

**Sweat Equity: Finding the Right Land Management Software Requires Legwork
Q&A with Luigi Ballatori**

Tracking down the “ideal” lease-records software is no easy feat. There are lots of choices, but it’s not always immediately apparent what will best meet your company’s unique needs.

The basic goal of most land systems is the same: Keep tabs on lease data and handle payments and other special obligations to ensure a company doesn’t lose a lease. But the right land software will give you much more than that. These days the more power at your fingertips, the more efficient and cost effective your land department will be.

There is a swell of available software applications, ranging from accounting systems and “add-ons” to more comprehensive, stand-alone land systems with plenty of bells and whistles. Finding what will fit your company can prove to be a lengthy hunt. Do you want tract based or lease based? An integrated land module or stand-alone? What about accounting capabilities or GIS mapping — how critical are they?

To help in your quest for the best fit, we’ve asked AAPL member Luigi Ballatori, president of LandPro Corp (www.landpro.com), based in The Woodlands, Texas, to offer some shopping tips.

“I’ve worked with lease analysts, division order analysts, landmen and field brokers for over 20 years, and I can reassure you that — like anything else — the more legwork a company does upfront, the fewer ‘surprises’ they’ll have down the road,” Ballatori said.

The Hunt for a Land System

AAPL: What do we need to know to get started?

Luigi Ballatori: Ask yourself what features and reports you would like to have.

- Are you primarily interested in data-entry simplicity, or do you want more report flexibility?
- Would you like to have tract/mineral ownership information? Do reports that exhibit the tract and all of the associated leases interest you? Do you need tract mineral ownership reports?
- Would you like to be able to view all of the tracts included in a particular unit, along with all of its associated leases and mineral owners?
- Do you want to be able to calculate revenue interests upon production? Does the system allow for an unlimited number of working interest decks to facilitate complex ownership calculations? Does the system allow you to deduct overriding royalties from any or all working interest partners? Does the system allow you to deduct non-participating royalties from the appropriate mineral royalty owner?
- Does the system allow you to look up any owner and find all of its records within the system? Do you know that some don’t even contain this feature?
- Does the user have to learn “queries” in computer language to compose user defined reports, or does the system use basic lease terms that the user can pick and choose to include in user defined reports?
- Do you truly need an integrated accounting/land system? Can the payment records generated from the land system, revenue interests and associated records be easily imported into the accounting system via Excel perhaps?
- Do you need integrated GIS mapping?

Review what’s out there carefully and ask questions: You’ll see the pros and cons of each system. Do not make your decision based solely on the pretty ad, pretty brochure or the salesman’s promise. Nothing replaces talking to experienced end users and “test driving” the software yourself. Learn about the vendor, what training it provides and what its support policies are.

AAPL: What kinds of systems are available?

LB: There are currently over a dozen land management systems in the market. Most of these are “add-ons” (land modules) to established accounting applications. Add-ons tend to have fewer features, reports and overall bells and whistles, as the vendor is primarily focused on selling the accounting software. “Stand-alone” land systems are usually more detailed land management systems. They focus primarily on lease records, mineral/surface ownership, contracts and/or GIS mapping. Stand-alone systems usually also have tie-ins into third-party accounting programs and/or can export data to Excel, which allows for an upload of data for accounting to use.

AAPL: There are two types of land management systems available — “tract based” and “lease based.” What are the major differences?

LB: Whether you choose a lease-based or tract-based system, the data entry effort is virtually the same. The difference is how the data is used in day-to-day management of your leases and most importantly, the reporting capability of the system. Both try to accomplish the same goal: quick and easy setup of your basic lease data and payment obligations. In a tract-based system, the emphasis is placed on the tract of land covered by the lease and mineral ownership. The tract is usually your starting point. Leases are cross-referenced to tracts and their associated mineral and/or surface ownership details. This method allows for greater flexibility in complex calculations, such as revenue interests. In a lease-based system, the emphasis is on the lease: The same tract may need to be set up multiple times – once for each lease. Since the tract is set up multiple times, it is nearly impossible to calculate the revenue interests or division of interest once you have a producing well.

AAPL: What about those of us who have an inventory of mostly acquired producing properties?

LB: If you are dealing primarily with old producing properties, a lease-based system may do just fine. Lease-based means you start out with setting up the lease. You enter the basic lease information, and then you specify acreage attributable to each tract associated with the lease. Most lease-based systems allow for “direct” cross-references between leases and wells. Lease-based systems should also work fine when tracts are primarily made up of one mineral owner. The problem comes in when two or more leases cover the same tract of land, in which case you now have to set up the same tract multiple times (legal description, acreage, etc.), and you also have to manually account for acreage “overlaps.”

If you work primarily with producing or paid-up leases, a good lease-based land system should also suffice. Still, even though lease-based systems may seem to be simpler to use, most include the tract as part of the lease setup. The thing to keep in mind is that no matter what software you choose, it is getting the data out in the form of reports that is most valuable to the user. Chances are by using a lease-based system you’ll be paying for this in the long run, in terms of more maintenance regarding acreage overlap issues, report limitations and the inability to “tract” correctly. Division orders calculations based on your lease and tract data will also be a challenge.

AAPL: I don’t have a lease analyst on board, but need to keep track of leases. What would be easier for me to get started?

LB: If you wear the hat of land manager, landman, lease analyst and division order analyst (you are the land department), then it would seem like you would want a system that would give you the greatest flexibility in reporting. The most time consuming part of anyone’s job in the land department is compiling reports. Choose a land system that gives you the most reporting capability.

If you plan to give the job to a novice to the industry, do not expect any land system to teach them the technical aspects of land. If someone does not know basic land practices, you will need to be their mentor, no matter what system you choose.

Companies needing just a few basic reports — such as simple lease data sheets, exhibit A's, lease acreage inventory and payment obligation reports — will probably feel at ease with most lease-based systems.

AAPL: What about those of us who do have one or more lease analysts in house?

LB: The simple fact that a company has one or more lease analysts on board already tells me that they want a good, detailed land system, where reports can be quickly and accurately created from both a lease and tract-ownership standpoint. These companies should certainly consider going “tract based.” Most lease analysts understand the importance of accessing accurate and detailed lease and tract ownership records. Having to think about lease ownership and tracts “upfront” is just part of their daily work.

If you want the most accurate reports, including the ability to let the software calculate division orders (revenue interests), a good tract-based land system should be the choice. This is especially true for royalty, surface and mineral interest owners.

Coal-mining companies, timber companies, landowners, land service companies and most oil and gas exploration companies will benefit the most by having a tract-based system.

AAPL: What are the major pros and cons to a tract-based system?

LB: The pros include:

- You set up your tracts once. Multiple leases then benefit from their association to one or more tracts (no need to retype legal descriptions, etc.).
- It can produce accurate mineral ownership reports and other tract-based ownership/leasehold status reports.
- The most accurate acreage inventory reports (for example, when dealing with different ownership at different depths or for prospects at different depths).
- Minimal worry about lease acreage “overlap” issues, since acreage reports should get their acreage figures directly from tracts and associated tract ownership records.
- A tract-based system should allow for automatic calculations involving acreage and the various interests to build progressively from one step to another, i.e. mineral ownership multiplied by royalty ownership in the lease multiplied by acres in the tract divided by acres in the unit equals revenue interest.
- Any working interest decks, associated overrides, royalty decks and associated non-participating royalty interests being set up should be used to accomplish necessary calculations of interest for all phases of the land administration process no matter whether it is the lease net revenue interest you want or the final division of interest for payment of production.
- Overall, tract-based land management systems will provide more detailed information about your leases and tracts.
- Better ability to link to GIS mapping systems. Tracts can be easily linked to polygons on a map. Then your leases, prospects, wells, units, etc. should be automatically mapped out thanks to the tract's relationship to these properties.
- A good tract-based system should also allow the end user to start by entering the lease first, and the tract later if he/she chooses to do so. Notice how I did not mention that in a tract-based system you must set up your tract first.

The cons? Probably more legwork/thinking upfront. The lease analyst needs to think more upfront on how the lease data will be used. Instead of entering leases solely for the purpose of

obligations, expirations and such, the analyst needs to be aware of how the lease records are used to go on to the next step of land administration, the drilling of wells and calculations of revenue interests. The lease analyst needs a basic understanding of the fundamentals of reading maps and mineral ownership, both divided and undivided in order to set up the tracts to be associated with the leases (the art of “tracting”).

AAPL: What about pros and cons to a lease-based system?

LB: The pros include faster data setup. You have less to think about when adding new leases. The lease setup process may be easier, as you normally would start by setting up the lease, then tract information specific to each lease. (You don’t worry about the same tract in other leases.)

The cons include

- No “true” tract master file, since tracts become specific to the lease.
- Limited reports (especially dealing with acreage ownership issues).
- More difficult, if not outright impossible, to generate solid, consistent mineral/surface ownership and/or leasehold status reports.
- Also more difficult, if not outright impossible, to calculate division orders based on your lease and tract data.
- More cumbersome to generate correct acreage inventory reports, especially when dealing with “overlap” acreage. You’ll have to do this manually for each lease. For example, four leases covering the same 40-acre tract would be set up as follows:

- Lease 1a: Gross: 40 Overlap: 0
- Lease 1b: Gross: 40 Overlap: 40
- Lease 1c: Gross: 40 Overlap: 40
- Lease 1d: Gross: 40 Overlap: 40

It’s not a big deal if you’re running a report that contains all four of those leases, but what happens if you want your report to contain only lease 1c and 1d?

- There are also possible GIS mapping limitations, and it may be more time consuming since plotting is normally based on the lease and not on the tract.

AAPL: Is there a general rule of thumb for determining which system will best suit our needs?

LB: There are over a dozen land management programs in the market to choose from. Do you want tract-based or a lease-based system? Do you have an experienced lease analyst on board, or will a land secretary be responsible to set up your lease records? Do you need GIS mapping now or in the near future? What type of reports are you looking for? How much manual effort are you willing to make in compiling reports, i.e. exhibits, mineral ownership breakdowns, etc. The list below will help answer some of these questions

Need analysis	Tract based	Lease based
Experienced lease analyst on staff	Best	
Land secretary to be responsible for data entry		Best
You want your lease/ownership data on GIS maps	Best	
You want to calculate division orders	Best	
You deal primarily with non-producing acreage	Best	
You deal with both producing and non-producing acreage	Best	
You don’t want to set up tracts		Best
Have different ownerships at different depths	Best	

You receive most of your leases from field landmen	Best	
You prefer ease of data entry over report-generation flexibility		Best
Flexible, detailed reports is No. 1 priority	Best	
Comprehensive data entry is No. 1 priority	Best	
You regularly get LPRs and mineral ownership reports from one or more field brokers	Best	
You want to automatically import field broker data	Best	

Over the years, I've come across various companies where their land manager is also responsible for keeping track of their leases (they may not have an actual lease analyst on staff). Companies that are primarily interested in meeting payment obligations, producing simple lease data sheets and very basic acreage reports are more apt to choose a lease-based system.

AAPL: Once we have an idea of what we need, how do we find the right vendor?

LB: Start making a list. Ask your friends and colleagues what they're using. Search the Internet under "land management software" or "oil and gas software." Then contact the vendors and request whatever information they have available, along with any add-on modules available (for example, GIS mapping, division orders, document imaging, accounting, JIBs, etc.). Ask for a complete list of end users who are actually using the land management software so that you may contact them either via e-mail or phone. (Don't settle for the "top five" companies only.) Review the information and client lists carefully and contact some of the users.

AAPL: What questions should we ask end users?

LB: Some questions you should ask any end user include

- How long have you been using your land program?
- What do you use it for, in the most part?
- Are you an operator, nonoperator, landowner or land service company?
- How many leases have you guys set up so far? How many more to go?
- Do you like the reports? Are they easy to generate? Are there enough reports?
- Have you had a need to modify any of the existing reports?
- Have you had any major problems? Describe them. Were they fixed?
- How is technical support?
- How was training?
- How's the documentation?
- If you had to do it over, would you choose your same land system again?
- Are you getting a kickback from the vendor for giving folks positive feedback on the system?

AAPL: OK, I have my short list — now what?

LB: Contact the vendors on your short list and ask for a couple of tentative dates for them to set up an online or in-person presentation. A one-hour presentation should suffice at this point. When finished with these presentations, shorten your list to two or three vendors. Since you're now closer to making a decision, it is time to ask for pricing.

AAPL: How do I make sure the quote I get is as realistic as possible?

LB: Contact the vendor and — unless this has already been done — ask for an estimate or actual sales quote. Be ready to provide the following information:

- Number of data-entry users — is it just one person or will there be other people setting up lease records?
- Number of view-only users — will the land manager want to be able to print reports and look around without having to ask the lease analyst questions for every little thing?

- What add-on modules, if any, do you need to get started? Remember, you should always be able to add additional modules at any time. For example, vendors may sell their contracts management as a separate module or division orders calculation or document imaging, etc.
- How many people do you need to get trained?
- Are you willing to travel to their training facility at regular training scheduled times (this will be the cheapest) or should the vendor come to you for training?
- Will you be entering data from scratch, or do you need the vendor to convert existing data (whether from Excel or another land system)?
- How soon do you plan to make a decision?
- Your preference in payment (monthly payment or purchase licenses upfront).

Except for data conversion estimates (which no one can honestly know unless they've looked at your data and spent some time studying it), most vendors should be ready and willing to provide you with cost information. After all, they are selling software. You've given them the basic parameters, so they should be ready to give you at least an estimate — not a final figure necessarily, but at least an estimate.

AAPL: Typically, can I try before I buy?

LB: Ask if you can test drive the software before you buy. Fifteen- to 30-day trials are common nowadays.

AAPL: Any tips on closing the deal?

LB: Having a system that will generate accurate reports is key. Software price is certainly important, but should not be the only consideration factor when choosing the right land system. After all, the main cost will most likely be initial man-hours needed to do an initial conversion or manual data input, followed by man-hours needed in order to maintain leases up to date.

Do you want to purchase a license and then make smaller annual maintenance payments (these usually cover support and software updates), or would you prefer to make small, all-inclusive monthly payments? Either way, ask the vendor to e-mail you some pricing information on a typical X-number of users system. When you're ready to make a decision, ask for their "best-price," a "final" sales quote. Don't forget to ask for pricing on training, advanced training and possible data-conversion services (especially if you're switching from another land system)

AAPL: Do you have any insider tips for securing the best pricing?

LB: When you're ready to proceed with the purchase, ask for a final seven-days sales quote. See if the vendor is willing to throw in any last-minute "freebies" or discounts. Have the vendor put in writing prices for any add-on modules or extra licenses that you may consider purchasing within the next 12 months (in order to avoid any price increases on these). If you're signing up on a monthly rental plan, ask if any of that money can be applied toward the purchase of the software at a later time.

AAPL: How do we know we got a fair deal?

LB: It will probably take a good six to nine months to truly grasp what the system can do for you. If you've done your homework upfront, you have talked to various clients and you've test driven the software for at least a couple of weeks, chances are your system of choice will in fact be the best system for your land department.

AAPL: Are there any red flags we should look for throughout the shopping/buying process?

LB: See how well the vendor responds to your initial inquiry, including any technical-related and land-related questions. Are you talking to just salespeople, or are you talking to folks truly

devoted to their work? How much red tape would you have to go through if you needed some special customizations and/or reports done to the land system? Is the vendor willing to tailor the program to your needs if in the future you come across a stumbling block? Find out what is top priority to the vendor: fixing bugs or adding new features for new clients. In other words, is the vendor's main interest in pleasing their existing customer base, or is "make the sale" their main goal? Try to schedule a 10-15 minute phone conference with the instructor who teaches the land software class: Is he/she able to answer your questions with ease?

AAPL: Any suggestions on how to smoothly close the deal?

LB: When you're ready to make a final decision, request a written sales quote. Note that most sales quotes have an "expiration date." In order to avoid any surprises or price changes, get it approved and/or paid before it expires or ask for an extension.

Luigi Ballatori is president of LandPro Corp (www.landpro.com), based in The Woodlands, Texas. He can be reached at (281) 363-4213 or LB@landpro.com).

SIDEBAR

Must-Have Basic Requirements vs. Nice-to-Have Perks

Whether you (after consulting with your land manager and company president) choose tract based or lease based, you should ensure your land management system of choice can handle some basic requirements. Luigi Ballatori, president of LandPro Corp, recommends — at minimum — the following considerations.

1. Multiuser licenses

- Is there an additional fee to install the license on more than one PC (for example, on your laptop, home PC and your office PC)?
- Are multiuser licenses (two-plus concurrent users) available?
- Is the license activated on a per-PC basis, or can it be installed and run on an unlimited number of PCs, provided the maximum number of concurrent users is not exceeded?
- Can the license be installed on stand-alone laptops as well as desktops?
- Are additional, lower-cost "view-only" licenses available?

2. Security issues (multiuser systems only)

- Are "view-only" licenses available?
- Can you restrict access to certain reports, tools or record types?
- Can you lock specific users out of items such as
 - generating or modifying checks,
 - mass-updating records,
 - deleting records,
 - modifying records or
 - accessing certain reports?

3. Basic general questions

- Can individual leases be associated with two or more tracts?
- Can individual leases be associated with two or more lessors?
- Can payment obligations be set up as "recurring" or specific to each date due, or both?

4. Data entry capabilities?

- Are there any tools available that help you set up data faster than just entering each record/field one by one?
- What mass-update tools are available?
 - For example, if a bunch of leases are sold, a lease analyst should be able to push a couple of buttons and update all affected leases at once.
 - Regarding conveyances/chain of title, what is the process once an owner conveys his interest (whether working interest, royalty, ORRI, mineral interest, etc.) from one party to other parties?
- What import/export capabilities are present?
 - Copying records (within the application itself)?
 - Importing records from outside sources (Excel, XML, DBF, etc.)?
 - Exporting records to outside sources?
 - Exporting records from one database to another (for example, moving expired leases from company A to company B)?

5. Reports (general)

- Look for appropriate information within each report that you're interested in. Make sure it contains the columns or rows of data that you're looking for.
 - Exhibit A's should contain your basic information, such as lease ID, lease date, lease name, lessee name, gross acres, legal description and recording information.
 - Data sheets should be "all-encompassing." This is probably the most run report in most lease-records systems. Make sure it suits your needs.
 - Payment obligation reports should contain all data necessary for your land manager to decide whether to pay, renew or allow a lease to expire a lease.
- Look for consistency in terms of layout, data fields and subtotals. For example, an acreage report sorted by lease ID should contain the same grand totals as the same report sorted by expiration date.
- Look for availability. Some systems offer less than a dozen land-specific reports. Some offer hundreds of reports.
- Look for flexibility. Are reports easily modifiable in case you want to move some things around, delete some columns, add some fields, etc.? This is especially true for companies other than what the software seller is targeting, such as oil and gas exploration companies. For example, landowners, when looking at a grid of leases, may not care about seeing "lessor name" – they may rather want to see "lessee" name. Make sure your program allows you to edit your lease grids. And nonoperators may not care about printing checks, but they may want flexible "payment obligation reminder" type of reports.
- Is the same report available in different sorting sequences?
- Are report queries and filters flexible enough to narrow down what records should in fact be included in the report?
- Can selected records be easily "excluded" from reports?
- How many "canned" (predefined) reports are available?

6. Basic reports

- Are lease data sheets easy to read? User-modifiable? Very comprehensive?
- What about other data sheets, such as tracts, properties, contracts, twp-rng-sec, surveys, wells, units, owners, etc.
- Can specific data "bands" in your data sheets be included in reports other than your typical data sheet?
- Are your payment obligation report capabilities comprehensive enough? They should include
 - basic report, by month or by prospect;

- detail/summary report, geared for lease analyst to review details, land manager to review “summary” or even the accounting department to review payment details;
- rental inquiry letters directed to working interest participants and/or the actual parties responsible to make the lease payments;
- print delay rental checks;
- print rental receipts;
- print payment history (check registers), by payee or by property ID;
- other payment-related reports.
- Can it provide special provision reports on leases affected by a certain provision, such as which leases in Claiborne Parish have a favored nation clause?
- Are acreage reports – at a minimum — grouped by prospect, by state and county, by lease, by expiration date and by tract?
- Can the system generate simple, basic mineral ownership reports?
- Is the system able to calculate the DOI or just “maintain” it once you manually enter the DOI detail data?
- Will the system allow you to set up burdens such as ORRI, NPRIs and royalty to all WI participants and/or to specific WI participants?
- Can you set up WI decks as well as royalty/ORRI/NPRIs specific to certain depths and/or formations?
 - What about specific to certain minerals (all minerals, oil and gas only, oil only, gas only, coal and lignite only, etc.)?
 - What about specific to certain payout statuses (all payouts, BPO only, APO only, APO2 only, etc.)?
 - What about specific to certain time periods?
- Does the system warn you when your interests are out of balance?
- Is there a generic report generator available? Can you add brand-new reports into the system, from “scratch”?
- Can reports be saved to PDF or exported to Excel or MS-Word?

Once the bare necessities are covered, there are also a number of what Ballatori calls “nice-to-have features.” His list includes

1. GIS mapping capabilities
2. Data export capabilities/bridges with any other software systems
3. Data import capabilities
4. Data export capabilities
5. Ability to print original leases from your lease records data
6. Mass update capabilities
7. Calculation of division orders of interest

Your company’s unique needs — and, of course, budget — will help prioritize the necessity of these niceties.

Luigi Ballatori
 President, LandPro Corp
 21755 IH-45 N, Bdg 7, Spring, TX 77388
 281-363-4213 Main
 713-818-9020 Cellular
ceo@landpro.com
www.landpro.com