



flexicadastre

*Governance - Risk - Compliance*

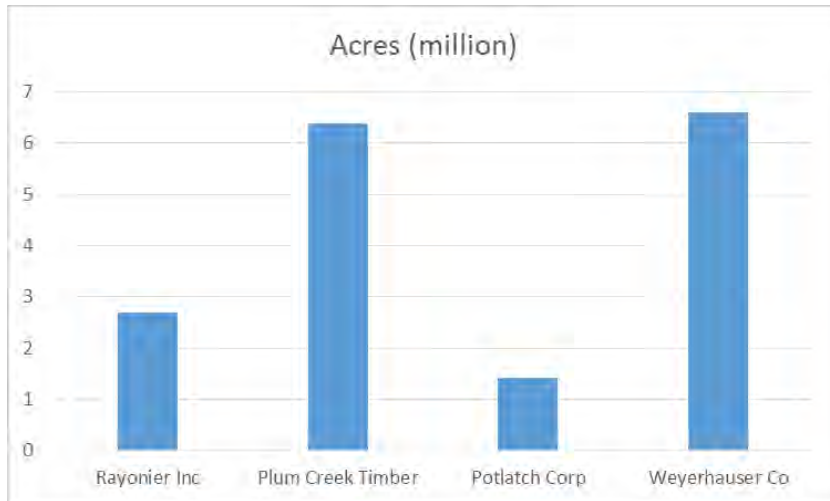
# Energy and Natural Resource Lease Management for Timber Companies

*FlexiCadastre User Conference, Cape Town  
February 7<sup>th</sup> – February 8<sup>th</sup>, 2014*

spatial dimension

# Background

- Timber companies are big land owners



- Significant energy and natural resource potential
- Leveraged by entering into lease or exploration agreements with resource companies
- Multiple agreement / lease types

# Their needs

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- Track Obligations on various leases and the associated assets
- Track Lease Interests - vary significantly in type and %
- Track Resource Interests - often divided and different to Lease Interest
- Comprehensive Record - large numbers
- Manage Locations - complex geometries
- Multiple Business Units
- Track Timber Damages

# Primary Lease Types

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- Energy

- Oil and Gas Leases
- Coal Leases
- Wind Leases
- Geothermal Leases



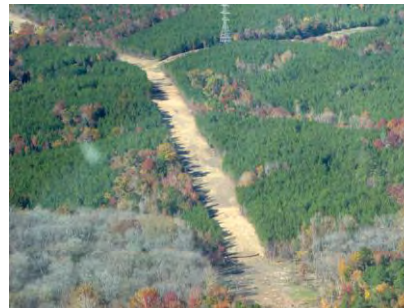
- Mineral

- Exploration Agreements
- Mineral Leases



- Surface Agreements

- Easements
- Rights of Way



# Secondary Lease Types

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- Facility Leases e.g. Offices, Warehouses
- Water Leases
- Other Leases (e.g. Equipment, Software)

# Lease Workflows

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- Lease negotiation / execution process same - single workflow
- Includes shape validation, communication, initial payment, approvals, insurance certification
- After execution, individualized workflows
- Commonality in key obligations within lease types
  - Surface Leases - timber damages
  - Oil & Gas and Mineral Leases - royalties and production statistics
  - Wind leases - royalties
- Templates can be setup to ensure consistency in capturing key lease data for each type
- Leases can be automatically coded using lease types, map references and counters

# Oil and Gas Leases

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- Lease interest typically defined by Lessor's royalty interest in individual wells covered by the lease
- Leases status varies depending on the status of the wells
  - Active
    - Held by Operation: Wells are in exploration drilling phase
    - Held by Production: Wells are producing
    - Extension: More time is needed to start operation / production
  - Inactive
    - Shut In: Wells are no longer producing / uneconomic. May be re-opened
    - Terminated: Wells are depleted

# Oil and Gas Leases

- Conditions are used to define:
  - Insurance Provisions
  - Bonus Payments
  - Gross Rentals
  - Royalty %
  - Terms

All	Map	Condition Type	Condition Description	Condition Value	Condition Unit	Start Date	End Date	Actions
<input type="checkbox"/>		Bonus		1,500.00	US\$			0
<input type="checkbox"/>		Gross Rental		1,000.00	US\$			0
<input type="checkbox"/>		Insurance - Automotive Liability		500,000.00	US\$			0
<input type="checkbox"/>		Insurance - Environmental Liability		2,000,000.00	US\$			0
<input type="checkbox"/>		Royalty (%)		11.500	%			0
<input type="checkbox"/>		Term	Initial Term only. Indefinite once in Production	5	Years	Jan/02/2014	Jan/02/2019	0


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- Related Documents (Lease Agreements, Amendments, Assignments, Production Statements)



# Oil and Gas Leases

- Related to Wells (assets)
- Reference codes are used to define:

There are 2 Reference Codes associated with this agreement Extract: 

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All	Reference Code Type	Reference Code	Date
<input type="checkbox"/>	Recording Book and Page	Vol 16-J @ Pg. 219	
<input type="checkbox"/>	Release Recording Book and Page	vol. 16-J Page 219 Pope	

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- Actions depend on lease status and term
  - Held by Operation: Annual / Quarterly Reviews
  - Held by Production: Recurring Royalties, Production Statistics
  - Shut In: Annual Reviews
- Lease shapes often multipart
- Map References and Shape Legal Descriptions critical

# Oil and Gas Leases

## Statistics : Lease Production

**Action** Approval Documents User Notification Reference Codes Work Accounts Audit

General **Details**

There are 4 items in the list Extract: Tools:
















All	Type	Value	Unit	Commodity	Comment
<input type="checkbox"/>	Volume	50,000.00	x 1000 Cubic Feet	Natural Gas	
<input type="checkbox"/>	Own Volume	5,000.00	x 1000 Cubic Feet	Natural Gas	
<input type="checkbox"/>	Gross Value	3,252.60	USD	Natural Gas	
<input type="checkbox"/>	Own Value	325.60	USD	Natural Gas	

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**Action Status** To be closed by Pat Green (Revenue Analyst)

# Oil and Gas Leases

## Payment : Royalty

<b>Action</b>	Documents	User Notification	Reference Codes	Work Accounts	Audit
<b>General Details</b>					
Due Date:	Feb/04/2014  *				
Accounting Code:	ABC-123-456				
Reference Number:	Check 5678				
<b>Payment Details</b>					
Direction:	Incoming  *				
Paid By:	Twin Peaks Energy   (address   account)				
Paid To:	American Timber Company, LL   (address   account)				
Payment Period:	From: 	To: 			
Include Tax Information:	<input type="checkbox"/>				
Round Budget Amount:	<input type="checkbox"/>				
<b>General</b> <span>Items</span>					
<b>Actual</b>			<b>Budget</b>		
Amount:	325.26	US Dollar 	Total Amount:	0.00	US Dollar 
Receipt No.:					
Comments:			Split EFT 		
<b>Action Status</b>					
   To be closed by Pat Green (Revenue Analyst)					
Close Date:	Feb/06/2014  *				

# Mineral Leases

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- Usually start as short term Exploration
- If successful, a Mineral Lease will be signed for exploitation of the resource
- Actions typically include Rental Payments and Royalties (advanced and/or production), and Production Statistics.
- Conditions typically govern:
  - Minimum Royalties
  - Insurance provisions
  - Extension Terms
  - Royalty Rates (Scalable)

# Mineral Leases

- Related assets are typically Drill Holes
- Reference codes define
  - Recording Book & Page Numbers
  - Release Recording Book & Page Numbers
- Production statistics are typically tracked against a known resource volume
- Monthly Production is then tracked as a depletion (negative number)
- Depletion against the total reserve can be tracked
- Custom database view consumed in SSRS or Excel

strCode	strName	strActionType	strStatisticType	strStatisticUnit	decQuantity	dteDue	dteCompleted
NC-ML-141-001	Wilke Lease	Lease Reserve Depletion	Volume	Extracted Tons	17,000.00	11/30/2012 0:00	11/30/2012 0:00
NC-ML-141-001	Wilke Lease	Lease Reserve Depletion	Volume	Extracted Tons	40,000.00	2/28/2013 0:00	3/15/2013 0:00
NC-ML-141-001	Wilke Lease	Lease Reserve Depletion	Volume	Extracted Tons	25,000.00	5/28/2013 0:00	5/28/2013 0:00
NC-ML-141-001	Wilke Lease	Total Lease Reserve	Volume	Total Tons	20,000,000.00	8/1/2015 0:00	
					19,918,000.00		

# Surface Agreements

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- Can be once type arrangements e.g. putting in infrastructure of owners land or long term arrangements for utilities (e.g. pipelines, power lines)
- Always an initial consideration payment which involves a payment for use, and a payment for timber damages to cover lost revenue
- Recurring rental payments for long term arrangements
- Conditions typically include:
  - Initial Consideration
  - Insurance Provisions
  - Extension Terms
  - Gross Rental Rates

# Wind Leases

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- Usually term agreements with an initial period to get into production, and then negotiated extensions
- An initial consideration in the form of a License Agreement Fee is usually payable
- Ongoing annual rentals with escalations
- Once in Production, there are Royalties payable and Electricity Production statistics are tracked to verify Royalty payment amounts
- Conditions typically govern:
  - Initial Considerations
  - Extension Terms
  - Initial Period Rates
  - Royalty Rates
  - Insurance

# Facilities Leases

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- The company is either the lessee or lessor
- Actions normally restricted to incoming and outgoing rental payments, filing of insurance certificates.
- Property tax may be payable by lessor
- Conditions will typically cover
  - Access restrictions
  - Assignment
  - Extensions / Renewals
  - Usage and Reporting on Usage
  - Taxation
  - Termination



# Questions

