NYSBA

Environmental Law and Municipal Law Sections

Joint Fall Meeting

Canandaigua, NY

October 23-25, 2009

Gregory A. Zerkel
President

Introduction

President and Owner of Mason Dixon Energy, Inc.

Formed in 1984.

A leading land service provider with 30 years of Appalachian experience.

Headquartered in Bridgeport, WV.

Satellite offices in KY, PA and OH.

Maintains staff of 300 +/- Contract Landmen and 50 employees.

Active with AAPL leadership.

What is a Landman?

A Landman is a member of the oil, gas and mining industry who deals primarily with the acquisition, maintenance, development and negotiation of property rights used in the production of natural resources.

The Landman can be categorized as a Company Landman or an Independent Field Landman.

The Company Landman and Field Landman work together to ensure corporate goals and objectives are met.

Company Landman

- Negotiates deals and trades with third parties.
- Prepares contracts (joint operating agreements, assignments of oil and gas leases, farm-in & farm-out agreements, surface use agreements, etc.)
- Manages lease inventory.
- Ensures compliance with governmental regulations.
- Deals with Company Engineers, Geologists, Accountants, Consultants and Vendors.
- Manages Independent Field Landmen.

masondixon energy
masondixon.com

Independent Field Landman

- Determines mineral ownership and leasehold status.
- Negotiates oil and gas leases.
- Secures ROW for pipelines.
- Cures title defects.
- Settles surface damages.
- Has working knowledge of drilling operations.
- Has working knowledge of federal, state and local permitting and regulatory issues.

masondixon energy
masenergy.com

Landman Statistics

- Approximately 25,000 Landmen in US today.
- 92% work in the oil and gas exploration sector.
- 54% are 50 years of age or older.
- 50% are Company Landmen; 50% are Independent Field Landmen.
- Approx 75% of male; 25% are female.
- Only 1.3% of all Landmen work in NY.
- In 2007, Company Landman averaged $108,557 annually; Field Landman averaged $98,593.
- Salary levels in NY lag 15-18% below industry norms.
- Day rates range between $250 - $500 per day.

masondixon energy
masenergy.com

Land Professional Category

	2007		2005		2003		2000		1997		1990	
	Freq	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Oil and Gas	2549	91.7	1216	91.1	970	88.8	1590	88.3	1709	90.9	3489	83.6
Hard Mineral	25	.9	21	1.6	6	0.5	19	1.1	24	1.3	81	1.9
Coal Landman	8	.3	8	0.6	14	1.3	9	0.5	15	0.8	34	0.8
Division Order	107	3.8	54	4.0	30	2.7	61	3.4	56	3	329	7.9
Lease Title Agent												
Telecommunications Site Agent	0	0	2	0.1	60	5.4	N/A	N/A	N/A	N/A	N/A	N/A
Seismic Permit	18	.6	5	0.4	6	0.5	N/A	N/A	N/A	N/A	N/A	N/A
Right-of-Way	60	2.2	21	1.6	6	0.5	46	2.6	26	1.4	39	0.9

2007 Demographics

Courtesy of AAPL Compensation Study Executive Summary

Age of Respondents

	2007		2005		2003		2000		1997		1990	
	Freq	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
18-29 Years Old	446	16.0	96	7.4	40	3.7	27	1.5	35	1.8	107	2.5
30-34 Years Old	207	7.4	39	3.0	28	2.6	21	1.2	59	3.1	685	16.1
35-39 Years Old	142	5.1	37	2.8	40	3.7	102	5.6	261	13.7	1279	30.0
40-44 Years Old	144	5.2	78	6.0	124	11.4	443	25.2	606	31.8	854	20.0
45-49 Years Old	260	9.3	316	24.3	373	34.4	555	31.6	431	22.6	395	9.3
50-59 Years Old	1141	41.0	615	47.3	403	37.2	446	25.4	354	18.6	440	10.3
60+ Years Old	376	13.5	120	9.2	76	7.0	162	9.2	122	6.4	501	11.8
Mean:	47.1		49.2		48.5		48		45.7		43.1	
Median:	51		50		49		47		44		40	
Mode:	55		48		48		46		43		37	

2007 Demographics

Courtesy of AAPL Compensation Study Executive Summary

masondixon energy
masonenergy.com

Respondents by State

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	New York	36	1.3	1.3	1.3
	Pennsylvania	31	1.1	1.1	2.5
	West Virginia	88	3.2	3.2	5.7
	Alabama	33	1.2	1.2	6.9
	Tennessee	10	0.4	0.4	7.3
	Mississippi	36	1.3	1.3	8.6
	Kentucky	21	0.8	0.8	9.4
	Ohio	26	0.9	1.0	10.3
	Indiana	14	0.5	0.5	10.8
	Michigan	48	1.7	1.8	12.6
	North Dakota	28	1.0	1.0	13.6
	Montana	23	0.8	0.8	14.5
	Kansas	24	0.9	0.9	15.3
	Louisiana	171	6.1	6.3	21.6
	Arkansas	42	1.5	1.5	23.1
	Oklahoma	406	14.6	14.9	38.0
	Texas	1,317	47.4	48.3	86.4
	Colorado	197	7.1	7.2	93.6
	Wyoming	26	0.9	1.0	94.5
	Utah	10	0.4	0.4	94.9
	New Mexico	27	1.0	1.0	95.9
	California	30	1.1	1.1	97.0
	All Other States	82	2.9	3.0	100.0
	Total	2,726	98.0	100.0	
Missing		55	2.0		
Total		2,781	100.0		

2007 Demographics

Courtesy of AAPL Compensation Study Executive Summary

Universities with Approved PLM Degrees in US & Canada

University of Oklahoma
University of Houston-Downtown
University of Louisiana at Lafayette
University of Mississippi
University of Calgary
Texas Tech University

15% of all practicing Landmen have PLM degrees

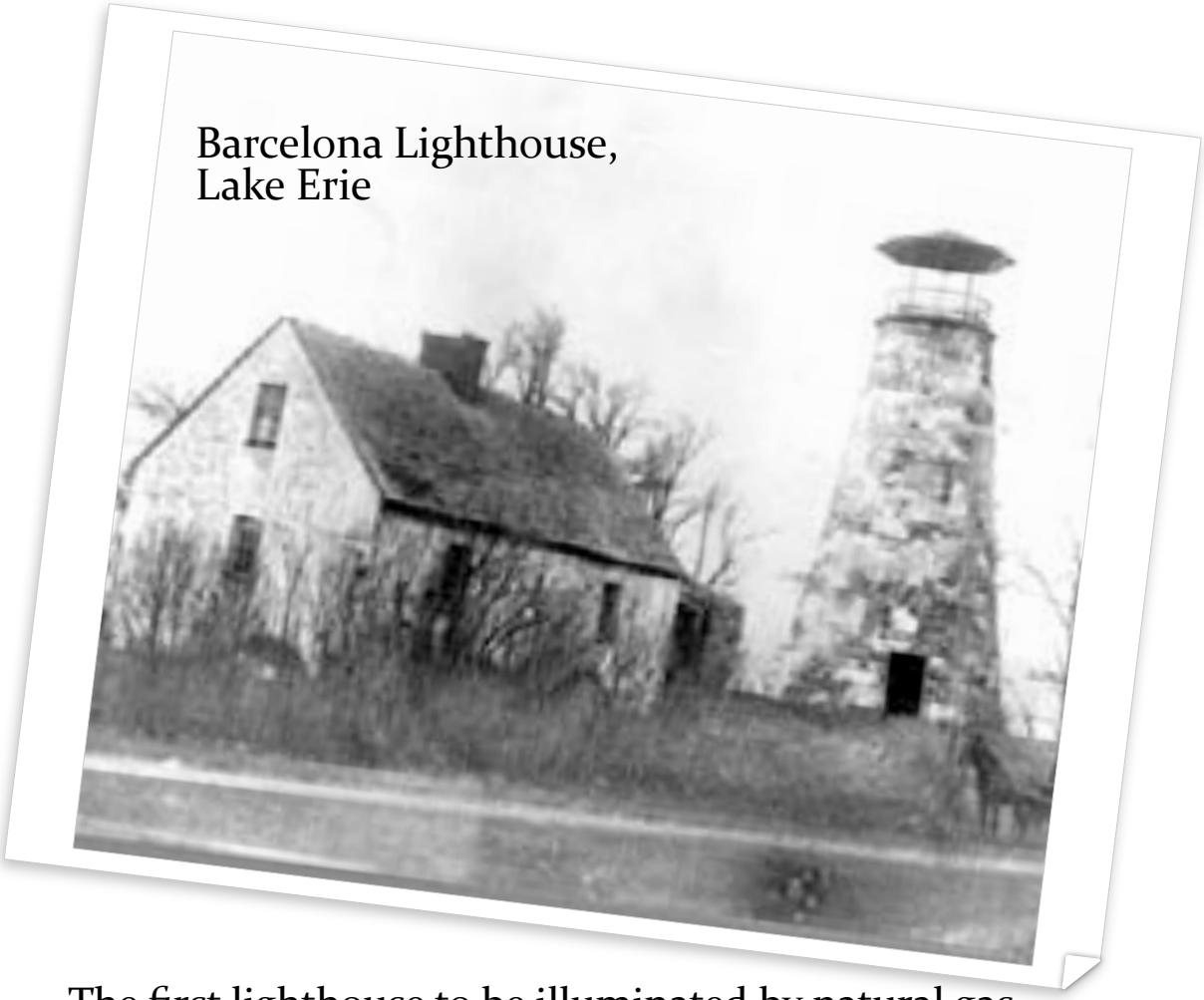
masondixon energy
masondixon.com

Where It All Began

The Drake #1 Well near Titusville in Venango County, PA was the first commercial oil well drilled in the US in 1859. The oil industry honors its birthplace with a museum and memorial park.

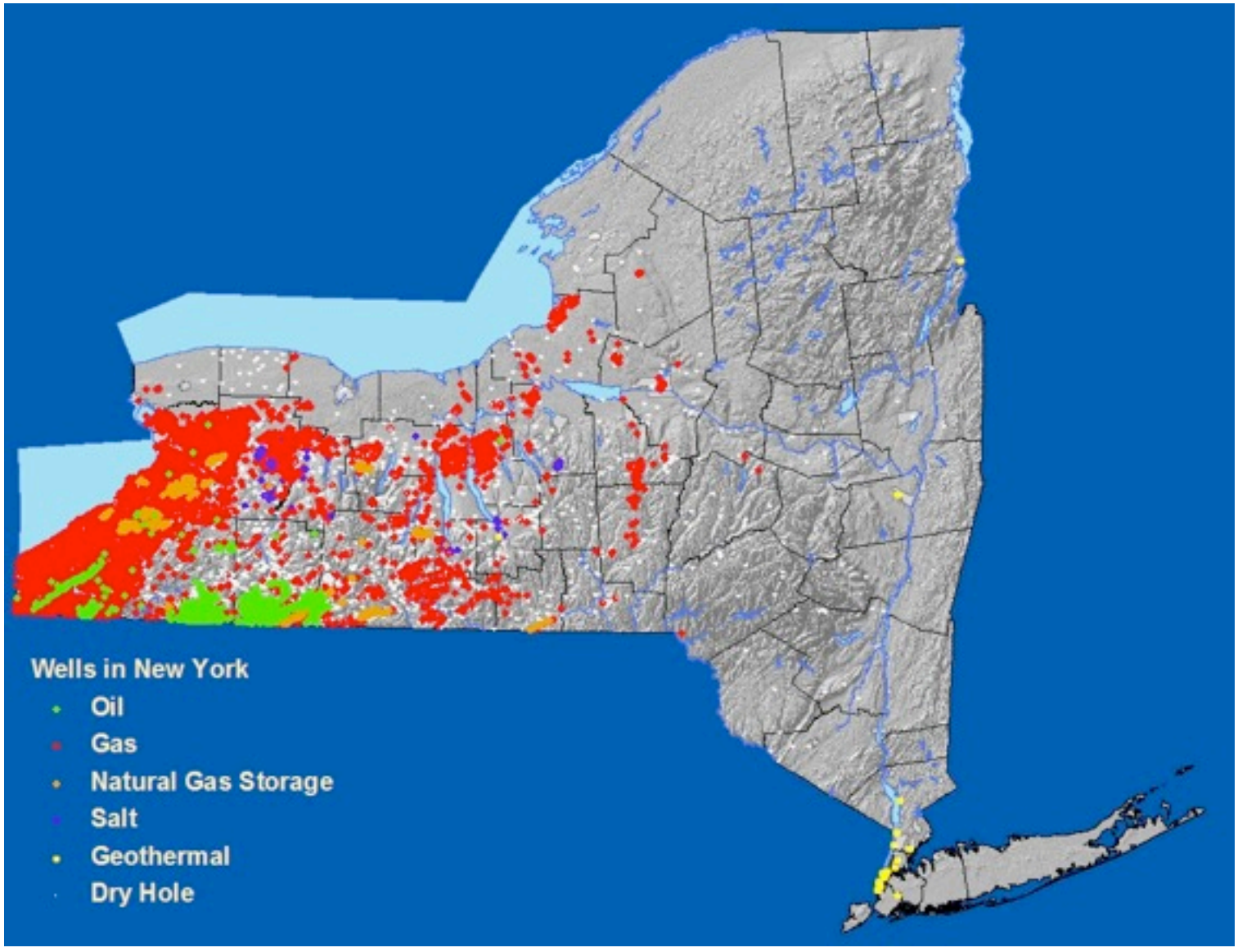
The first commercial natural gas well was drilled in 1821 near Fredonia in Chautauqua County by William Hart.

The Hart well produced natural gas until 1858.



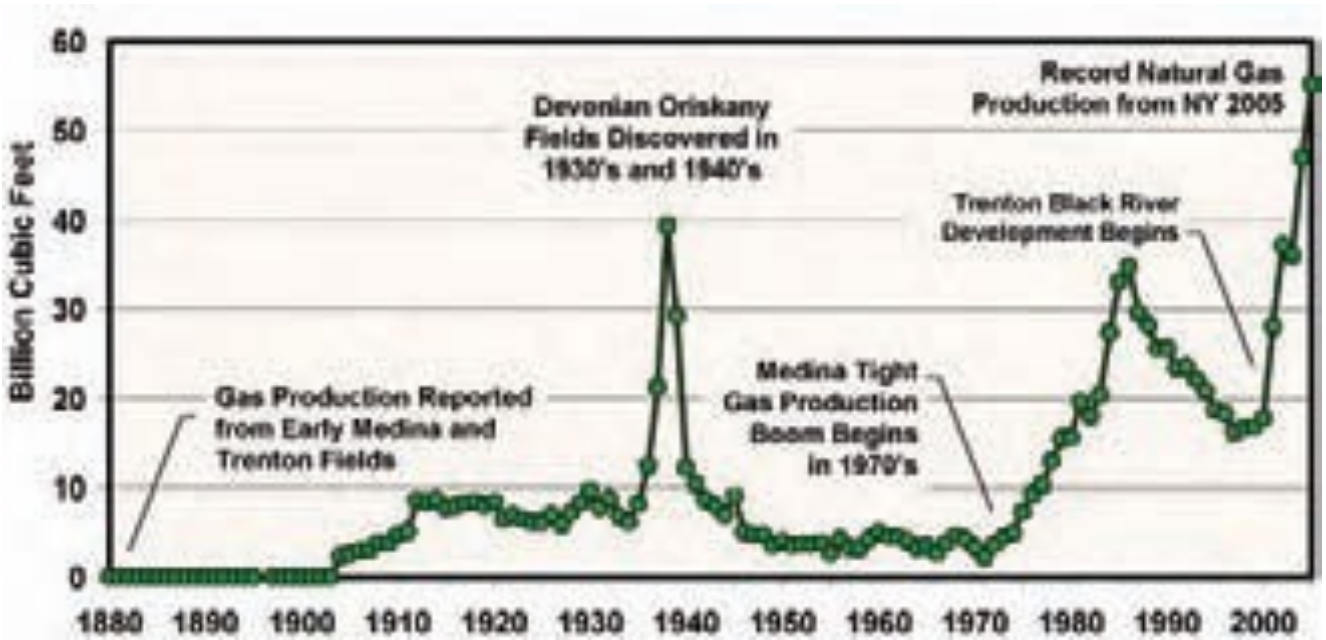
The first lighthouse to be illuminated by natural gas.

Oil and Gas Production in NY



Courtesy of the NY Division of Mineral Resources

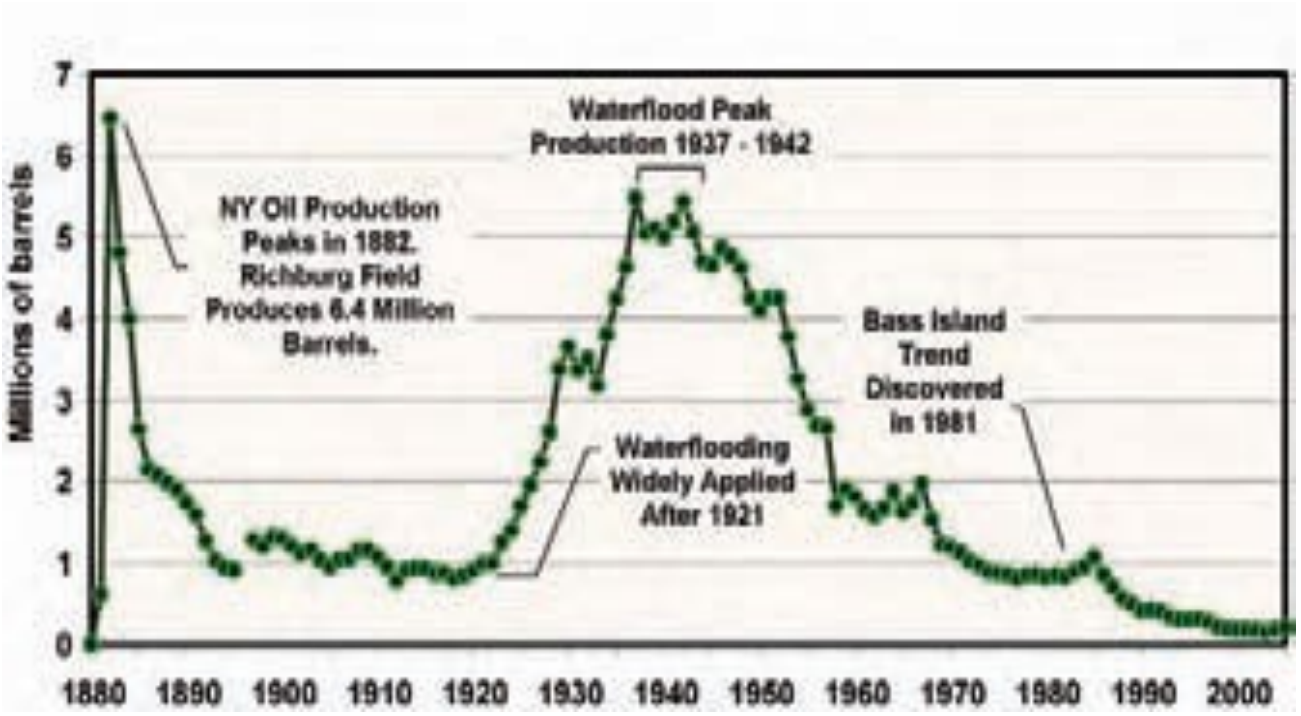
Natural Gas Production in NY



Natural Gas Production
(1880 – 2005)

Courtesy of NYSERDA *New York's Natural Gas and Oil Resource Endowment: Past, Present and Potential*

Oil Production in NY



Crude Oil Production
(1880 – 2005)

Courtesy of NYSERDA *New York's Natural Gas and Oil Resource Endowment: Past, Present and Potential*

Oil and Gas Production in NY

Since 1821, an estimated 75,000 wells were drilled in NY.

In 2008, NYS DEC reports 935 new well permit applications received generating $913,000 in permit fees.

In 2009 to date, 218 well permit applications have been received.

NYS DEC reports an estimated 55 bcf gas and 345,000 barrels of oil have been produced in NY.

masondixon energy
masondixon.com

American Association of Professional Landmen (AAPL)

Organized in 1955.

Headquarted in Fort Worth, TX.

Landman's professional trade organization.

Membership today exceeds 12,000 members.

AAPL has 43 local associations throughout US and Canada.

New York Landmen affiliated with Northern Appalachian Landman's Association (NALA).

Mission Statement of AAPL

AAPL's mission is to promote the highest standards of performance for all land professionals, to advance their stature and to encourage sound stewardship of energy and mineral resources.

masondixon energy
masondixon.com

AAPL Code of Ethics

The Code of Ethics is the basis of conduct and ideals for the members of AAPL. All members must abide by the standard of practices enforced by the AAPL.

It is the duty of the Landman to promote and represent the industry in a fair, ethical and honest manner at all times.

masondixon energy
masenergy.com

Benefits of AAPL

- ✓ First class publications.
- ✓ Provides lobbying efforts.
- ✓ Networking opportunities.
- ✓ Certification opportunities.
- ✓ Education in industry.
- ✓ Tuition assistance.
- ✓ College Scholarships.
- ✓ Health insurance.
- ✓ Access to AAPL approved forms.

The AAPL provides the opportunity for the Landman to develop as industry trends change at local, state and federal levels.

masondixon energy

Current Land Problems / Issues

- Increased competition.
- Changes in regulatory environment.
- Value of leases increasing dramatically.
- Formation of landowner coalition groups.
- Shortage of qualified and experienced Landmen.

masondixon energy
masenergy.com

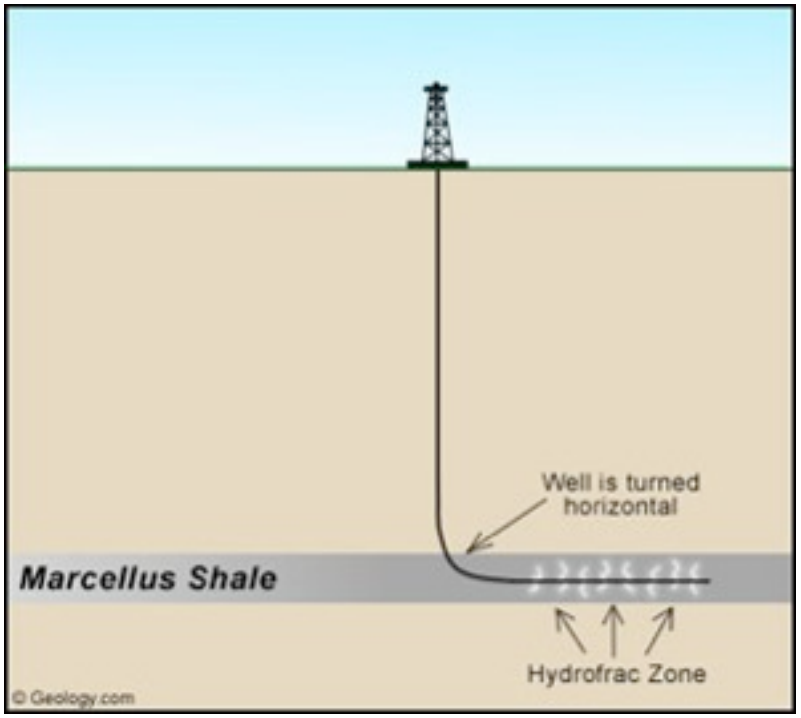
Well Spacing and Integration Conditions

Spacing and integration conditions for oil and gas wells are subject to the Environmental Conservation Law.

<u>For Conforming Units:</u>

✓ 40-acre unit –gas production from a shale or Medina pool at any depth.

✓ 80-acre unit –gas production from pools other than shale, Medina, Trenton and/or Black River above 4,000 feet.



A horizontal gas well.
Image courtesy of Brad Cole, Geology.com

Well Spacing and Integration Conditions

- ✓ 160-acre unit –gas production from Onondaga and/or Oriskany at any depth, or from pools other than shale, Medina or Trenton and/or Black River from 4,000 - 6,000 feet.

- ✓ 320-acre unit –gas production from Trenton and/or Black River from 4,000 - 8,000 feet, or from pools other than shale, Medina, Onondaga or Oriskany from 6,000 – 8,000 feet.

- ✓ 640-acre unit -gas production from pools other than shale, Medina, Onondaga or Oriskany below 8,000 feet.

<u>For Non-Conforming Units:</u>

Gas production from the zone(s) and/or depth(s) specified in the spacing order issued.

"The meek shall inherit the earth, but not its mineral rights"

~ Ancient Proverb

THANK YOU

Gregory A. Zerkel
Mason Dixon Energy, Inc.
101 Cambridge Place
Bridgeport, WV 26330

gzerkel@mdenergy.com
www.mdenergy.com

For a copy of this presentation, email your request to info@mdenergy.com