

FREQUENTLY ASKED QUESTIONS

We recommend that you consider the advice of professionals for legal, accounting, real estate, and tax issues.

SIGNING A GAS LEASE

Who is allowed to sign? What If I didn't sign an LOI? Anyone who owns property located within the BC-MRC 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.

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 session. The flip side of this benefit is that the draft will not be honored until Caffey has completed your title search. They have 30 business days after your bank draft is received by their bank to accomplish this, which means that it will be roughly 6 weeks until your bank account gets credited with the bonus amount.

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 an operator other than the BC-MRC recommendation? This is your choice but we would encourage you to join with your neighborhood to maximize the acreage available to Titan/Caffey which in turn maximizes your royalties.

Is there any cost involved in the lease signing? No.

When should I sign? Is there any reason to hurry? We want you to have plenty of time to read the lease thoroughly and understand what you are signing. There is no rush to sign the Titan/Caffey lease. We prefer that you carefully consider all the facts. We feel that doing so will convince you that the Titan/Caffey deal is the best for the BC-MRC area, a solid financial package with very good environmental and operational provisions and a good and practical drilling plan.

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 our website at www.bc-mrc.org or go to a signing session and ask for a copy to take away to study.

Exactly what company am I signing with? Your lease will be with Titan Operating, LLC. Titan Operating will be the operator and perform the drilling (using a drilling contractor for equipment and crews, just like XTO, Chesapeake, others) and operations, and also make royalty payments. The Caffey Group is handling the title and leasing functions for Titan Operating LLC with BC-MRC.

Why isn't there a place for Titan Operating, LLC 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.

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.

SIGNING SESSIONS

When can I sign? NOTE: BECAUSE WE HAVE SUCH A LARGE NUMBER OF HOMEOWNERS WE WILL PROVIDE SPECIFIC DAYS FOR EACH OF OUR SUBDIVISIONS TO SIGN. As we identify the subdivisions or groups scheduled to sign on any day, lists will be published on the website. If you are a member of the coalition, we may be able to contact you by phone or email, but please don't rely on that. Check the web site www.BC-MRC.org 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 Sessions, then please call to make arrangements. Please visit our website for the latest on signing dates.

Where do I go to sign? Signing sessions will be held at the First Baptist Church- Euless, Campus West, and at the Colleyville Center. They have graciously agreed to support our efforts and we appreciate their kindness. Check the website for your specific date to see which site is scheduled for that signing session, and to see maps to those locations.

What do I need to bring to the lease signing session? (See the checklist on the last page!) 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 Subdivisions. *If you cannot attend your scheduled time, you may come at any future session, but you cannot attend a session prior to your scheduled day, because your lease will not have been prepared yet.*

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 BC-MRC website, www.bc-mrc.org, 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 Session on my designated date? Please do your best to attend the Signing Session 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. The Caffey Group will prepare lease signing packets for properties based on the order of signing schedules. If you attend a signing session before your scheduled date there will be no lease available for you to sign.

What if I cannot attend the Signing Sessions 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 Sessions 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 Sessions 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 Session, 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.

FIGURING YOUR ACREAGE - LOT AND STREETS

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) where available since it is as a taxing entity; their numbers will be the most accurate since they have the most to gain from larger acreage amounts. Subdivision plats may be online and provide another source for acreage calculations. If a landowner can bring in a survey and prove the acreage amount to be different than the published sources, then Caffey will pay based on the survey. However, if a survey is too complicated (an irregular shaped lot), the best thing to do is bring in your tax receipt for the final judgment on the acreage amount. Caffey 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. For information to assist in verification of your Tarrant County appraised lot size, please visit and review Tarrant County's records at: <http://taxoffice.tarrantcounty.com/accountSearch.asp>.

Will I get paid on streets, easements, etc. adjacent to my property? 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 to use in calculating your signing bonus. The acreage amount shown on the Lease represents the actual acreage contained within your property and does not include the acreage, if any, contained in any adjacent streets, creeks, etc. (which are used only for calculation of the bonus amounts).

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.

What is a net mineral acre and how is it calculated? A net mineral acre is equal to your percentage ownership of the surface times your mineral ownership percentage. For most people that is the same number since title is often to the surface and the minerals is both held by the same owner. However, if someone owns a 50% mineral interest underlying their 1 acre property, they would own ½ (0.5) mineral acres, for example.

PAYMENTS

When will I get my bonus payment? When do I get the money? You will receive a bank draft at the signing once you have signed a lease. **You will need to deposit this just like a check as soon as possible.** It will take 30 *banking* days for this to clear from the time it gets to Caffey's bank—so approximately 6 weeks or so.

Why is Caffey paying with a bank draft instead of a check? The reason this is required by Caffey is that it allows them enough time to verify the title and mineral rights before the money is paid. Since the lease provides that each property owner (Lessor) does not warrant the title or ownership of 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.

Is payment of the bank draft dependent on whether Titan/Caffey gets a permit to drill? No, the only reason a bank draft may not be paid is if the title search reveals that you do not own 100% of your mineral rights.

Will my bank charge fees to process the bank draft? Caffey will add \$50 to your signing bonus amount to cover any bank fees for handling the bank draft.

When will I start receiving royalty payments? Within 120 days of the start of production. It is not unusual for the permitting process to take 9-18 months and the drilling and completion processes to take another 3-6 months. Therefore, royalty payments may not begin for a year or two after bonuses are paid.

How much will I get in future royalties? It depends on lots of factors, like the price of gas, size of your lot, size of the unit that you are in, the number of wells in the unit, well production rates, and permitted taxes and true third party costs paid out of the proceeds from production, and more. An excellent article about royalties is on the Powell Barnett Shale Newsletter website. Click here: **"2008 Tarrant County Barnett Shale Revenue Estimate for Neighborhoods."** This is a comprehensive and thorough discussion in language that is easy to understand. They have assumed a flat gas price of \$10/MCF. All the assumptions are clearly stated.

TITAN DRILLING EXPERIENCE AND PLANS FOR BC-MRC

What company will actually be doing the drilling? For the well sites supporting BC-MRC properties, it is expected that Titan Operating will do the drilling.

Where will the wells be drilled? As many as 6 potential drillsites were identified and supplied to Titan/Caffey in various parts of our acreage. Other sites had been previously identified by Titan/Caffey and other companies as well. Because not all of these sites will be required to fully develop our acreage, and because potential drillsites may change as a result of Titan/Caffey's overall development plan, city requirements, agreements with drillsite owners, etc., it is impossible to predict where specific sites will be permitted and drilled. The intent of both sides is for as much of the BC-MRC acreage to be included within drilling units as possible, and for as few sites to be used for development as possible.

When will 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 are the details of the Titan plan for drilling from the possible well sites? Titan's current plan for the BC-MRC area calls for wells that go all over BC-MRC from the 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 BC-MRC 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 going to be in producing from the Barnett Shale.

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 principals 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

Tarrant County Barnett Shale Wells By Completion Operator To Oct. 1, 2007									
<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.
RANK	Tarrant County Horizontal Averages >	H	854	2,040	998	16	484,722	156	4,035
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

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BC-MRC will be able to capitalize on Hollis Sullivan's previous experience, Chris Hammack's experience with Range, and also Mark Schumacher's experience with EnCana through Titan.

Can Titan drill long wells like this? Yes. The VP of Operations with Titan has drilled wells with lateral sections of over 7,000 ft in the Barnett Shale in Tarrant County.

What difference does it make to anyone who I sign with? 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 for everyone in BC-MRC 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, and we want a lot of them in every direction. To accomplish 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. **What you do makes a difference to everyone.**

By signing a lease, am I granting Titan/Caffey a waiver of any city ordinance? How are future waivers, if any, handled? No, the lease does not contain any language which would constitute a waiver of any applicable city ordinances. If waivers are considered necessary or advisable by Titan/Caffey in the future, they would have to obtain consent from affected owner/lessors. It is common practice for such waivers to include additional compensation to owners at that time.

How do units work? Here is a simplified example. There are two properties. Property 1 has 100 acres and Property 2 has 200 acres. Both properties 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 properties. A horizontal well is drilled on Property 2. The entire length of the horizontal lateral is all under only Property 2. It produces gas and both properties get royalty payments, even though the well is not under Property 1. Property 1 gets 1/3 of the 25% royalty (because they have 100 of 300 acres). Property 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.

CITY PERMITTING

Have the Titan/Caffey locations actually been approved by the city as drill sites? None of the drill sites in the BC-MRC area have the approvals required for drilling wells at this time.

What is the process to get a gas well permit? It is a two step process. First, the operator must apply to have the site zoning changed to allow for gas drilling and obtain a Specific Use Permit (SUP). The second step is the application for the actual drilling permit. It is not unusual to see drill sites waiting with the SUP in place with no application for the drilling permit until all the other hurdles are under control, like getting the rig and all the equipment and services ready to go, having the mineral leases and the unitization filed properly with the Texas Railroad Commission (TRC), and the TRC drilling permit, among other items.

One of the considerations for approving a drill site is regarding well set back, the distance between the proposed well and nearby certain protected buildings. It is unlawful in Colleyville to drill a well if the center of the well at the surface of the ground, is located within 1000 feet from a residence, religious institution, hospital building, public or private school, day care or public park. The setback distance is measured from the proposed well bore, in a straight line without regard to intervening structures or objects, to the primary structure of the residence or other building as listed above. The setback distance may be changed at the discretion of the City Council.

The ultimate authority for issuing drilling permits is the City Council where the potential drill site is located. For the Colleyville ordinance, copy and paste into your browser the following link: tinyurl.com/4uqzsv.

LEGAL ISSUES

What does it mean to have a 3 year lease with a 2 year option (with same signing bonus)? Does that mean that after 3 years, they might 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, but that is entirely at their option.

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? No. Your mortgage holder or Titan/Caffey may require a subordination or non-disturbance agreement at some point in the future. However, Section 28 of the lease provides: "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."

MISCELLANEOUS QUESTIONS

Is there anyone on our leadership committee or in any other decision making role that is connected via a working relationship or partnership with Titan/Caffey? No one on the BC-MRC Leadership Committee 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 Leadership Committee is strictly a volunteer, with no expectation of any compensation, remuneration, or gifts of any kind, now or in the future. Each member of the Leadership Committee 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 BC-MRC. In fact, in accordance with the Titan/Caffey lease Section 24, if anyone for whatever reason receives a greater signing bonus or royalty from Titan/Caffey within six months, then everyone else within BC-MRC gets the same.

How is BC-MRC paying the attorney representing BC-MRC? 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.

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. Please talk to your real estate professional or a real estate attorney about how to do this.

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.

CAFFEY GROUP

For more information on Caffey Group, please call 817-348-9766 or visit their website at: <http://www.caffeygroup.com>

Checklist for the signing session

- ✓ Photo ID. Each person signing must have a government issued photo ID (driver's license, etc.)
- ✓ Social Security Number. 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.
- ✓ Copy of Deed. If you have a copy of the original deed to the current owner(s), bring it along in case any questions concerning ownership arise
- ✓ Survey. Bring your acreage calculation, showing separate numbers for any streets or other easements, or a copy of your property survey, if you have one.
- ✓ Life Changes/Documents. 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.
- ✓ Authority. 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.
- ✓ Copies. 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.
- ✓ Calculator. Bring a calculator to check the math.
- ✓ Reading Materials. We have no way to predict wait times, so bring a book, magazine or other materials to occupy your time.
- ✓ SpeedyPass. To reduce your wait time in the line looking up legal descriptions, go to www.BC-MRC.org and use the SpeedyPass generator, then print it out and bring it with you.

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