

THE STRATEGIC VALUE OF LAND

How to create and measure
the value of land

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Landing the Right Efficiency Mix

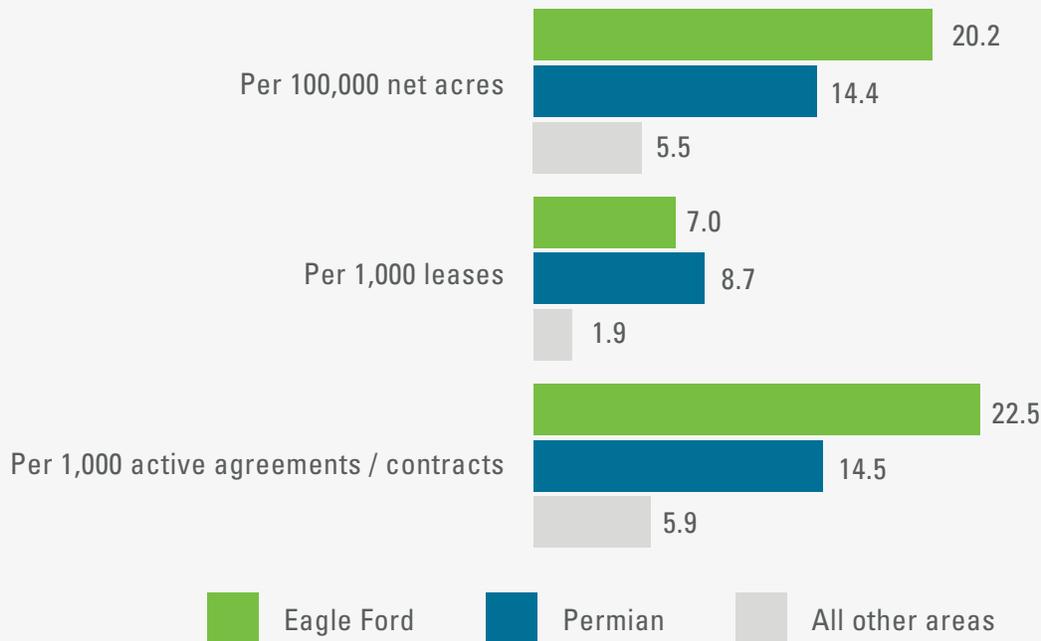
Despite its' strategic importance and role across the entire asset lifecycle, land organizations – like all others – are having to constantly justify headcounts and business value. In order to do this, there is a need to both understand the complexities and constraints the modern-day landman faces as well as the huge strategic value they bring to organizations. In the words of PwC in their recent Land Operations and Land Administration benchmarking study, while “executives will continue to seek efficiencies, optimize their portfolios and seek further cost reductions. Successful organizations will be those that can do so without sacrificing key capabilities in areas such as land.”

So how can we better highlight the strategic value of land and its' capabilities? This paper shows how Drillinginfo, working with land organizations across the U.S, is achieving this.

Understanding The Complexity Factor

Firstly, it's important to understand that geography is a crucial factor in land today, with the more complex the play the more important the role of land and the higher the headcounts. Figure 1 from the PwC benchmarking study shows how the Permian Basin and Eagle Ford Shale have up to three to four times the land headcount of other basins.

Figure 1. Average Land Organization Headcount (FTE) by Region



Source: PwC Land Operations and Land Administration Benchmarking Study, 2018

As the PwC study found in its interviews with 18 E&P companies representing nearly 45 million onshore US acres, the greatest drivers for land headcount and effort are lease complexity, royalty owner numbers, a lack of forced pooling, and longer laterals – all of which are prevalent in the Permian and Eagle Ford.

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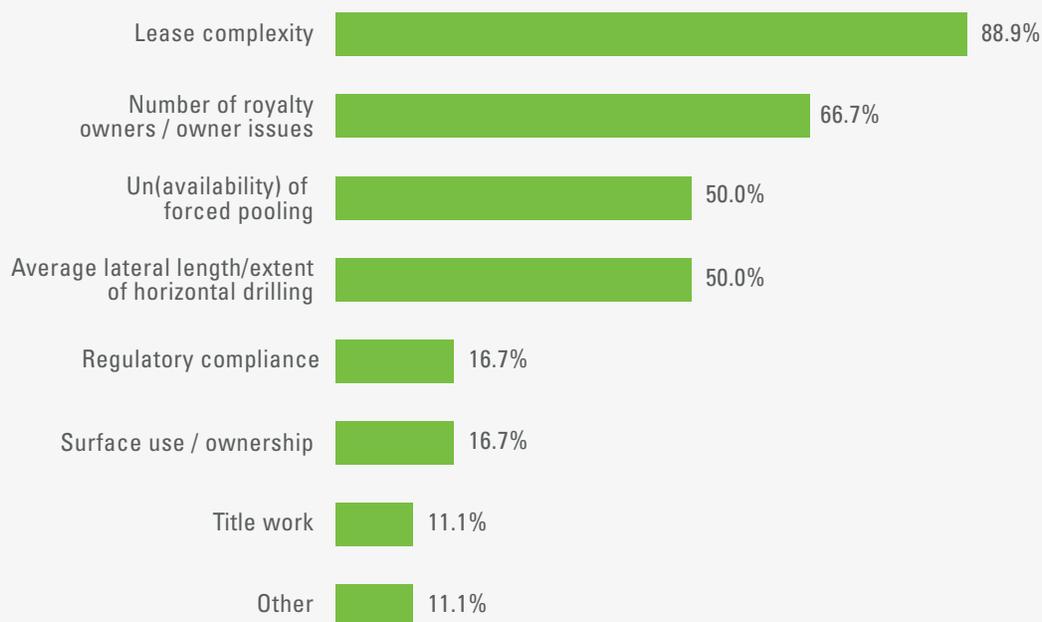
– Keith Considine, Richard Rose & Steve Wright, PwC, Rigzone, March 2018

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A Need to Demonstrate Value!

Yet, as the PwC study points out, “the complexities and constraints faced by land organizations...are often not well understood by non-land professionals.” There is a need for land organizations to become better at promoting themselves and the huge benefits they deliver. It’s also important to understand that there shouldn’t necessarily be a linear relationship between land and company-wide capital spend as land organizations can be just as vital when activities are less buoyant.

Figure 2. Greatest Drivers of Work Effort in Land



Source: PwC Land Operations and Land Administration Benchmarking Study, 2018

With these issues in mind, PwC has developed a land value framework (see Figure 3) illustrating how land creates value and the key performance indicators (KPIs) to measure these by. The rest of this paper will look at how Drillinginfo and its’ land solutions are making this land value framework a reality

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Figure 3. Land Value Framework

Is the land organization creating value? Is it efficiently executing key land value creating activities? How do you know—are you tracking and managing against key performance indicators?



Drillinginfo: Delivering on the Value of Land

So how can one deliver on the guiding principle of making land a key strategic partner and key enabler to business success? Let's take a look at the three main strategic objectives of land organizations - i) creating value through strategic asset acquisition; ii) maintaining assets to preserve value; and iii) the enabling of operations to unlock assets – and how Drillinginfo is supporting these strategic objectives.

Strategic Asset Acquisition

Securing the right assets and open acreage that fit within your portfolio and long-term strategic plans is an essential role of land organizations and requires extensive due diligence, strategic intelligence and – in some instances – acreage trade and swaps that allow operators to extend the reach of their drilling with minimal acquisition costs.

Drillinginfo's land solutions provide extensive intelligence on target zones, enabling - landmen to access multiple data sets, digital property records, tract locations and real estate documents for more than 149 counties.

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Leasing and permit trends, heat maps, geologic map layers, production data and the largest leasing database in the U.S provides operators with the maximum information they need for strategic asset acquisitions. Custom decline curves and sensitivity analysis can also be used to quickly evaluate investment scenarios.

Furthermore, whereas a 2D view of acreage in a stacked play offers operators a limited picture, Drillinginfo provides an unrivalled level of detail - identifying Pugh or depth severance clauses (that limit the rights of the lessee) as well as acreage held by production (HBP).

The result is improved drilling lead times ensuring that production targets are met, and costs minimized, reduced workloads further down the line, and profitable and successful assets. Deliver on these and land organizations can demonstrate value throughout the company!

Maintaining Assets, Preserving Value

Maintaining assets and preserving their value is another key role for land organizations. Without an effective land organization, operators can be vulnerable to legal and financial risks from lease or royalty compliance through to title defects and competitors stealing a march in neighbouring regions.

Key to this is effective data integrity management. To this end, Drillinginfo's land solutions and IT and data analysis advances can coordinate multiple parties within the land management supply chain and ensure data integrity throughout. Features include the ability to control access from different stakeholders; personalize accounts according to county; share run sheets to eliminate redundant title work; gain valuable insight into different projects; and track different people's search activities.

Such data can also be integrated with production, permitting, and completion information to help the landman easily determine acreage HBP or ongoing exploration activity. Customized notifications on relevant permit activity can also be delivered straight to the desktop.

The result is strong reserves inventories and a minimal impact from lost leases, missed obligations and legal difficulties.

Unlocking The Value of Assets

Finally, there is the role land organizations play in unlocking the value of assets. Key activities here include conducting title review and curative, maintaining and developing relations with mineral owners, and negotiating with partners.

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Again Drillinginfo's land solutions ensure that maximum value for one's assets. Faster, deeper and smarter research enables operators to execute and close deals with owners and partners before the competition knows as well as the continual tracking of competitor leaseholds.

When it comes to running titles – rather than antiquated index books – users can also leverage immediate 24/7 access to digital property records. Therefore, instead of searching for information, operators can focus on what they do best – creating and negotiating opportunities.

Benefits and KPIs include reduced litigation and the tracking and managing of suspense levels as well as increased profitability and production from assets.

Future Developments

Of course, innovations in the oil & gas industry never stops for anyone certainly if the last ten years are anything to go by. From new process automation to predictive analytics to the very latest in data intelligence, Drillinginfo will continue to support land organizations every step of the way, ensuring that their true value is recognized by all.

References

- Land Organization Headcount and Drivers of Land Activity, Rigzone, March 30 2018
- PwC Land Operations and Land Administration Benchmarking Study, 2018



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