to be clouded by current circumstances surrounding an issue to the point that other, seemingly unrelated issues go unaddressed or get shuffled to the side. We don't know that it's calculated by the oil company to divert our attention; it just seems to be the way it plays out. There is no reason that ALL issues can't be fair game.

- Texas Railroad Commission (RRC) gains regulatory jurisdiction over oil and gas (March 31, 1919)

- Texas Administrative Code

- RRC Policies and Proceedings

- HB 2259 Passed by Legislative Session 2009

- P-4: Producers Transportation Authority and Certificate of Compliance

- P-5: Organization Report

- W-3X: Extension of Deadline for Plugging an Inactive Well (Option "A", 10% Rule)

- W-3C: Certification of Surface Equipment Removal for Inactive Well

- W-10: Oil Well Status Report (Deliverability Test: Desk Test, Open Secret)
  - Orphaned Well Program: Wells that have been inactive for 12 consecutive months
  - State funded plugging is a last resort.
  - While the RRC performs initial testing to determine an orphaned well's pollution risk for ranking of its threat level, thereafter the RRC does not perform periodic testing of wells. They do occasionally "re-visit" wells that have been on the Orphan Well list for a long period of time and may re-test some of them to determine if their threat level has changed. Unfortunately, the RRC does not hold itself responsible to the same well-testing standards as they require from the operator.
  - P-5 Revocation: This does not relieve the operator from their plugging liability; however, in addition, the officers listed on the operator's P-5 will be prohibited from being listed on any other

RRC P-5. In the event they are currently an officer of any other entity, those operators would also lose their P-5 “active” status. One would think, having their P-5 denied, an operator won’t be able to operate, all leases would be severed and seals would be placed on all wells and pipelines.

UPCOMING:	**OCT 17**	**Sean Caporaletti - Royalty Pricing: Methods & Effects**
	FEB 20	**To Be Determined**
	MAR 20	**To Be Determined**
	APR 17	**To Be Determined**

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With a career spanning over 3 decades, Mr. Scott has worked in the oil and gas industry since 1976, including summers on a drilling rig both onshore and in the Gulf of Mexico, between college semesters at Texas Tech University.

Mr. Scott is a Certified Professional Landman. In 1979, he went to work for an oil and gas lease broker in Corpus Christi, Texas as a field Landman. His duties consisted of mineral title research, oil and gas lease negotiations and title curative. In 1981, Mr. Scott opened his own office as an independent Landman, overseeing several lease brokers and successfully acquiring hundreds of oil and gas leases. His experience in the oil and gas industry includes an in-house position with a San Antonio based Exploration & Production Company where his duties included many aspects of oil and gas exploration, development and gas marketing.

After his time on the industry side of oil and gas, Mr. Scott began an association with a local Oil & Gas Mineral Company where he successfully acquired mineral and royalty interest in several hundred producing oil and gas wells across the United States. He is currently involved in all aspects of managing oil and gas royalty portfolios, including the development of databases and software for oil and gas management.

Subsequently, Mr. Scott started adding to his client list several South Texas ranches, where his responsibilities include overseeing and managing all aspects of mineral and royalty ownership such as negotiations, lease compliance, royalty audits, surface operations from drilling locations, pipelines, surface facilities, remediation and environmental issues. Moreover, Mr. Scott has extensive experience utilizing Global Mapping System (GIS) and assists in litigation support including expert consulting and witness testimony.

In September of 2005, at the request of some key clients, Mr. Scott expanded his services by founding Trinity Mineral Management, LTD. (Trinity), where he is currently the Managing Partner. Trinity currently serves over a 100 clients whose ownership spans over 1,000,000 acres of land.

Mr. Scott is a member of the Texas Land and Mineral Owner Association where he is currently serving as Vice-President, the San Antonio Association of Professional Landmen where he served as President and as Education Chairman, the American Association of Professional Landmen, and the South Texans' Property Rights Association. He also serves on Texas Railroad Commissioner David Porter's Eagle Ford Task Force.