



# University Lands Update

Mark Houser, Chief Executive Officer – University Lands

U. T. System Board of Regents' Meeting

Finance and Planning Committee

May 2015



THE UNIVERSITY of TEXAS SYSTEM

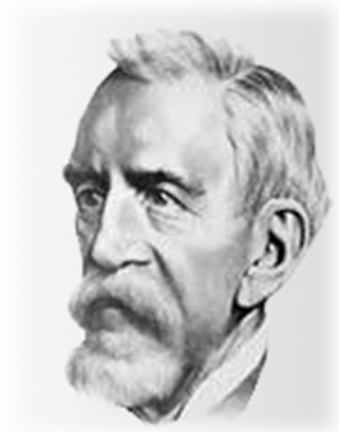
*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

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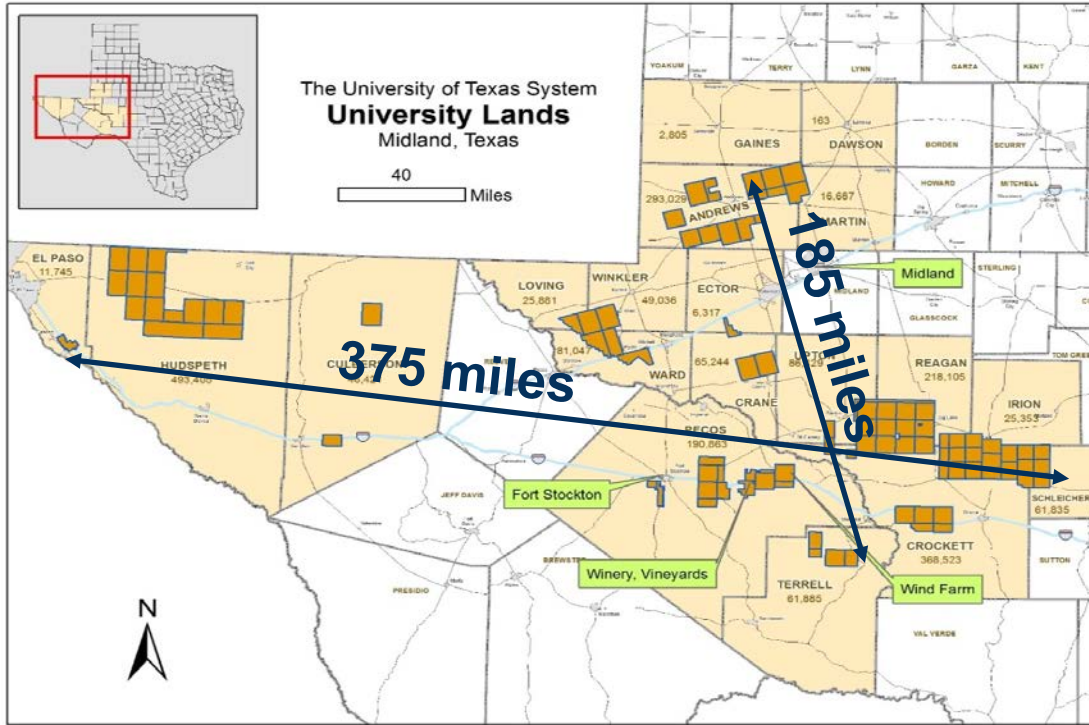
# University Lands Vision

*“Texas holds embedded in its earth rocks and minerals which now lie idle because unknown, resources of incalculable industrial utility, of wealth and power. Smite the earth, smite the rocks with the rod of knowledge and fountains of unstinted wealth will gush forth.”*

-Ashbel Smith, M.D. – first Chairman of the U. T. Board of Regents – at the dedication of the University of Texas ~1881



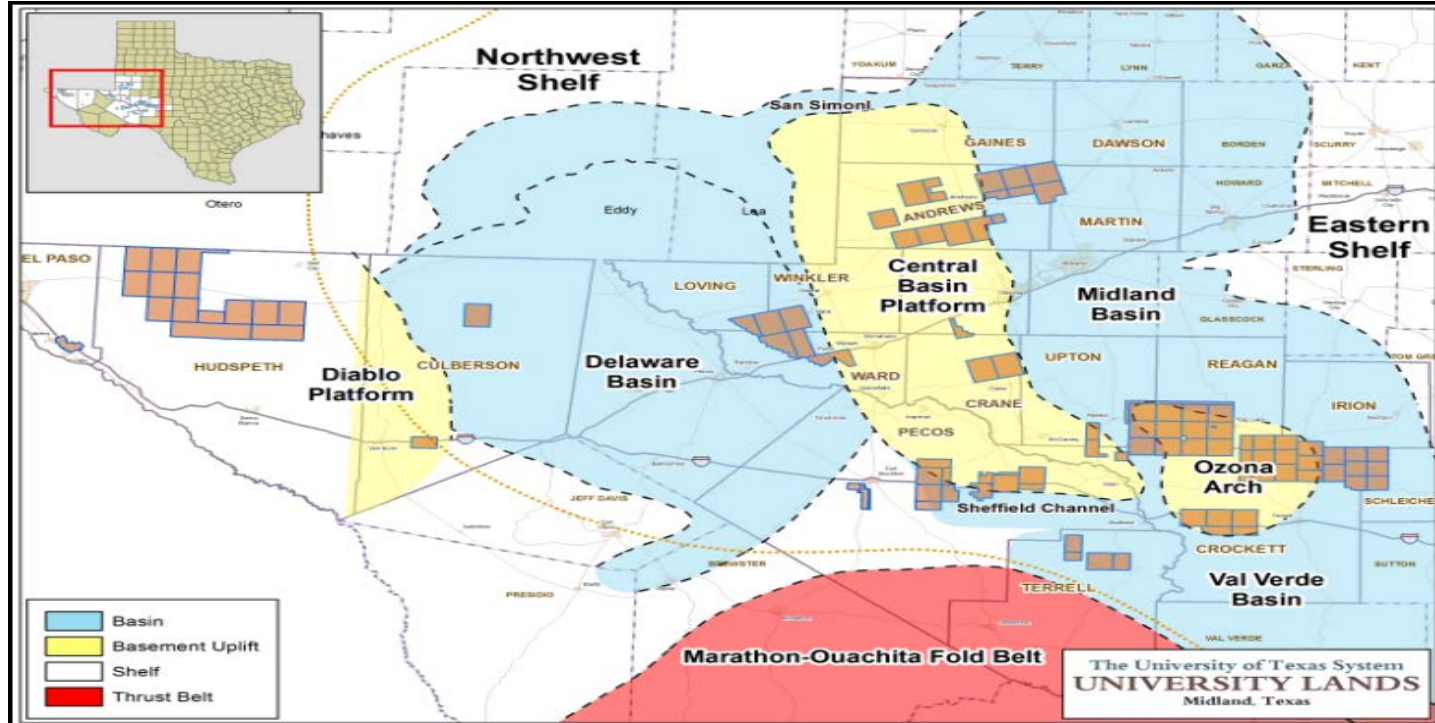
# University Lands 2.1 Million Acres



- Surface
  - Easements
  - Grazing/Hunting
  - Windfarms
  - Winery
  - Airports
  - Public Schools
  - Water Sales
- Subsurface
  - >9000 Wells
  - 1814 Horizontal Wells
  - 300+ Oil and Gas Companies
  - Major Oil Fields
  - Stacked Pays



# Permian Basin Geologic Provinces



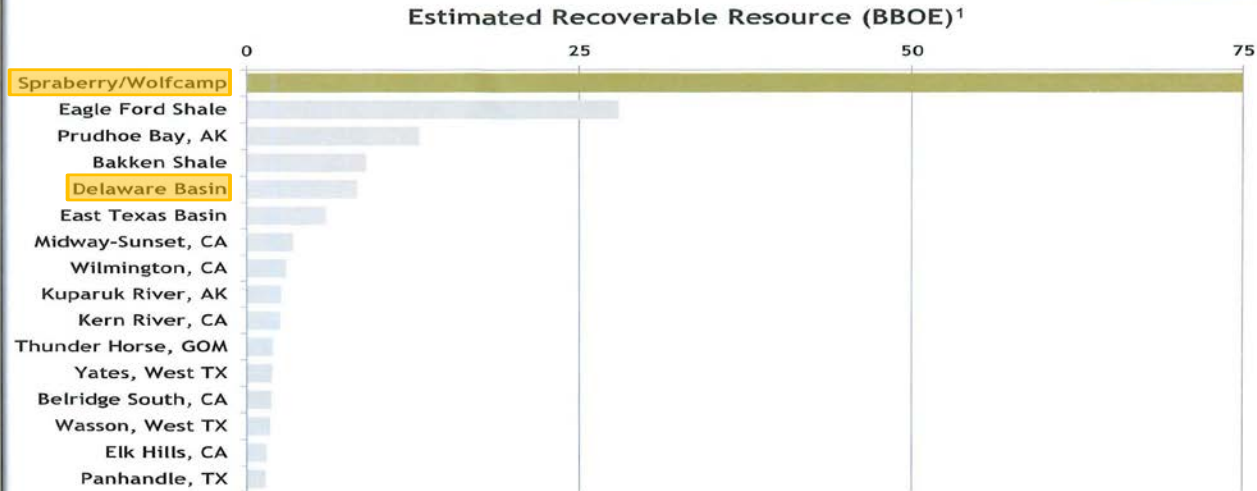
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# Major U.S. Oil Fields

## Largest U.S. Oil Fields

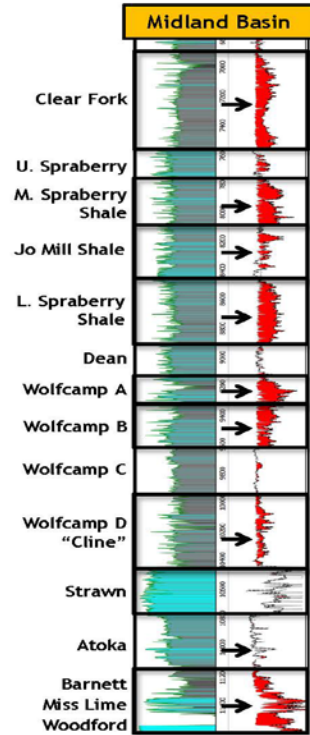


**Spraberry/Wolfcamp is the largest oil field in the U.S.**

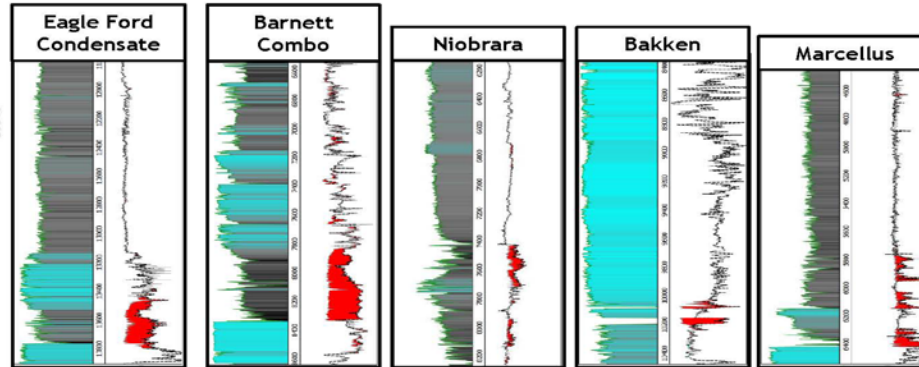
<sup>1</sup>) Cumulative production + estimated remaining recoverable resource  
Source: DOE, EIA, ITG and other sources



# Midland Basin Stacked Play Potential



- "Delta log R" (excess electrical resistance)
- Red intervals indicate hydrocarbons
- Petrophysical analysis indicates significantly more oil in place in the Wolfcamp and Spraberry Shale intervals in the Midland Basin compared to other major U.S. shale oil plays



Source: PXD

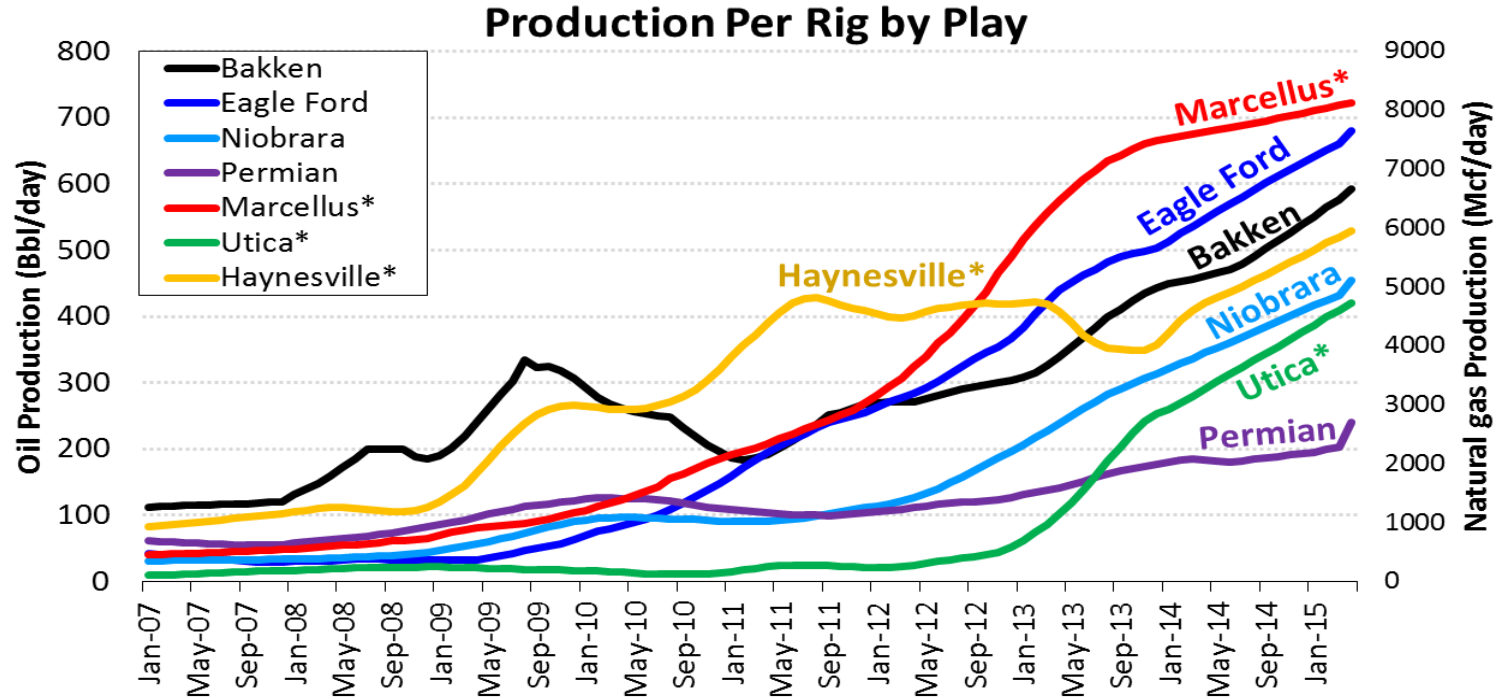


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# Amazing Efficiency Gains Through Technology



Sources: EIA and Raymond James Research

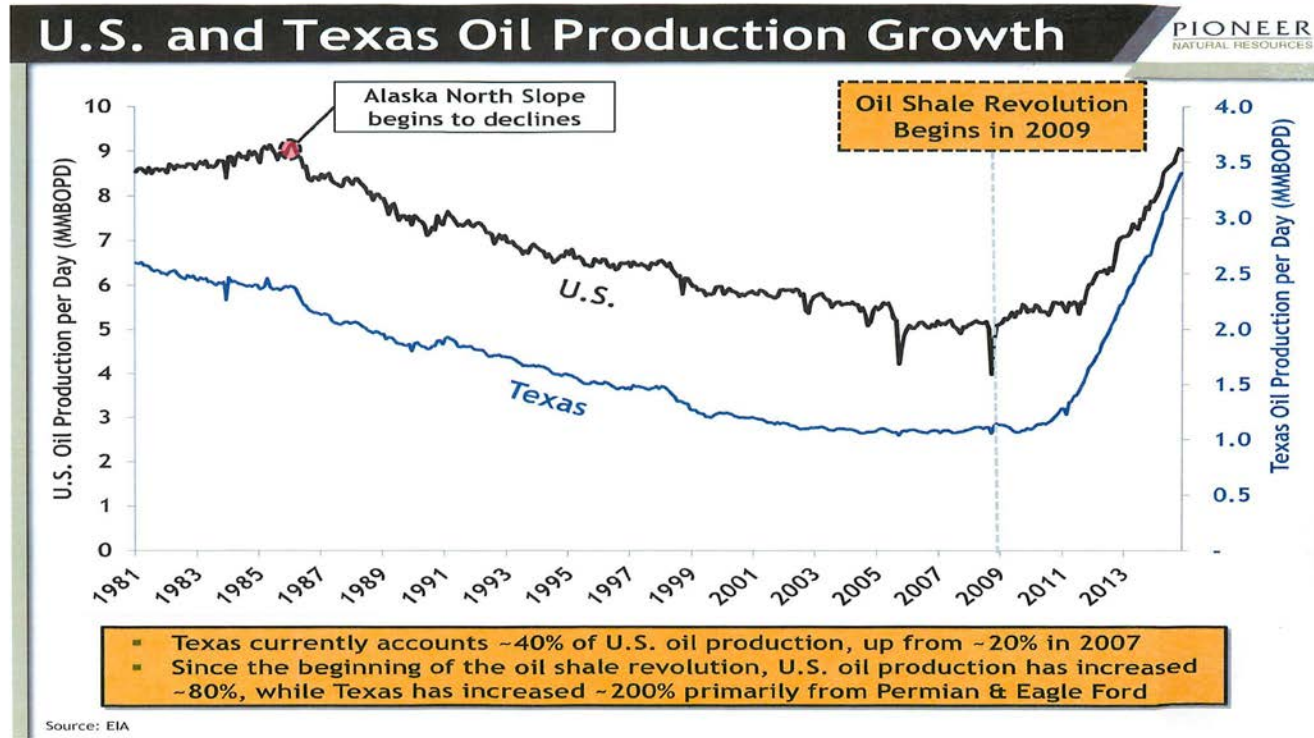
\* On Secondary Axis



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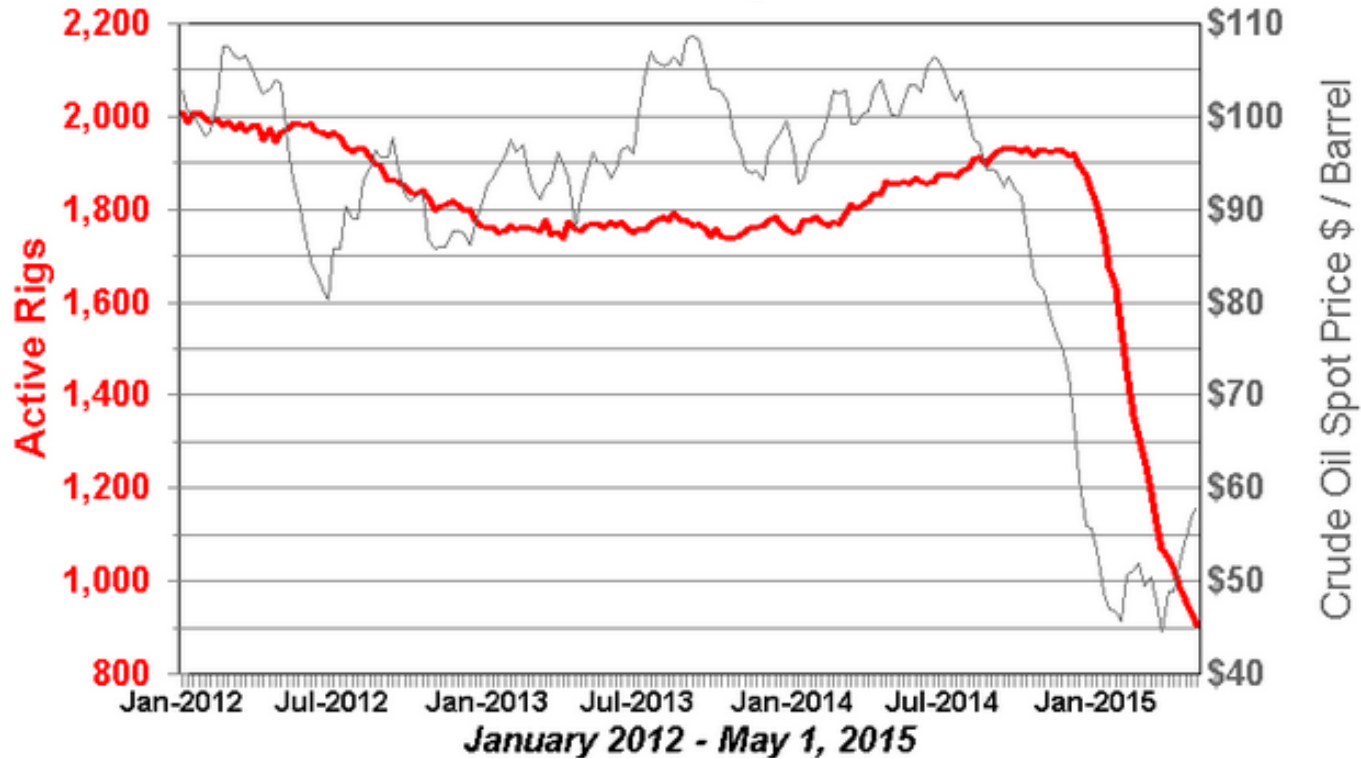
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# U.S. and Texas Oil Production Growth

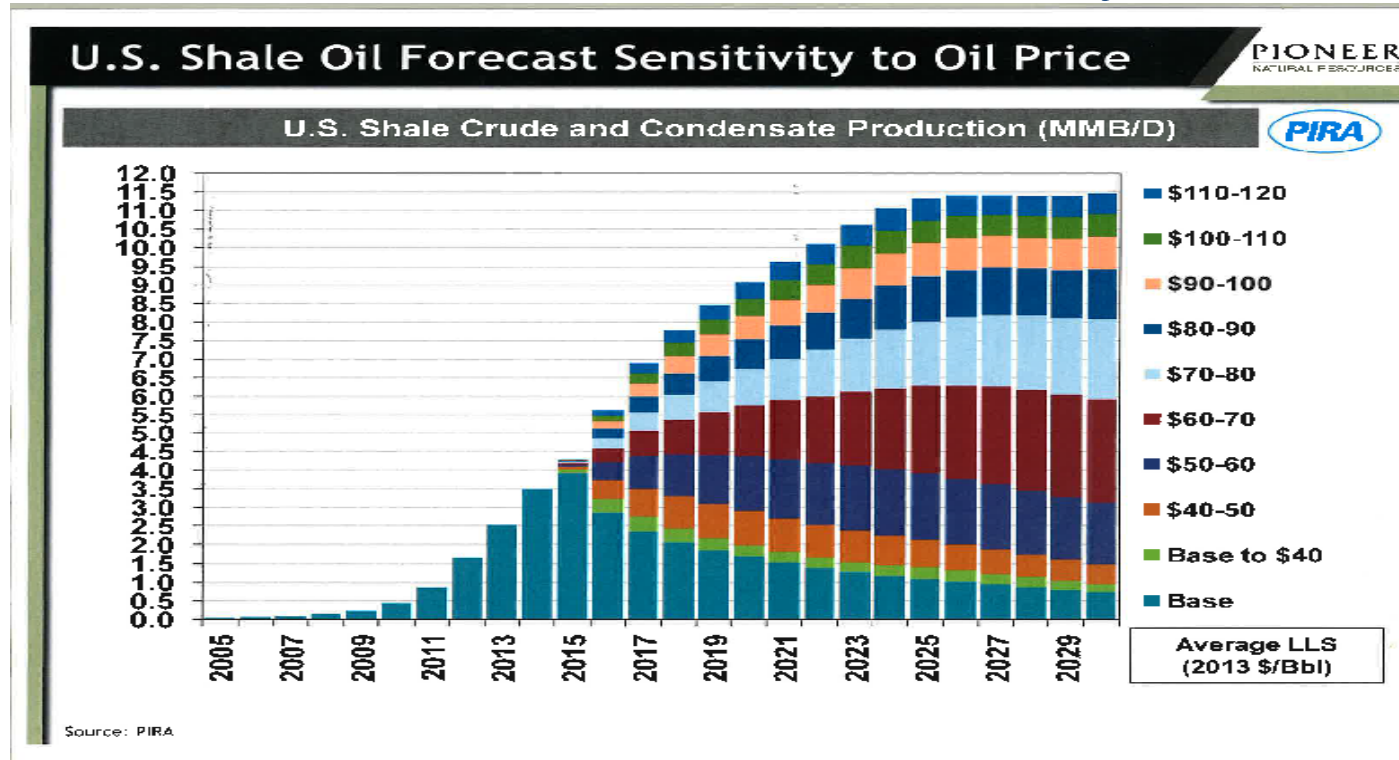




# U.S. Rig Count vs. Crude Oil Price



# U.S. Shale Oil Forecast Sensitivity to Oil Price



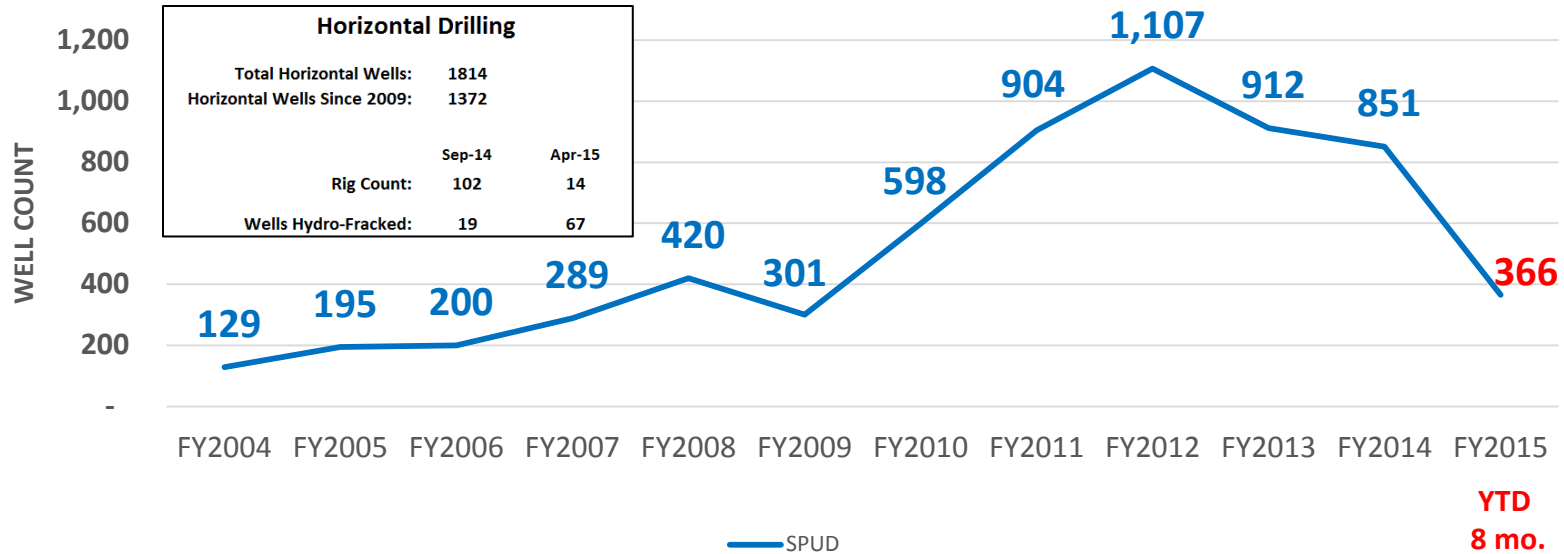
# University Lands Oil and Gas Assets

- Reserves
  - Proved (8/2014) .....162 million BOE
  - Proved, Probable and Possible Reserves ..... 1,214 million BOE
- 2014 Gross Daily Production .....211,000 BOE per day
  - 64% oil
- 2014 Net Daily Production .....41,600 BOE per day
- Producing Wells .....>9,000
- Identified Drilling Locations .....21,000
  - Proven Un-developed (PUD) .....1,500
  - Probable .....3,000
  - Possible .....16,500

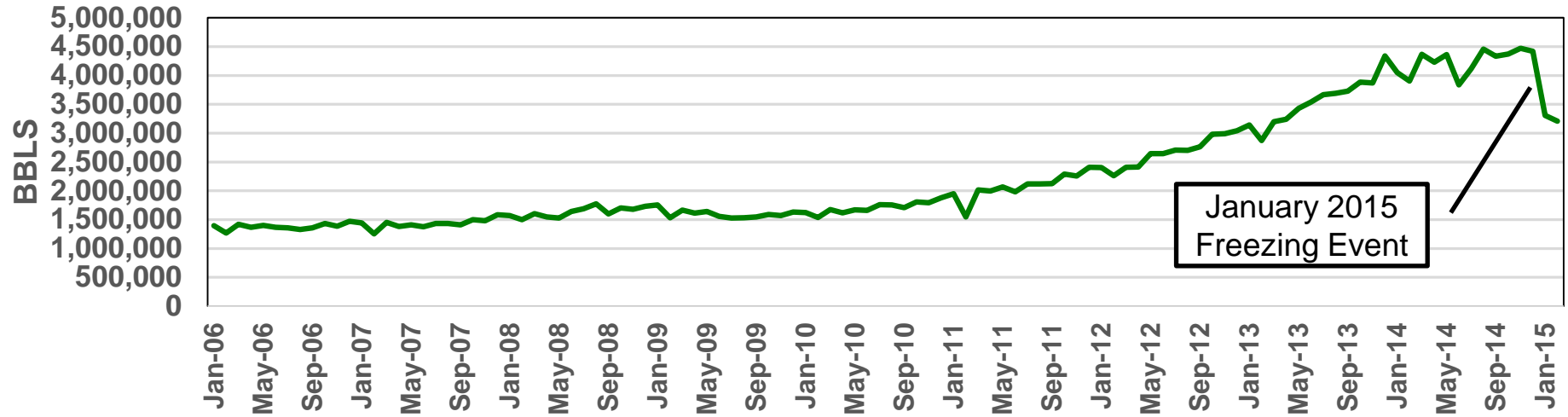


# University Lands Wells Drilled by Fiscal Year

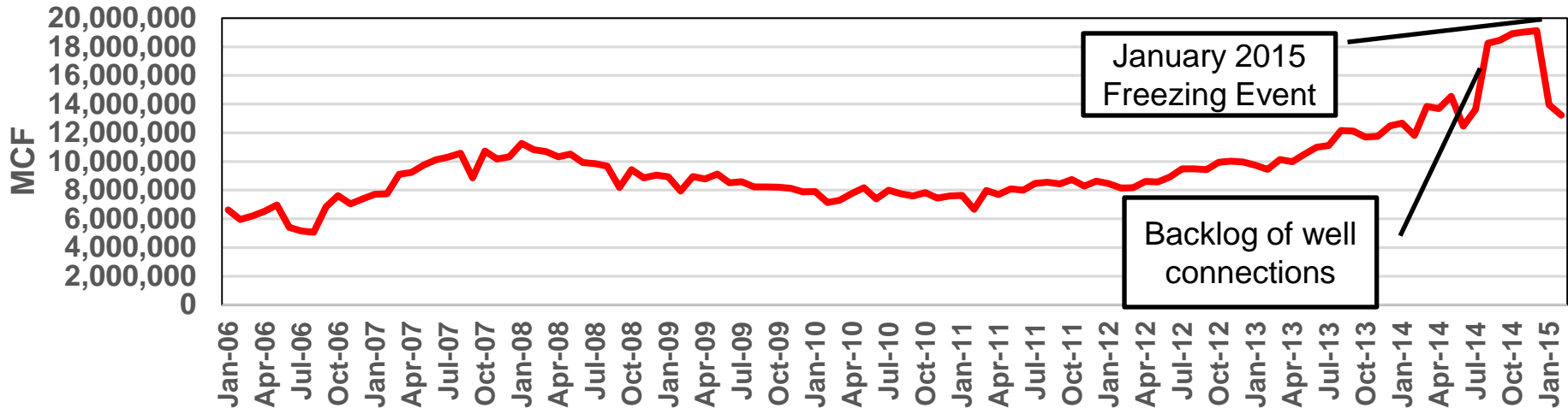
UNIVERSITY LANDS  
Wells Spud by Fiscal Year



# University Lands Gross Oil Production 2006 – February 2015



# University Lands Gross Gas Production 2006 – February 2015





# University Lands Statement of Deposits

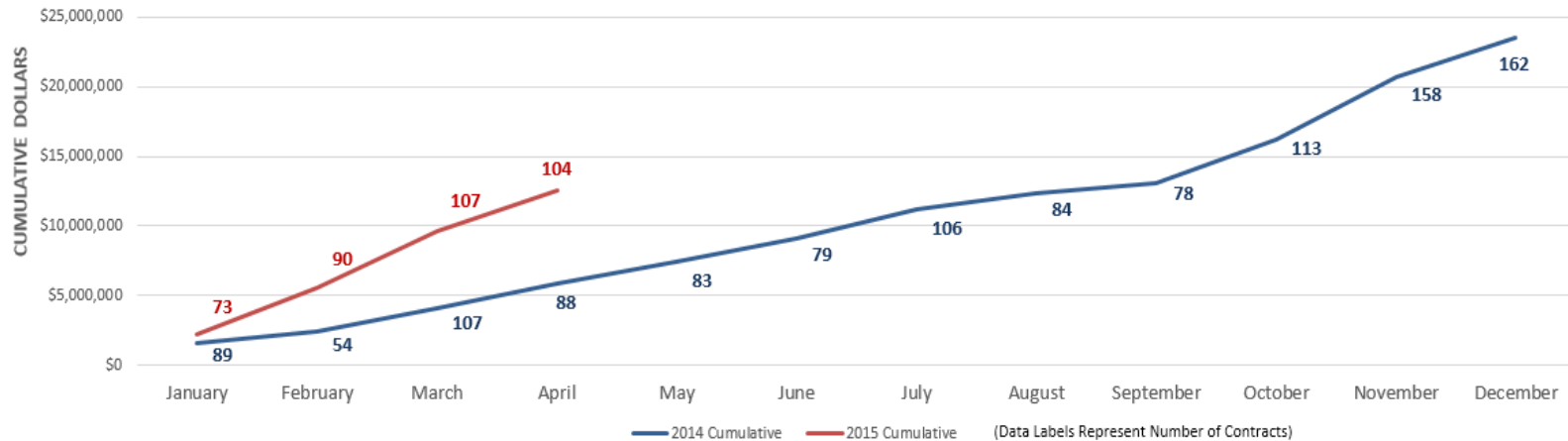
STATEMENT OF DEPOSITS TO THE  
PERMANENT AND AVAILABLE UNIVERSITY FUNDS  
BY UNIVERSITY LANDS  
FOR THE EIGHT MONTHS ENDING APRIL 2015 (\$ in thousands)

|   | September<br>2014 | October<br>2014 | November<br>2014 | December<br>2014 | January<br>2015 | February<br>2015 | March<br>2015   | April<br>2015   | Cumulative<br>FY 2015 |
|---|-------------------|-----------------|------------------|------------------|-----------------|------------------|-----------------|-----------------|-----------------------|
| <b>Permanent University Fund</b>            |                   |                 |                  |                  |                 |                  |                 |                 |                       |
| Royalty -                                   |                   |                 |                  |                  |                 |                  |                 |                 |                       |
| Oil   | \$81,950          | \$67,207        | \$64,105         | \$62,950         | \$55,285        | \$43,633         | \$33,489        | \$32,428        | \$441,047             |
| Gas   | 16,195            | 15,781          | 15,215           | 15,220           | 12,268          | 10,804           | 11,275          | 8,078           | 104,836               |
| Water                                       | 999               | 2,869           | 2,353            | 848              | 1,181           | 1,396            | 1,413           | 511             | 11,570                |
| Brine                                       | 36                | 42              | 37               | 41               | 30              | 5                | 11              | 12              | 214                   |
| Oil & Gas Lease Rentals                     | 6                 | 46              | 48               | 11               | 0               | 4                | 129             | 1               | 245                   |
| Sale of Caliche, Sand, etc.                 | 888               | 623             | 1,083            | 683              | 754             | 452              | 526             | 251             | 5,260                 |
| Damage Income                               | 1,130             | 842             | 1,654            | 1,005            | 421             | 454              | 450             | 614             | 6,570                 |
|   | <b>\$101,204</b>  | <b>\$87,410</b> | <b>\$84,495</b>  | <b>\$80,758</b>  | <b>\$69,939</b> | <b>\$56,748</b>  | <b>\$47,293</b> | <b>\$41,895</b> | <b>\$569,742</b>      |
| Bonuses -                                   |                   |                 |                  |                  |                 |                  |                 |                 |                       |
| Oil & Gas Lease Sale                        | \$0               | \$0             | \$0              | \$0              | \$0             | \$0              | \$0             | \$0             | \$0                   |
| Unitization Payments                        | 2,964             | 207             | 1                | 0                | 4,250           | 735              | 2,884           | 304             | 11,345                |
| Amendments/Extensions                       | 279               | 39              | 16               | 275              | 11              | 16               | 69              | 89              | 794                   |
| <b>Total Permanent University Fund</b>      | <b>\$104,447</b>  | <b>\$87,656</b> | <b>\$84,512</b>  | <b>\$81,033</b>  | <b>\$74,200</b> | <b>\$57,499</b>  | <b>\$50,246</b> | <b>\$42,288</b> | <b>\$581,881</b>      |
| <b>Available University Fund</b>            |                   |                 |                  |                  |                 |                  |                 |                 |                       |
| Grazing Leases                              | \$0               | \$0             | \$0              | \$1,624          | \$789           | \$0              | \$0             | \$0             | \$2,413               |
| Land Easements                              | 1,179             | 3,086           | 2,628            | 2,547            | 2,867           | 4,499            | 2,990           | 2,539           | 22,335                |
| Winery Lease                                | 0                 | 0               | 0                | 0                | 50              | 0                | 0               | 50              | 100                   |
| Exploration Permits                         | 513               | 0               | 0                | 0                | 327             | 660              | 647             | 0               | 2,147                 |
| Transfer/Assignment Fees                    | 11                | 23              | 18               | 13               | 6               | 15               | 4               | 24              | 114                   |
| Interest and Penalty                        | 24                | 51              | 62               | 286              | 178             | 44               | 74              | 123             | 842                   |
| <b>Total Available University Fund</b>      | <b>\$1,727</b>    | <b>\$3,160</b>  | <b>\$2,708</b>   | <b>\$4,470</b>   | <b>\$4,217</b>  | <b>\$5,218</b>   | <b>\$3,715</b>  | <b>\$2,736</b>  | <b>\$27,951</b>       |
| <b>TOTAL PERMANENT &amp; AVAILABLE FUND</b> | <b>\$106,174</b>  | <b>\$90,816</b> | <b>\$87,220</b>  | <b>\$85,503</b>  | <b>\$78,417</b> | <b>\$62,717</b>  | <b>\$53,961</b> | <b>\$45,024</b> | <b>\$609,832</b>      |
| <b>Oil and Gas Lease Status</b>             |                   |                 |                  |                  |                 |                  |                 |                 |                       |
| Surface Leased Acreage                      | 1,546,383         | 1,527,141       | 1,527,141        | 1,527,141        | 1,526,818       | 1,524,771        | 1,501,373       | 1,482,371       |                       |
| Number of Active Leases                     | 4,369             | 4,270           | 4,371            | 4,272            | 4,270           | 4,258            | 4,217           | 4,180           |                       |
| Number of Producing Leases                  | 2,812             | 2,754           | 2,807            | 2,782            | 2,794           | 2,786            | 2,797           | 2,802           |                       |
| <b>WTI AVERAGE OIL PRICE</b>                | <b>\$98.95</b>    | <b>\$92.68</b>  | <b>\$89.58</b>   | <b>\$80.94</b>   | <b>\$72.14</b>  | <b>\$55.49</b>   | <b>\$44.46</b>  | <b>\$47.34</b>  |                       |
| <b>WAHA GAS PRICE (FERC)</b>                | <b>\$4.40</b>     | <b>\$3.69</b>   | <b>\$3.84</b>    | <b>\$3.77</b>    | <b>\$3.39</b>   | <b>\$4.19</b>    | <b>\$3.00</b>   | <b>\$2.62</b>   |                       |



# University Lands Easement and Surface Leasing

## UNIVERSITY LANDS Easements & Surface Leasing Activity



- Pending Board of Regents Approval – May 2015 Consent Agenda
  - Smart Sand - \$2,000,000 contract value
  - Kinder Morgan - \$1,800,000 contract value



# University Lands Top 20 Producers - 2014

| Operator                                     | Oil (BBL)  | Gas (MCF)   | BOE        |
|--|------------|-------------|------------|
| PIONEER NATURAL RES. USA, INC.               | 5,760,837  | 10,643,233  | 7,534,709  |
| APACHE CORPORATION                           | 4,106,335  | 19,025,119  | 7,277,188  |
| EP ENERGY E&P COMPANY, L.P.                  | 3,553,327  | 13,377,910  | 5,782,978  |
| EOG RESOURCES, INC.                          | 2,054,781  | 17,471,008  | 4,966,615  |
| DEVON ENERGY PRODUCTION CO, L.P.             | 2,531,515  | 10,193,036  | 4,230,354  |
| OXY USA INC.                                 | 421,875    | 17,886,802  | 3,403,008  |
| XTO ENERGY INC.                              | 2,632,272  | 3,084,963   | 3,146,432  |
| AMERICAN ENERGY-PERM BASIN, LLC              | 2,406,302  | 4,131,689   | 3,094,916  |
| APPROACH OPERATING LLC                       | 1,507,818  | 9,457,280   | 3,084,031  |
| QEP ENERGY COMPANY                           | 1,011,267  | 6,852,932   | 2,153,422  |
| SHERIDAN PRODUCTION COMPANY, LLC             | 1,172,463  | 3,290,906   | 1,720,947  |
| CONOCOPHILLIPS COMPANY                       | 741,135    | 5,419,537   | 1,644,391  |
| ENERGEN RESOURCES CORPORATION                | 1,228,518  | 1,725,530   | 1,516,106  |
| SANDRIDGE EXPL. AND PROD., LLC               | 1,130,591  | 535,229     | 1,219,795  |
| WILLIAMS, CLAYTON ENERGY, INC.               | 709,148    | 1,851,103   | 1,017,665  |
| ENERVEST OPERATING, L.L.C.                   | 259,043    | 4,503,512   | 1,009,628  |
| SHELL WESTERN E&P                            | 474,369    | 2,893,307   | 956,586    |
| LEGACY RESERVES OPERATING LP                 | 664,227    | 1,316,468   | 883,638    |
| ENDEAVOR ENERGY RESOURCES L.P.               | 630,689    | 1,451,833   | 872,661    |
| HENRY RESOURCES LLC                          | 507,784    | 1,090,780   | 689,580    |
| University Lands 2014 Production ----- Gross | 50,926,000 | 186,473,000 | 82,005,000 |
| University Lands 2014 Production ----- Net   | 10,032,400 | 36,735,000  | 16,160,000 |



# University Lands Advantage

- One of the largest and most concentrated acreage positions in the prolific West Texas basins
- Completion and Production data from >9,000 wells
- Data from >4,200 wells drilled since 2009
  - Including ~1,400 horizontal wells
- Comprehensive Analysis of “best practices” is possible
  - Must develop processes and staff to manage more effectively
  - Work to identify “best operators”
  - Work to share where possible “best practices” of all operators



# University Lands Principles

- Aspire to be a successful minerals “company”
- Excellent reputation with all stakeholders
- Value driven with a long term focus
- Informed decision makers utilizing both “data” and experience
- Top notch stewards of these unique assets



# University Lands Strategy

- Create a more “business oriented” forward looking culture
  - Study the best performing mineral/oil and gas companies to determine best practices
- Increase internal knowledge of resource potential
  - Enhance capabilities for managing extensive data
  - Expand internal technical resources (create Houston office)
  - Work more proactively with Industry Partners
  - Utilize assistance from Engineering Institute
- Evaluate most effective strategy for fully and prudently developing these “stacked pay” resources
- Work with industry partners to manage through price, cost and technology swings
  - Upstream and midstream opportunities







Questions?

