department/ TALES FROM THE FIELD

The Art of Dealmaking

Never underestimate the value of trust, personal connection and face-to-face communication

by/ MARK OATES, CPL

The professional landman has emerged as a business manager, a dealmaker, a negotiator, a marketer, a teller of tall tales and the liaison between company and landowner.

From a consulting standpoint, as you know, the bottom line of acquiring business and keeping it is not only doing great work while establishing a connection with the client, but also selling them on honesty, integrity and the notion that you can do the work with a high degree of competency. I want to elaborate on how important the "connection" part of this relationship is and so I will share a conversation I had in Dallas a few weeks ago while having breakfast with a potential client. Let me start with the backstory of how this came about.

A month or so earlier, we completed a due diligence project for a buyer of assets valued at $250 million located in Oklahoma. Shortly thereafter, we began working with a landman from the law firm tasked with preparing Exhibit A to the mortgage for the bank that would loan the money to the purchaser of the properties (our client). After an all-day face-to-face work session with the landman in our conference room and a multitude of conference calls from Dallas, our Exhibit A and title confirmation was perfectly satisfactory to the firm and bank. The landman was very impressed with our work, which in turn made her job a "piece of cake."

A month later, I was traveling to Dallas on another project and let her know I would be coming to town for a few days. She asked if I had time to meet a man who is vice president of a company that provides financial resources to fund large acquisitions. He had tried to hire her to help with some due diligence in the past but her employee status prevented her from accepting. She recommended a few other firms to handle this work, but nothing had come to fruition. Upon hearing that I would be in Dallas, she invited me to join her for breakfast and said she would bring along the gentlemen for me to meet. Obviously, she spoke very highly of us because he was eager to meet with me. As it turns out, she was unable to make it that morning, but the gentleman and I connected at the restaurant.

We immediately began discussing our histories in the "oil business" and my experience of doing landwork in many areas throughout my career and the number of acquisition due diligence projects we had completed in various basins across the country. Before too long, an hour had passed and we had not even spoken about the project at hand. At that time, he began explaining that his client was in over his head in a remote area of the country with a fast-approaching deadline to close on some land he had bought covering at least 80,000 acres.

He said, "Mark, you and your team have come highly recommended to help on this project and pending a few minor details to be worked out with the banks involved, we will need to move on this project at the word 'go,' but before we make our decision as to which land consultants we should use, I need to know what your expertise is in the state of North Dakota."

I looked this man dead in the eye and swallowed a big gulp of hot coffee. I put the cup down and after a long pause said: "I don't know jack s--- about North Dakota."

He responded: "When can you start?"

Obviously, our conversation led to a belief of competency and a level of connection that would serve as a basis of trust for the relationship and potential project at hand.

A few years ago, I was working as a senior landman for a very aggressive energy company and was trying to make a deal with two gentlemen in Midland, Texas. They both owned deep rights (50%/50% — 640 acres) under a producing shallow formation operated by our company and my geologist had an idea to drill a deeper test, but first we had to acquire this interest. I made offers to both parties, one of which replied: "If you get the other 50%, I will go along with the same deal."

Within a few days of me mailing the offers, I received a phone call. The other gentleman proceeded to tell me that he was an oilman out in West Texas and that he would not make a deal with me for any terms and especially not at $150 per acre. That's what they are called in West Texas — oilman! No other words are necessary; degree not required.

Finally, after a few months of not being able to come to terms with this oilman, I secured a seat on the company jet and made a call to him and asked if I could meet him in his office at 1:30 on a Friday afternoon. He obliged my request. I boarded the plane at 6:30 a.m. toting a briefcase that included two items: my file covering his section and one of my favorite books — Whisk(e)y.

Now being that I am a graduate of the University of Oklahoma, I get a bit nervous when traveling to West Texas on business as there are too many pitfalls to consider, two of which include Longhorns and Red Raiders or really just Texans in general. My only saving grace is that I was born and raised in Abilene, just 150 miles east of Midland on Interstate 20.

As I stepped into his offices, there under my feet was a very large rug with the Texas Tech University colors and logo in the entry way. TTU memorabilia were all around the office. I don't even know the name of the Tech mascot (that black-masked equestrian who rides along the sidelines showing "Guns Up"), nor do I care. All I knew was that I was doomed! How could I talk my way around any of this?

After about 15 minutes of being shown around the office and having to endure all the TTU stuff, I said to him, "Surely you have a whiskey cabinet?"

All Texans do, of course, and to my knowledge, you can't be an oilman in West Texas without one. His eyes began to light up like a lovely white Christmas morning. He opened the first of many cabinets and began showing me his collection of single malt Scotches.

"So, you are saying there's a chance," I said to myself.

We proceeded to talk about all the great whiskeys and Scotches around the world and all the lovely nuances of a fine cigar with his favorite single malt Scotches and on and on and on. We finally sat down at his desk and then I pulled out the book I just happened to have in my possession. After another 30 minutes had passed, we closed the Whisk(e)y book. He then reached into his drawer and pulled out the file containing my latest offer.

"Let's talk about this offer. Mark, you offer me $250 per acre for my deep rights but that just ain't enough," he said, referring to my second offer. "I want $400."

I said, "I thought you didn't want to make a deal on this acreage? How about I up it to $300 and agree to drill a well within six months?"

Little did he know I already had a rig scheduled to spud this well when the dust from the paperwork settled.

He replied: "$400!"

I countered: "$300 and a bottle of 12-year Macallan."

At this point, I had an idea of what this bottle cost, but I wasn't exactly sure. All I knew was that it would come out of my pocket and not the company's. It's hard to expense a $135 bottle of single malt Scotch.

He said: "$350 and an 18-year and I will sign the deal."

I replied: "Done!"

We shook hands and I said I would be back to close in 10 days.

Exactly 10 days later, we traded the assignment and the check. We sat there for a second and were getting ready to say our goodbyes when I said, "Oh, aren't we forgetting something?"

I pulled a bottle of 18-year Macallan single malt Scotch from my briefcase and handed it over to him.

He laughed and said, "I didn't really think you would do that, but I can see you are a man of your word."

Almost four years later, we speak on the phone and via email on a regular basis and one day will consummate another deal. Long live making deals the old-fashioned way — face to face and over a good bottle of whiskey (or whisky).

The following week, I told that story to a landman friend who was a vice president of business development, and he said, "Next time, take a young landman with you so they know how to do this kind of stuff!"

We just laughed.

Always remember to take the time for a personal visit when it is going to make the difference in getting the deal or losing it. And work very hard to establish a personal connection and a level of trust. ▲