

# FREQUENTLY ASKED QUESTIONS

*NOTE: We recommend that you consider the advice of professionals for legal, accounting, and tax issues.*

## The Lease

### **Why should I sign with Titan/Caffey if I can get more money with others?**

Although another company could come along and offer what appears on the surface to be a greater signing bonus or financial terms..... be very cautious!! Landman offering a little extra money fail to explain the terms and conditions or state the long term payoff. CAMRA worked long and hard to get most for our homeowners over the short term and long term. We maintained good environmental terms and established the foundation for a positive and trusting relationship with the recommended company.

THE NET IS THIS – you will likely receive a little more money now and could possible lose many times the gain over the life of the lease. In addition you will likely have a contract that is much less favorable than what was negotiated for you. You may also have “hidden” in that contract “releases”, if you are anywhere close to a competitors well site. Being less than a 1000 feet from a well site could entitle you to additional compensation well above the extra money you are being offered regardless of which company your choose. Be informed!

### **What If I didn't sign an MOI or LOI ?**

Anyone who owns property located within the CAMRA boundaries and/or owns the mineral rights to that property and has not previously signed a lease with another party, will be able to participate.

### **Can I review the lease before signing?**

Absolutely – this is highly recommended and you may want legal advice too. You can download the lease from the lease contract

### **What if I don't want to sign a lease?**

This is your choice. You will not get a signing bonus or royalties.

### **What if I want to sign a lease with a different operator other than the CAMRA recommendation?**

This is your choice but we would encourage you to stay with the Coalition to maximize the acreage available to Titan/Caffey which in turn maximizes our royalties. When you do not stay united you will help delay the time to production.

**What you do makes a difference to everyone in the CAMRA area.** The more people that sign with Titan/Caffey, then the more land is available to maximize the unit or pool of acreage. This directly translates into maximum royalties to all parties in CAMRA who signed with Titan/Caffey.

Signing with a different company creates a “jigsaw puzzle” of properties that makes it more difficult to drill wells. We want to have drillable well sites at the horse farm, and we want a lot of them in every direction. To do this, Titan/Caffey needs large areas that are contiguous without "holes" made by properties signed with other companies.

It may be possible that Titan/Caffey might be able to trade leases with other companies so that they end up with all the area needed, but there is no guarantee on this. It is better to have as many owners as possible all sign with one company. Having too much of a jigsaw puzzle with multiple owners devalues everyone's resource because it reduces the ability to drill wells, produce the gas, and the royalty check that you get.

We want the best producing wells with long horizontal sections, and this requires large contiguous pieces of land. Every lot signed with a different company makes this more difficult.

### **Does each property owner now have to sign an individual lease?**

Yes. Each property owner must now sign an individual lease if they wish to take advantage of this deal. The Coalition simply negotiated favorable terms for your individual lease. If you do not wish to sign the lease that the coalition negotiated, you are under no obligation to do so

### **When should I sign? Is there any reason to hurry?**

We want you to have reasonable time to read the lease thoroughly and understand what you are signing.

We strongly urge you to carefully consider all the facts. We feel that doing so will convince them that the Titan/Caffey deal is the best for the CAMRA area, a solid financial package with very good environmental and operational provisions and a good and practical drilling plan.

### **Exactly what company am I signing with?**

Your lease will be with the Titan Operating. Titan Operating is the operator and performs the drilling (using a drilling contractor for equipment and crews, just like Chesapeake, Carrizo, others), and makes royalty payments.

### **Why isn't there a place for Titan Operating to sign my lease?**

It is standard practice in Texas for leases to be signed only by the Lessor and not the Lessee.

### **Why doesn't the lease state the signing bonus?**

The signing bonus is not stated in the lease document. This is standard procedure in Texas, and may be a relic from the days when operators could keep the current rates a secret from the general public, back before the internet. Please take your calculator and check the figures for your bank draft to make sure you agree with the figures.

**Note: Be sure to keep a copy of the bank draft** for your records. This may be handy in the event Titan/Caffey exercises the option to extend the lease. A second bonus payment will be required and you'll be able to make sure the amount is correct.

### **Can I sign with more than one company?**

No, leasing your mineral rights is exclusive. You can only sign with one company. Each property will be in one unit and one unit only for the Barnett Shale. You will get royalties only from the wells in the unit where your property is located.

### **Is there any cost to me in the lease signing?**

No.

### **Will I have to prove that I own my mineral rights in order to qualify?**

No. The Caffey group will do a mineral rights title search on each property. The benefit to you is that they will take care of this. Caffey will determine whether someone other than you claims to own some or all of the mineral rights to your surface property. You do not have to prove anything. Simply assume that you own your mineral rights until and unless Caffey proves conclusively otherwise. Of course, if you think you have irrefutable proof that you own your mineral rights, then by all means bring that along to your signing meeting.

The flip side of this benefit is that your bonus check will not be mailed until Caffey has completed your title search. They have 30 business days after you sign your lease to accomplish this.

**What does it mean, 3 year lease with 2 year option (with same signing bonus)? Does that mean that after 3 years, they will pay the lease fee of \$25,000 per acre again?** Yes, if no wells have been drilled and there is no production at the end of the first three years. Titan will do everything they can to drill wells within the first three years and to

hold the lease by production. In the event of some delay, then they can pay us again for another two years.

Note: Be sure to keep a copy of the bank draft for your records. This may be handy in the event Titan/Caffey exercises the option to extend the lease. A second bonus payment will be required and you'll be able to make sure the amount is correct.

### **When will the lease expire?**

The lease will expire three years from the date you sign it, unless Titan/Caffey exercises the two years option and pays you again for the extra two years.

Once gas is being produced from at least one well per unit, the lease will be "held by production." As stated in the lease, "This Lease is for a term of three (3) years from this date (called "Primary Term") *and so long thereafter as oil or gas is produced* from the Land or lands pooled therewith in paying quantities." This means that regardless of how long it has been since the lease was signed, if gas is being produced in paying quantities (enough to make a profit), then the lease remains in effect.

### **Will I need to get a legal release (called subordination agreement) from my mortgage company? If so, who will pay the fees for getting this paperwork?**

Your mortgage holder or Titan/Caffey may either one or both require a subordination or non-disturbance agreement. However, our lease provides for the following: "If a subordination or non-disturbance agreement is needed from any lien holder for Lessee's operations hereunder, Lessee will pay all costs and expenses related thereto."

### **Will signing the lease also provide a waiver or set back?**

No, signing the lease does not provide a waiver or set back - that would not be right. These are two separate deals. The city ordinances dictate the format of a waiver if one is needed. If it is determined that a waiver is needed for whatever reason each property owner will have to determine for themselves what they want to do about signing the waiver or not signing it. It is standard practice in Tarrant County for companies to offer additional compensation to the property owner for a waiver.

## **Signing Day**

### **When can I sign?**

**NOTE:** Because we have such a large number of homeowners we will break our HOA's, Group's, Street's or special properties into specific days to sign.

The first signing will be held August 7<sup>th</sup> from 4 – 8pm. We have identified the first HOA's, Group's and Street's and they will be published on the website and mailed to all of the CAMRA members in those HOA's Group's or Streets. If you are homebound and need a representative to call on you at home, please contact the **Caffey Group at 817-348-9766** to arrange this. Likewise, if you have a special situation and need to arrange something other than the normally scheduled signing meetings, then please call to make arrangements.

Please visit our website for the latest on signing dates.

### **Where do I go to sign?**

The first three(3) signings will be held at the Crown of Life Church. The next six are being held at the Good Shepherd Catholic Community. They have graciously agreed to support our efforts and we appreciate their kindness.

### **What do I need to bring to the lease signing meeting?**

Each person signing must have a photo ID. You will also need your Social Security Number (from memory; you don't need your SS card) to complete an IRS W-9 tax form. If there have been any life changes such as divorce, death, name change, etc., so that the title on the property doesn't match your current status then copies of supporting documents must be provided. You may need a copy of a probated will, a divorce decree, power of attorney, etc. If anyone is signing on behalf of a trust or corporation, you need to bring a copy of that portion of trust or corporate minutes which gives you the power to sign on behalf of that entity. Bring one extra copy of each document that you bring so it can be left in your file. This will make the process go more quickly for everyone. Bring your acreage calculation, showing separate numbers for any streets or other easements, or a copy of your property survey, if you have one. Bring a calculator to check the math.

**Important:** If you are married, both spouses must come to the lease signing, as they will need both signatures.

### **Which day should I come to for my signing?**

Signing dates are based on HOA's, Groups and Street locations. They are NOT based on your name. We will be sending out e-mails to every homeowner and to every HOA, Group or Street leader to also notify homeowners. In some cases we will also place flyers on homeowner's doors to remind them.

**What are the requirements for signing a mineral lease for a commercial property? Who is required to sign? What proof do I need to bring that I am authorized to sign a lease for the commercial entity?**

The signing of commercial entities can be a bit more complicated, and specific documentation is sometimes required, so a Caffey Group representative will need to discuss this personally with commercial property owners. Call the Caffey Group at 817-348-9766 to receive instructions and schedule an appointment.

**How can I be sure that the lease I sign is the authorized lease that the coalition negotiated?**

The Lease is available on the CAMRA website, and you can compare leases when you sign.

**What if I disagree with the acreage calculation offered for my lease?**

Bring your proof – survey, plat, calculations, etc. and be ready to show your numbers.

**What if I cannot attend the signing meeting on my designated date?**

Please do your best to attend the Signing Meeting on your designated date. However if you cannot attend on your scheduled date you may come to any of the meetings following your scheduled date. There will also be make-up days. Please do NOT worry. There will be plenty of dates available for you attend. If for some reason you are not able to make any of the scheduled dates you can contact the Caffey Group and arrange a special time to meet,

**What if I cannot attend the Signing Meetings because I live out of town?**

The Caffey Group will mail the necessary documents to non-resident property owners, to be executed, notarized and mailed back. Simply call the Caffey Group and they will arrange for your documents to be mailed you.

**What if I cannot attend the Signing Meetings because I do not have transportation?**

Call the Caffey Group and a representative will arrange to come to your home for signing.

**What if I cannot attend the Signing Meetings because I am handicapped and cannot travel, in the hospital, or otherwise incapacitated?**

Call the Caffey Group and your situation will be addressed appropriately.

**What if one of the joint owners of my property cannot attend the Signing Meeting, or is deceased, divorced, legally separated, in prison, incapacitated, unable to be reached, or their whereabouts are unknown?**

Call the Caffey Group and your situation will be addressed appropriately.

## Your Acreage /Lot Size

### Does Titan/Caffey know how many acres I have?

Yes, Titan/Caffey has made every effort to insure that the acreage amounts they have for you are correct. They use data from the Tarrant Appraisal District (TAD) since as a taxing entity, their numbers will be the most accurate as they have the most to gain for larger acreage amounts. However, if a land owner can bring in a survey and prove the acreage amount to be different, then Caffey will pay them on that. However, if a survey is too complicated (an irregular shaped lot), the best thing to do is bring in your TAD (Tarrant County Appraisal District) tax receipt for the final judgment on the acreage amount. They cannot accept a hand-drawn plat since its accuracy cannot be verified. For typical residential lots, if there is a discrepancy between your verifiable survey and the TAD data, Caffey will use the greater of the two. Larger tracts will be calculated exactly.

With lot or homeowners it is Caffey's practice to pay to the middle of the street in anticipation that the landowners will own this interest. They use a certain factor to multiply your lot acreage to determine an approximation of the street area (different factors for one street, two streets, or cul de sac). In fact, the factors they use to pay to the middle of the street are inflated to allow the largest payment as reasonably possible to account for this issue.

The acreage amount that is put on the lease that you will sign is an approximation, however, this approximation is expected to be within one-thousandths of an acre, so it is valid enough for calculating your signing bonus.

When royalties are calculated, the acreage amount must be as precise as possible. When the drilling is completed, there will be a process called division order analysis. At that time, the exact acreage amount will be calculated through surveys that will be performed through the drilling process. This is the acreage amount that will be used to make royalty payments

### **Will I get paid on streets, easements, etc. adjacent to my property?**

Yes.

## PAYMENTS

### **When will I get my bonus payment?**

You will receive a bank draft at the signing once you have signed which you deposit like a check. It will take 30 *banking* days for this to clear from the time it gets to Caffey's bank – so approximately 6 weeks.

### **When will I start receiving royalty payments?**

Within 120 days of the start of production.

### **Why is Caffey paying with a bank draft instead of a check?**

The reason this is required by Caffey is that this allows them enough time to verify the title and mineral rights before the money is paid. Since according to the lease, each property owner (Lessor) does not warrant the title or mineral rights, there is no guarantee that anyone signing a lease actually owns the mineral rights. It is Caffey's responsibility to verify this.

*If the Lessor does not own the mineral rights, then Caffey stops payment on the bank draft. Caffey's policy is to pay for only mineral rights that are actually owned by the Lessee.*

## **TITAN DRILLING EXPERIENCE AND PLANS FOR CAMRA**

### **Where will the wells be drilled?**

The well sites that will support our properties are located on Pleasant Run next to the Southlake Border, on Westcoat close to McDonwell School Road and on Hall Johnson close to Pool Road.

### **When will the drilling begin?**

Probably 2 to 3 years from now at the latest. The faster we can get leases signed, the sooner Titan/Caffey can complete the title work and be ready to drill. They will be working to have wells drilled to hold the leases by production before the end of the 3 year term so they will avoid paying the signing bonus again for the 2 year option.

### **What company will actually be doing the drilling?**

For the three (3) well sites supporting CAMRA properties, Titan Operating will do the drilling.

### **Where will the wells be drilled?**

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**How many other urban wells has Titan drilled? And what are their outcomes?**

The best way to answer this is to refer to data published by the Powell Barnett Shale Newsletter. Although Titan Operating is a relative newcomer, the principles of the company are not. The Chairman of Titan Operating is Hollis R. Sullivan, who also operates Hollis R. Sullivan Inc. The Vice President of Operations for Titan Operating is Chris Hammack, formerly VP of Drilling and Completions at Range Resources. He was directly involved with all the wells listed below under Range Resources.

Here's the Powell data (abridged and reprinted with permission):

**Rank by Peak Month Average Daily Production**

<b>Tarrant County Barnett Shale Wells By Completion Operator To Oct. 1, 2007</b>									
<i>Research: Powell Barnett Shale Newsletter© December 14, 2007</i>									
	Completion Operator	Type Well	No. Wells	Peak Mo. Daily Ave. MCFGPD Average	Ave. Sept. 2007 MCFGPD Average	Age Mos. Average	Cum. Gas To Oct. 1 2007 MCF Average	Peak Mo. Daily Ave. Wells With 3,000+ MCFGPD No.	Peak Mo. Daily Ave. Wells With 3,000+ MCFGPD Ave.
	Tarrant County Horizontal Averages >	H	854	2,040	998	16	484,722	156	4,035
RANK 4	RANGE PRODUCTION COMPANY	H	14	3,173	1,491	11	559,827	5	5,535
16	CARRIZO OIL & GAS, INC.	H	14	1,735	1,358	8	225,874	3	3,509
20	SULLIVAN, HOLLIS R. INC.	H	11	1,666	526	34	601,579	1	3,090

POWELL BARNETT SHALE NEWSLETTER [www.barnettshalenews.com](http://www.barnettshalenews.com) – ISSUE OF DECEMBER 17, 2007 5 of 67

As you can see, Carrizo and Hollis R Sullivan are pretty comparable as to the number of wells drilled (through 10/07) and the peak production of the wells. The real production stand-out is Range Resources. CAMRA will be able to capitalize on this expertise through Titan

**What are the details of the Titan plan for drilling wells from the three (3) well sites?**

Titan's current plan for the CAMRA area calls for wells that go all over CAMRA from the three (3) well site locations. The plan includes wells with various lengths of horizontal displacement, and some of these are considerably longer wells than most other companies drill. This is good news for CAMRA because the latest data seems to confirm that long horizontal laterals, up to 7,000 ft, make the best producing wells. These wells have much greater peak production, which is the key attribute that determines how "good" a well is in the Barnett Shale.

### **Can Titan drill long wells like this?**

Yes. The VP of Operations with Titan has drilled wells with lateral section of over 7,000 ft in the Barnett Shale in Tarrant County.

### **How do units work?**

Here is a simplified example. There are two small rural farms. Farm 1 has 100 acres and Farm 2 has 200 acres. Both farms sign mineral leases with the same gas operating company and they both get a signing bonus and 25% royalties with no costs. The company forms a unit, or pool, of 300 acres made of both of these farms. A horizontal well is drilled on Farm 2. The entire length of the horizontal lateral is all under only Farm 2. It produces gas and both farms get royalty payments, even though the well is not under Farm 1. Farm 1 gets 1/3 of the 25% royalty (because they have 100 of 300 acres). Farm 2 gets 2/3 of the 25% royalty (because they have 200 of 300 acres).

The well does not have to be placed under your property or even near your property in order for you to collect royalty payments. Your property must be unitized, or pooled into a unit, and there must be a producing well or wells in the unit, and then you will receive royalty payments provided that you signed a gas lease.

### **Will the foundation of my house be affected by drilling activity?**

No. The soil and rock that is affected by the drilling fluid (mud) throughout the drilling process is only a matter of a few inches to a few feet from the wellbore, depending on rock properties, so the vertical portion of the hole will not affect homes. The horizontal section of the hole will be at least 7000 ft below the surface, more than 1.3 miles deep. This portion will have no effect on anything on or near the surface, even during the frac job.

## **Other Questions**

**How is CAMRA paying the attorney representing CAMRA? Could there be a potential conflict of interest?**

The lawyer is obligated to the party that hired him regardless of who pays the bill. This is similar to hiring a buyer's rep that gets paid by the seller, for buying a house. We have a signed engagement letter with him. We have agreed with Titan/Caffey that they will pick up the cost of the attorney as well as our other expenses that we have incurred.

**Is there anyone on our CAMRA Leadership or in any other decision making role that is connected via a working relationship or partnership with Titan/Caffey?**

No one on the Leadership group or in any other decision making role has a working relationship or partnership with the Caffey Group, Titan Operating, or Hollis R. Sullivan Inc.

Each member of the CAMRA Committees is strictly a volunteer, with no expectation of any compensation, remuneration, or gifts of any kind, now or in the future. The members are committed to conducting its business ethically and with integrity, and to a high standard of ethical values.

Each member of the CAMRA Leadership gets exactly the same "reward" that you do: a sound lease agreement with the same signing bonus, royalty percentage, and terms as everyone else in CAMRA.

**I'm going to sell my house. Can I retain the minerals?**

Yes. In accordance with Texas state law, real property can be separated into the surface estate and the mineral estate, and these two entities may be severed and treated separately. If you own your home and the mineral rights, you can elect to sever the two and sell the house and surface land and retain your mineral rights.