

## Talking Points for Selling Oil and Gas Lease Rights:

As we post... to move into the greater Ohio market, it is critical that Field Agents have a consistent selling plan for that market. The following points will outline our answers to commonly asked questions, including what to talk about and what topics to avoid. Oil and Gas exploration and drilling is meeting increasing resistance from local community groups, so it is essential to contact land holders and acquire signatures before sentiment by environmental and other public organizations limits our ability to obtain access to private land for oil and gas development. Remember, if at all possible try not to deliberately mislead the landowner, that only makes our position harder to defend at a later date. It is in our best interest to present our side of the issue in a manner that makes it more attractive. Do not discuss the detracting points of view in a manner that gives them any credibility. Don't feel that you have to discuss every point and question. Do not argue when you cannot win. Successful field agents understand what points to focus on so the benefits outweigh the cons.

### 1. Know your demographics!

- We have paid for an analysis of Ohio and the people. Use that data.
  - i. Ohio is a conservative leaning, Mid-west state. The typical Ohio resident will welcome you into their home and allow you to speak. This is critical. Face to face interaction can make the difference. Most mid-west Americans dislike confrontation. Even if they disagree on a selling point, they are unlikely to confront you over it. Therefore it is critical to obtain a lease signature in the first meeting, or at least the agreement to sign and take the lease to a notary. Drive them to the notary if you have to. If they have time to think it over, they are more likely to decline the offer.
- Provide the overall position of the nation.
  - i. Most landowners will be patriotic Americans, and will desire to free our nation from foreign oil dependence. Make certain you lead with this selling point. CHINA bought more oil than the United States last year. Fear of foreign encroachment is the biggest asset we have in selling our development strategy. Our analysis of Ohio shows that even the most liberal landowners will agree on this point. ALWAYS start your conversation with a new potential signee on a point that they will agree with. This is pure psychology. They will be more likely to let you stay and talk. Studies show the longer you talk, the more chance we have of signing.
  - ii. At any point in the pitch if talk turns to local issues, environmental hazards, etc... a good way to re-direct the conversation is to re-engage over the nation's energy needs and the desire to be oil self-reliant. Come back to the mutually agreed upon point about freeing the nation. CHINA bought more oil than the United States last year!
- Talk about our business
  - i. We are a small business, working closely with state governments when we set up wells. More educated landowners may know that we often sell our land leases to larger corporations. While this is often true, we do not always sell our interests. So it

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is reasonable to say that we plan all development in Ohio without partners. Future plans do not need to be fully disclosed, and they may evolve as we do exploratory drilling.

- Hydraulic Fracturing, "Fracing" - This technique to develop gas resources is coming under scrutiny, both in the mainstream media with articles appearing in the New York Times, and even in Hollywood with the movie "Gasland". Expect questions on this topic and be ready to diffuse land owner concerns.
- Stress to the landowner that we are primarily looking for oil resources. Searching for oil is less environmentally damaging than the claims against fracing. Oil exploration has been conducted for centuries, and is safe and effective. Do not deny that gas exploration may be possible, but do not emphasize it. Distance our selling position from the movie Gasland. We do not want landowners linking that image with our development plans.
- Most landowners will not know the difference between hydraulic fracturing and the process of Slick Water Hydraulic Fracturing. Use that to your advantage. Most wells in southern Ohio were drilled and then hydraulically fractured to make a viable source of water. Tell them that. Fracing is safe! There is nothing unsafe about the fracing process, if there was, it would never have been used in their wells. If anyone knows about slick water fracturing, avoid the topic. Do not discuss the chemicals and other material used during slick water fracturing. The best strategy is to state that the chemical mixtures used are proprietary and are highly diluted with water when injected. Reassure landowners that no well contamination has ever been documented. Do not mention water contamination in Pennsylvania. We do not want to associate ourselves with potential ground water issues. Stress to the landowner that we will use cement and steel casings to protect the aquifer. Leave your answers vague if they bring up Pennsylvania. Tell landowners that the Pennsylvania Department of Environmental Protection issues new drilling permits every year. They would not do so if the process were unsafe.
- Clean Air and Water Act – Activists have begun using the exemption of the Oil and Gas companies from the Federal Clean Air and Water Act against our industry. While this point is true for the exploration of natural gas, once again stress that we are searching for oil. Draw those lines clearly. Do not get into a debate about the law and environmental protection. State that our company has a good track record, and we follow all environmental rules and regulations set forward by the state of Ohio. It is Ohio that permits the drilling, not the federal government. Federal law has no bearing on our development. Less government interference is better. Mid-west Americans tend to agree with the proposition that less regulation would be better. ObamaCare is a great example, but watch your audience. Check for political bumper stickers as you approach the house.
- Marcellus vs. Utica Shale – Utica Shale covers the southern Ohio region that we are targeting. One strategy to defeat the issues on fracing is to discuss the differences between Marcellus and Utica Shale. Tell landowners that fracing is used in the Marcellus shale for natural gas. We are searching for oil in the Limestone and Dolomite rock formations. They

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will hear the distinction. While it is true that we will be able to evaluate the well in the shale layer for suitability for fracking and gas development, stress the initial hope of finding oil. Any distinction may be enough to finalize the lease.

2. Truck Traffic – There will be extra traffic, but stress that we do everything to keep it to a minimum. Some activist groups use traffic as a talking point. Just tell landowners the more trucks, the more royalties. Money will normally deflect most arguments. Return to the nation's energy needs if you need to.
3. Noise – Another argument against drilling is noise. Do not deny that the initial setup can be noisy, like building a home nearby. No one objects to new homes under construction. Say that the noisy portion of the operation is upfront and over quickly compared to the entire operation. This part of the process can take up to a year, but do not emphasize overall time. The well may last for 40 years, so one year of noise is not bad. If pressed for details tell them we monitor noise to ensure it is approximately 80 db at 200 feet. They will likely not understand the details, and will not admit that the technical data means little to them. Do not compare it to anything tangible, like train noise or airplane noise. Stick with the numbers, they provide the truth but make it hard to understand the exact implication.
4. Well Pad Size – Many people ask about their land and how much will be used. During the initial drilling, pad sizes of approximately 20 acres are necessary. After drilling and fracturing, the well will be on a land size of approximately 5 acres. Stress the five acres. Do not talk about the initial setup unless absolutely pushed on details and timeline for the drilling. After the lease is signed we will be able to deal with landowner concerns.
5. Well Spacing – This rarely comes up. Landowners do not realize that multiple wells will be necessary. Wells are most effective if spaced 40 acres or further apart. This sounds like a large number, use it. Some might ask how many wells will be in a square mile. Don't answer that question. Most landowners will not realize that 10-20 wells can be placed in a square mile. Landowners normally own less than 5 acres, unless it is a farm. 40 acres will be a large enough number that wells will seem to be far apart in their mind.
6. Lease Life – Our leases are for 5 years with small plots of land or 3 years with an option to renew for 2 years on larger land tracts. If the landowner has brought the lease to an attorney they may know that if the well continues to produce that the lease is extended for the lifetime of the well, which can be as high as 40 years. Do not deny if pressed on this issue. This extension does not require their approval. If we have an active well then it is within our legal right to continue development until we turn it off. Stress the 5 year lease unless absolutely pushed on the details.
7. Water Usage – This is a question normally asked by farmers. See the Talking Points for Agricultural Land paper to address those specific concerns. Residential owners will not know that we pull water directly from the local aquifer.
8. Radioactivity – Reports have shown that fracking and other oil/gas exploration techniques have increased radioactivity in the groundwater. This is caused by releasing naturally occurring radon from the ground into the aquifer. ENSURE you tell the landowner that we use NO RADIOACTIVE materials. The radioactivity comes from natural sources in the ground and is released by the process,

but don't tell them this. Most landowners will not know. Tell them we are RADIOACTIVE FREE, and that should alleviate those fears. If pressed, tell them it is natural radiation that is always there, we will not increase it by adding anything.

9. Property values – Multiple studies have shown that property values decrease for land with oil and gas leases on the property. Avoid this topic. Some major banks have stopped issuing mortgages on properties with leases for mineral and oil/gas rights, including Wells Fargo, Bank of America, and other large financial institutions. This is a no-win discussion point. If backed into this issue, talk about the potential revenues and the overall needs of the nation. China bought more oil than the United States last year!
10. Enhanced Oil Recovery – The overall plan is to drill exploratory wells, and then use more advanced techniques to get at the small oil pockets we find. This will require multiple well heads, where we pump in high volume of water and chemicals, much the same manner as in the fracking process. **DO NOT DISCUSS** this point. We want no correlation between fracking and enhanced oil recovery processes. We do not want landowners aware that we may have to drill many well heads in a single area. After we have the leases signed we have the freedom to use the land as we see fit. If needed we can even write leases with “No Fracing” positions, and even with these lease modifications we can legally drill multiple wells and insert high pressure “extractants”.
11. Lease Term – This is another area of concern that you can alleviate with the right wording. The lease is for 5 years. Sometimes landowners will read the lease before signing and realize that the lease renews automatically if any oil/gas are produced from the well. **Do not stress this point.** Just state that the lease is for 5 years. They don't need to know, or discover through discussions with us, that the lease can extend indefinitely with no further permission from the landowner.
12. Get the lease signed!
  - This is the most important part of the overall development plan. Signed leases will allow us to re-parcel the land as needed to receive minimum acreage under Ohio law. Even small parcels are important. A resident with a ½ acre plot can make the difference with the state oversight board to allow drilling. The state does not have to allow drilling even if the unit has 65% or more of the acreage. Sometimes the board will look at overall numbers of residents, and if the majority are against drilling then they reject permits for fear of local backlash. This is an acreage as well as overall number of people game. Get the lease signed.
  - Men are more likely to sign than women. Men don't like to believe that you know more than they do, so they are also less likely to ask questions. In the state of Ohio the husband can sign the lease without spousal permission. Go that route if required. Tell them it is their decision. Write the lease agreement with only the husband's name on the paperwork. This will make it more likely that they will sign alone. Men are also more conservative, and more likely to want oil and energy independence. Women will have more concern for the environment and will challenge you more often. Knowing who to approach can seal the sale.
  - If a landowner is undecided, there are several ways to offer incentives.
    - i. Offer a slight increase in the initial lease payment. Even a \$50 increase may be enough to sway the decision. Tell them it is to cover the Notary Public costs. That

way you are making a concession without caving and getting into a negotiation. Mid-west Americans appreciate feeling valued. This will work in your favor.

- ii. Tell the landowner that all their neighbors have signed. Even if the neighbors have not, this often will push an undecided landowner in favor of signing. Remember, the first visit is the most crucial. They will not know if their neighbors have signed, and even if they do they will want to sign so they do not lose out on the potential profits. Once they have signed, then you can show those leases to undecided neighbors for added pressure.
- iii. As a very last resort, you may offer the amended lease with the clause that no slick water hydraulic fracturing will be used. This limits our future options, but once we carry out initial drilling and testing, we will know the viability of gas extraction from the Utica shale layer. At that time we can re-approach holders of the modified leases and offer incentives to allow slick water hydraulic fracturing. The most important thing is to obtain the signed lease. Modifications can be made later if necessary. A signed lease is often enough to leverage a modification at a later date.