

ENERGYNET.COM, INC.

# Updated Research and Industry Feedback

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Oil and Gas Lease Internet Auction Pilot (OGLIAP)

3/3/2010

This document includes internal information and analysis concerning the Oil and Gas Lease Internet Auction Pilot (OGLIAP) system developed by EnergyNet.com, Incorporated for the Bureau of Land Management (BLM). Information included in this report may only be reproduced with specific written permission from EnergyNet.com, Inc., unless by the Bureau of Land Management.

## The continuous online marketplace advantage

The EnergyNet continuous online auction marketplace offers the BLM maximum flexibility with regard to the timing of marketing and sale of federal leases. EnergyNet maintained the ability for buyers to conduct due diligence on seller's oil and gas properties 365 days during 2009 and ended auctions virtually every Tuesday, Wednesday and Thursday of every week of the year. Therefore, sellers were able to conclude the sale of their properties on 150 auction days during 2009. EnergyNet has maintained that same schedule for the past seven (7) years and is providing that same auction schedule during 2010.

EnergyNet provides sellers and buyers with critical third party data in concert with the due diligence information provided by seller and formatted by EnergyNet on each parcel. This informs buyers and enhances value for sellers. For example, direct, real-time links to DrillingInfo.com give buyers access to the latest leasing, well permitting and production information in the immediate area of the parcel being sold. This type of third party enhancement data, presented by EnergyNet in a convenient online format, produces maximum competition for the parcel and therefore higher prices achieved by the seller. All pertinent data is immediately available to all buyers, and the "discount for the unknown" is lessened or removed. EnergyNet has access to and employs other third party enhancement data on its commercial site with outstanding results.

To illustrate how EnergyNet's continuous auction marketplace achieves superior results, EnergyNet conducted an online sale of a group of oil and gas properties for a large independent oil and gas company. A companion set of properties from the same Permian Basin area was sold in a live auction in the same week. The selling company established an aggregate reserve (or minimum bid price) of approximately \$16 million on the EnergyNet online sale properties and \$16 million on the live auction properties. The EnergyNet properties sold for approximately \$24 million, whereas the live auction properties sold for less than \$19 million. The sales took place within the same week, so oil and gas prices were comparable. The difference in value achieved was the completeness and ease of access to due diligence data and the increased competition because of increased participation from buyers who weren't restricted by travel to the live auction.

## A zero-cost auction solution for the BLM

EnergyNet has been marketing properties for the Federal Deposit Insurance Corporation (FDIC) since mid-2009. The FDIC has chosen to integrate their properties directly into the EnergyNet.com marketplace in order to take advantage of our popular existing structure, vast marketing efforts and 14,000+ registered bidders.

Rather than the FDIC paying EnergyNet a commission, which is customary in our private sector sales, the FDIC directed EnergyNet to charge the buyer a "buyer's premium." In this way, ***the FDIC is not paying any cost to sell its properties within the EnergyNet.com marketplace.***



The BLM could fully cover the costs of an online auction platform by either adding to their existing administrative fee, adding a small "convenience fee," or utilizing a similar "buyer's premium." Merging BLM properties into the existing EnergyNet.com platform would leverage an existing marketplace and provide more competition for the BLM's lease auctions along with maximum convenience and flexibility for BLM employees.

## Feedback from OGLIAP participants

"I was very satisfied with the Internet auction experience. The software performed exactly like I expected. The bidding process was easy to understand and live bidding was easy to track. At all times, I was able to recognize the current high bidder.

The software was simple, easy to use, and worked in a more efficient manner than most oral auctions. The software works in the same manner as many other "online bidding" forums used today.

The instructions and tutorials covered every aspect of the software. I was very confident in every action performed and most actions needed little to no explanation.

The part of the auction software I liked the least was the registration process/Creating multiple user names.

While the bidding software fully performed all necessary actions, the registration process left me with many questions concerning the need to create multiple user names, log-ins, etc. It seems that this portion of the software could benefit from simpler processes."

**Devon Energy Company**

February 26, 2010

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"The system worked well, we had no issue logging in, viewing parcel information or bidding."

**Mark Brown**

February 24, 2010

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"It was fairly easy to get logged in and the service seemed fine. I prefer attending the live sale so that I can see who is bidding against me<sup>1</sup>, though the online system did not hinder my ability to purchase parcels."

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<sup>1</sup> One of the reasons EnergyNet was created was that the EnergyNet founders, when selling their own properties during live auctions, witnessed bidders in the same room grouping together and setting a "price ceiling" and then sharing assignment of the property. This possibility is greatly diminished using anonymous, randomly assigned online bidder user numbers, thus resulting in higher final sale prices for the seller.



**David Huff**  
February 24, 2010

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"We've never had deep enough pockets to travel to a live sale. This is great we'll be able to go on the Internet."

**Edward Stephens**  
September 5, 2009

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"I have eight thousand acres in BLM Leases in east Texas, and it's exciting to be able to participate in other states this way."

**James Baccus**  
September 5, 2009

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*[This email from a non-participant during the OGLIAP auction period indicated an interest in future online sales.]*

"Can you tell me how my company can get information on your O&G Lease Auctions in the future?  
Thank you for any help you might give me.

Thank you,"

**Teresa Long**  
Assistant Landman  
Chesapeake Energy Corporation  
September 10, 2009

## **Feedback for EnergyNet's commercial online auction platform**

"Thank you again for the invaluable service that you and your co-workers provide exploration and production companies. For your information, the proceeds from this sale will be used to put more Americans to work and drill part of many more wells (that may sell on EnergyNet.com at a later date). Highland Exploration, LLC considers EnergyNet.com a strategic partner in our efforts to accomplish our business goals. We applaud EnergyNet.com for hiring and retaining no nonsense individuals who make it all happen behind the scenes.



When it comes down to the re-investment of America's oil and natural gas industry: Energynet.com is helping to develop new resources that re-power the nation."

**Clay Gatlin**  
Highland Exploration, LLC

"Let me introduce myself, my name is John Monych I want to write a brief email and praise your company and especially one of your managers Michael Baker. I am a small royalty owner with many properties with small royalty interest in them. I wanted to sell a couple units in the Barnett Shale and was given the name of Michael Baker thru one of my friends in the business and I couldn't have been more pleased with the meeting.

From the very introduction of himself until the units were sold Mr. Baker has handled every aspect with the utmost of skill and professionalism. He kept me informed weekly and was available to answer any and all questions I had throughout the process. As for your company it was everything he said it would be, the setup and description along with all the diligence you put forth was more than anyone can ask for. It's nice to know in today's markets with energy prices falling the way they are that you have a company with great employees like Michael Baker that go the extra mile for your customers. I will definitely use your service again and refer you to everyone I know! Thanks again for your service, it has definitely been my pleasure."

**John Monych**  
Royalty Owner

"EnergyNet is the oil and gas marketplace of the present and of the future. The website is clean and easy to navigate, and there is always enough information on the properties to make a sound business decision. Once an anonymous bid is placed, it doesn't take long to find out if you are the high bidder. EnergyNet is the most efficient way to acquire oil and gas properties - bar none."

**MLS**  
20-year Auction Veteran

"My client just bought 3 lots of San Juan Basin properties. I was in West Virginia at the time and the bidding really got aggressive. I just wanted to let you know they really like the process and the ease of which it is to buy properties. It seems like we negotiate a deal it takes forever and they never get closed. This way it is decisive and the package is already put together."

**Olen Wilson**  
Project Manager - Crown Exploration, Ltd.



"I would like to thank all of the individuals associated with EnergyNet.com for all of their hard work and dedication in making this sale possible. It is always a true delight working with your establishment."

**Aziz Delrahim**  
Delco Petroleum

"We are actually astonished at the results of the auction; as far as we're concerned you're running a great service."

**Sally Sievers**  
Executrix - Estate of Caroline Sievers

"You guys are efficient and great to work with indeed."

**Neal Stover**  
Vice President - Northern Trust

"I would like to thank you for all your help. It's a pleasure doing business with you and with EnergyNet. It's very nice doing business with a company that knows what they are doing. Everyone I've spoken with has been very knowledgeable and helpful. It's rare, but very appreciated to find such excellent customer service in all aspects of a company."

**Liz Nelson**  
Land Tech. - Greenstar Resources Operating, L.L.C.

"Gentlemen, What an incredible idea you have for buying and selling oil and gas properties through your program. To date, I have bid on six properties and have purchased two. I couldn't believe how easy it was to log-in and start bidding. I never dreamed that I would see something as professional and exciting as this method of buying properties could be. In the past, I attended a couple of live auctions and swore I wouldn't do that again. They were expensive and time consuming, not to mention the confusion and hassle. Thanks for making it possible to participate in your auction and allowing many of us to observe and interact with many in the industry. "

**Joe C. Richardson**  
Texas Oil & Gas Pioneer



"Innovative. Convenient to use from any computer. EnergyNet.com is a great service and extremely easy to work with. This is the most effective and efficient way to buy properties that I have seen."

**Veteran Auction Attendee**

"I found the properties easy to review - with sufficient information to make an analysis and decision. The bidding process is easy to understand and use. I am looking forward to using energynet.com in the future. One of the best internet auction engines."

**Denver Buyer**

"I wanted to tell you how much the "Properties Sold" category is such an invaluable tool to go back and see data and bid histories for properties we have sold. We've had to refer to it several times over the last two years."

**Steve Collins**

V.P. Operations - Five States Energy Company, LLC

