

# EAGA Business Builder

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Today's presentation was by Leon Marler -Marler Manor (on loan from the Texas Oil Industry)



Today, instead of discussing his Elder Care facilities, Leon thought it would be interesting to provide the members with some insight into the leases, mineral rights, royalties, and general ownership activities that pertains to operations in the Texas oil fields. He recently became involved in the Texas petroleum industry via a company that his son purchased. Now the elder Mr. Marler has become quite educated in that business, particularly as it pertains to the oil leasing and extraction processes. In his discussion this morning, Leon covered a large variety of topics—and little clear segue between them. This article will likely follow the same wandering path to encounter as many of the information nuggets as possible. The first topic concerned property ownership, as it pertains to mineral rights and surface

rights. Surface rights are self explanatory—ownership of what is on the surface; Mineral rights pertain to whatever exists below the surface; and apparently mineral rights can also be segmented or split out at different levels of depth. Next subject—well drilling types: Originally wells were vertical wells that went straight (relatively) down and provided a path for the oil and gas to flow out of the underground pools. Some wells are still drilled that way, but horizontal wells are becoming more common. Horizontal wells start out as vertical wells, but after a specified depth, commonly around 5000 feet, the path is directed sideways so that the well stays at a relatively consistent distance from the surface. Some of those lateral sections go out 2 miles. The 5000 ft depth is significant because the oil/gas operations are attempting to stay well away from the standard drinking water depth of about 1000 ft. Shift to the next topic - royalties: Royalties can be put on anything, but are most commonly based on product brought out of the ground. 20% to 25% is the usual rate for a producing well. The royalties can be paid on the oil, the gas, and even on the brine water that often accompanies the other products. Royalty values can be based on price of product at the well, or price of the product at market. No matter how it is valued, the royalty owners are usually compensated well for owning the right property at the right time. Surface right royalties are separate from mineral rights because the surface owner may or may not be the same entity. Another topic - why horizontal wells? The sideways drilled wells are specifically for a production method called "Hydraulic fracturing", or "fracking" in Leon's street lingo. In the process, something—water, CO2 or occasionally, an acidic solution, is forced into the ground, where it dislodges the desired products from the shale and directs it toward the main well. The materials are brought to the surface and separated for production. It takes about 500 barrels of pressurized water to produce 30 to 60 barrels of oil. More information nuggets: The lift cost (expense of getting the product to the surface) is in the range of \$17 per barrel for normal companies. BP has been working on various methods to reduce those costs and they have been able to get their lift costs down to \$5 per barrel in some instances. Industry estimates that payback on a producing well is 10 years. Leon also had glowing praise for the Texas Railroad Commission—the agency responsible for regulating the industry. We will leave the details of his specific comments to another confidential discussion. Leon has been well versed in gas production and saline solution for quite awhile now, but his recent involvement in Texas has also given him a good knowledge of oil production too. If you are interested in oil/gas production investments, give Leon a call. He has become quite involved in the process and the business. Thanks to Leon for taking the time to educate the rest of us. Very interesting indeed. We now know that the high price at the pump can be blamed on someone getting excessive royalties.

♦ Second announcement of prospective new member:

Affinity Ventures

Representative: Bruce Burns

Category: Business Broker

Sponsor: Mike Edwards

If you have an objection to this company becoming a member, or if you have any information that you feel should be considered during the application review process, please contact Committee Chairman, Jack Zipper, (jdzipper@comcast.net - 505-259-5959), as soon as possible.

♦

## Business Leads:

SLICE PARLOR, Pizza, opening @ 9904 Montgomery NE

TROPICAL SMOOTHIE CAFE, opening @ 9935 Coors Bypass NW

— Lionel Specter - Zeon Signs

## Reciprocity:

None written down today

- ◆ Board of Director meeting right after breakfast this coming Tuesday, May 10th.
- ◆ EAGA Golf Outing will be Saturday, May 21st at Elephant Butte. As of this Tuesday, Jerry had 40 folks signed up. Would like to have 50, so there is obviously room for your sand-bag group. A great value at \$20 per member and \$60 per guest. The bus will leave from Pat Maloy's shop at 6:30AM. The ride includes breakfast burritos and drinks. Return trip will get you back about 6:30PM. There is still room for a couple more hole sponsors, too. If you have any questions, please contact Jerry Becker - Event Committee Chairman.
- ◆ Summer Bash will be July 9th at the Maloy residence (same location as last year). More details as we get closer to the date. Working with Bash Committee members and their spouses is always good time, and a very good opportunity to see other members in a non-business, and often entertaining way. To join the Bash Committee, contact Pat Maloy or Dan Mowery.
- ◆ Shockwave Defense is offering a special training time for EAGA members only. Second Friday of every month, from 7:00 AM to 8:30 AM. Cost \$99 is about 50% off the normal \$199 rate. For more information, contact Michael Johnson via phone: 505-554-3888, or email: michael@shockwavedefense.com

## Badge Board Greeters

May 10th	Chuck Mitchell - Etheridge Tire
May 17th	Garrett Hennessy - TLC Plumbing & Heating
May 24th	Lou Rogers - Retriever Merchant Services
May 31st	No Meeting—Memorial Day holiday
June 7th	
June 14th	

## Upcoming Speakers

May 10th	Klint Hall - Lobo Wealth Strategies
May 17th	Mark Abramson - Los Ranchos Gun Shop
May 24th	Lt. Col Nicholas Dipoma 512 RQS/CC
May 31st	No Meeting—Memorial Day holiday
June 7th	
June 14th	

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