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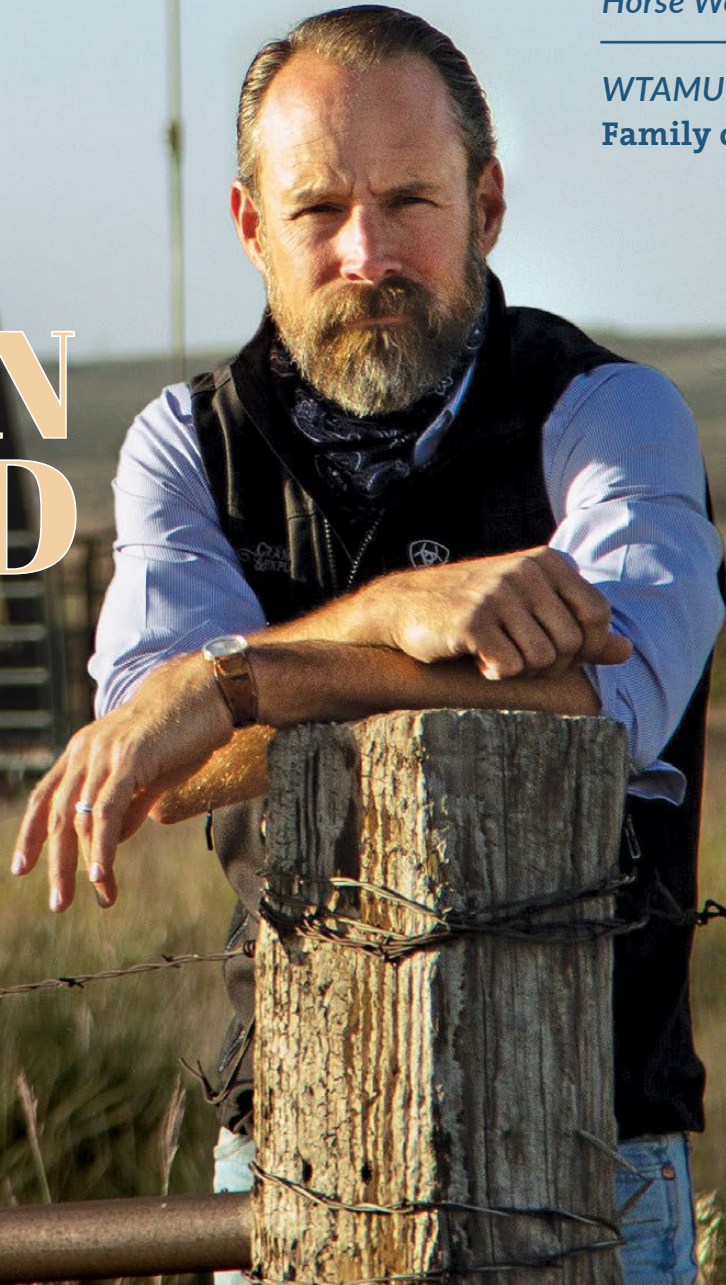
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COMMON GROUND

**Jonathan
Grammer**

A Look at the *Future of Energy*
and the *Oil & Gas Industry*



Common Ground

By Callie Holton



“I always presume that this next thirty-six-month period will be my last,”

said Jonathan Grammer, founder, landman, and General Counsel of Grammer Land and Exploration, “and it is that way of thinking that I believe has allowed me to stay in it so long.”

These words might surprise some, but anyone who has ever derived a portion of their income in the oil and gas industry is likely to understand. The boom and bust cycles can be hard to predict and even harder to survive for an oilman.

However, boom and bust cycles are not unique to the oil and gas industry. In a region whose most significant resource is land, the people of the Texas Panhandle are well-accustomed to the swings that come with the pricing of commodities like wheat and cattle. Landowners have become resultingly skilled in finding varying ways their land can produce income to sustain them when primary operations struggle.

This basic economic principle of diversification is the key to understanding how Jonathan Grammer has been able to string together enough of those months to have earned a career now spanning sixteen years. But he has not simply survived the years. He found a way to thrive, and that journey is better appreciated within the context of how the industry came to our area in the first place.

“Theodore Roosevelt is, in a certain sense, responsible for the Panhandle oil and gas field,” Charles N. Gould stated in the opening of a presentation he gave at the Herring Hotel in 1935 for the American Petroleum Institute. Gould, the geologist who founded the Department of Geology at the University of Oklahoma in 1900, refers to the passing of the Reclamation Act in 1902 as a result of political pressure to provide greater access to irrigation for Americans looking to settle and farm rural areas. The



Far Left:
Speaking at the
Texas Tech School
of Law Energy
Symposium

Left:
Jonathan Grammer
speaking at his
graduation from
the Oklahoma
City University

demand for Gould's services increased enough to open a branch office in Amarillo. Gould said, "Nearly all the ranchmen in the Panhandle wanted domes located on their property."

Soon, oil and gas leases like those negotiated for the Masterson and Gulf wells were being taken across the Panhandle. At the time, they were hand-calligraphed into large, leather-bound books and stored in the county courthouses alongside the patents and land grants. These days, most property records are available online, but visit the courthouse, and you're likely to agree that there's something

special about flipping through the yellowed pages to find insight into the then-budding industry. Without any precedent, these early leases contained very few provisions and a meager royalty payment, typically just one-eighth. Dozens of sections totaling thousands of acres might be tied up on one lease in perpetuity with just a single well's production. Primitive or not, these leases were the foundation for the production that would prove up the field. Gould trusted the science leading the Panhandle to its first oil boom.

More than a hundred years and many boom and bust cycles later, Jonathan Grammer moved to the Texas Panhandle and hung out his shingle as a petroleum landman in fields established by all those who came and went somewhere in between.

After graduating from the Oklahoma City University School of Law, Grammer had begun his career as a trial attorney. But the possibilities of the oil field beckoned to him from Southwest Oklahoma, where he first put his legal knowledge to use buying leases and acquiring clients as a landman.

Jonathan arrived in Amarillo with his wife, Claire, in 2007, the same year he incorporated Grammer Land and Exploration. Originally from Austin, Jonathan didn't have existing local connections. Undeterred, he set up shop in the old Commerce Building, which has since become Harrington Academic Hall WTAMU Amarillo Center.

U.S. Geological Survey hired Gould to study a swath of the Great Plains that included the Texas Panhandle.

In 1903, Gould, accompanied by several of his students, traveled to the Panhandle by horse and covered wagon across what was then still often referred to as Indian Territory to observe the water resources and map out geological features. "We were working on other things," Gould said later in his presentation, "and had anyone suggested that the area, in time, would develop into the largest natural gas field in the world, we would have undoubtedly given him the horse laugh."

Although the profession of geology was in its infancy at the time of initial surveying, Gould's recollections of a particular anticline formation near the Canadian River would prove valuable more than a decade later when a group of Amarillo businessmen hired him to return to the Panhandle. Now in an automobile, they set out to identify a location where oil or gas could be produced. The investor group was rewarded with the drilling of the first natural gas well on the Robert B. Masterson ranch north of town in 1918. A year later, Gould also helped set the location for drilling the Gulf No. 2 well on Samuel Burk Burnett's 6666 Ranch.

Perhaps spurred by the fact that the lucrative post-World War I spike in beef prices had plummeted by the time this early production was being established,



“Don’t ever be afraid of the desperation of starting out on your own,” Jonathan said, musing on his humble beginnings. “I’ll always remember that first office in the basement, next to the boiler room. There were no windows, and the boiler rumbled all day long. It was \$148 a month, and I thought, ‘I can’t afford this.’ I had just moved here, and I didn’t know anyone.”

One evening, sitting alone in his basement office, he flipped through the Oil and Gas section of the phone book that had come with his brand-new phone line. He created a basic flyer in Microsoft advertising his services and sent out a copy of that flyer to every listing in the section, hoping to drum up business.

That new phone didn’t ring. But Jonathan did get an email. Dale Rufenacht of Questa Energy had taken a chance on him. Rufenacht, also an attorney and a transplant to the Panhandle, was the client he needed to gain traction in the local market.

“That email...” Grammer trailed off wistfully. “You know, I can probably reduce my entire career down to four or five handshakes. You don’t have to bat a thousand on every connection. You just have to hit a home run on one of them. And Dale was one for me.”

Jonathan recalls his early career as a landman in the Panhandle, saying, “It was busy, and it was exciting. There were crews and drilling rigs everywhere, and there were big players in the Panhandle. There was this energy. You were going every which way. There were still big lease projects, and it was competitive. You’d pull up to the Roberts County courthouse in

Miami, where ten or twelve guys would be signed in. You’d go across the street to the cafe, and it was full of them. You might get a call, ‘Can you run over to Moore County on your way back?’”

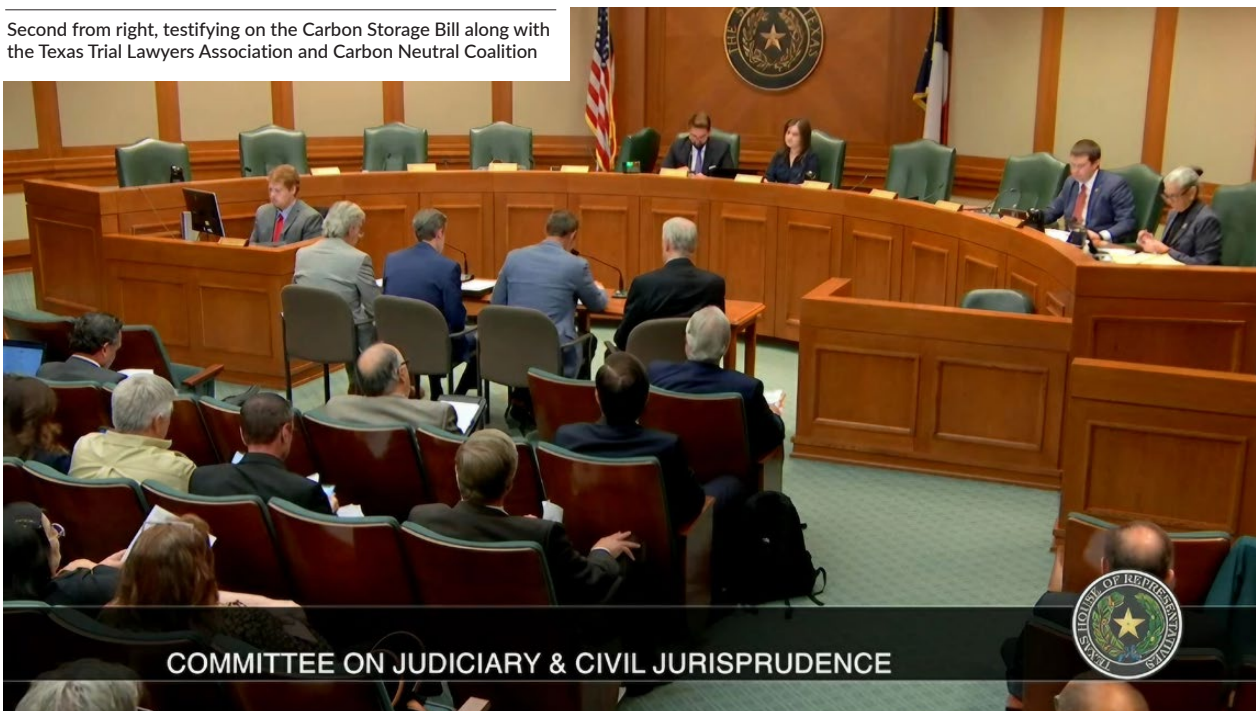
Armed with little more than a yellow legal pad and a pencil, Jonathan racked up miles crisscrossing the network of highways connecting his projects. He also formed countless connections and built relationships with local landowners and other industry professionals, which would earn him a reputation as a landman who could be trusted.

Researching mineral ownership and working interest in the county courthouses, Jonathan, like other landmen, re-traced the progress the industry had made over the years with every project, from those first leases in the time of Gould and Gulf, to the books in the time of the typewriters when the sons of the settlers were striking the deals. By that generation, landowners had learned that each section should stand alone on a lease, and they could ask for and receive a royalty of perhaps three-sixteenths.

Long days entrenched in the research of a property or well and collecting colorful stories from the locals meant that landmen could become knowledgeable historians in their territories. And being able to favorably navigate tricky contracts turned the best landmen into trusted advisors.

“That was part of the joy, the magic of it. Getting to know the people who worked in the county clerk’s office, the title company. And so many times,

Second from right, testifying on the Carbon Storage Bill along with the Texas Trial Lawyers Association and Carbon Neutral Coalition



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Above:
With friends Ryan
Vardeman and
David Segrest
looking at ranch
property in the Hill
Country

Left:
Jonathan Grammer
with his wife and
children

research would take us someplace unexpected. I'd wander around at the cemetery, looking for names. I'd talk to people in town, 'Hey, do you know old so-and-so that lives off of Country Road such-and-such...' There was a science to it."

The landowners were likely the great-grandsons of the settlers by the time Jonathan was drafting leases in Microsoft Office. And with the latest boom, royalties were reaching one-fifth, or even one-fourth, if the play was attractive enough. Field rules were in play, and companies were forced to drill quickly and aggressively to keep their leases alive.

Inevitably, though, the high energy of the boom eventually gave way, and Jonathan experienced his first bust. "My wife Claire was pregnant with our first baby when the financial crisis hit in 2009. And I was sitting there at my desk that used to have six months of work stacked up, and it was empty."

High day rates and abundant work during the good times attracted hundreds to the local industry, many coming from other vocations and different towns or even states. As in all the cycles before, the feast had attracted a crowd of fair-weather landmen, a trail of whom could be seen scattering back to wherever they came from once famine hit.

But Jonathan was determined to stick it out. He wanted a way to ensure that his desk would never be vacant long. "I said to myself, 'I'm never doing this again.'"

Meanwhile, political pressures sparked the emergence of renewable energy projects nationally, but they spread slowly in this part of the country. "Having that hunger and having had that kind of scare, it occurred to me that I didn't need to stay in just petroleum and natural gas," Jonathan said. "There was a lot of work to be done in the utility field and renewables, and I figured out quickly that I could apply my skills there. And ultimately, because those industries work indirectly from each other, I could sustain and grow when oil and gas prices were low because the demand would go up on the other side."

The opportunities were knocking for landowners, too. Top-dollar offers from oil and gas companies to lease their minerals dried up and gave way to letters from wind and solar companies from other parts of the nation. No one knew how to navigate these contracts. Landowners of 2010 were like the early settlers - they had very little information that helped them vet opportunities or value them.



However, relationships Jonathan had built with landowners led to opportunities to extend his reach. “A rancher I’d leased for oil called and asked me what I thought about a solar lease. I said, ‘I don’t know, but send it to me.’ I started reading through the terms, seeing all kinds of new operations language, and looking at how they paid on an acreage basis.”

And so began his scramble to the other side of the figurative see-saw. The learning curve was steep, but the potential was promising. Jonathan dove in and got as much hands-on experience as possible. Before he knew it, the phone was ringing with a whole new set of clients and projects.

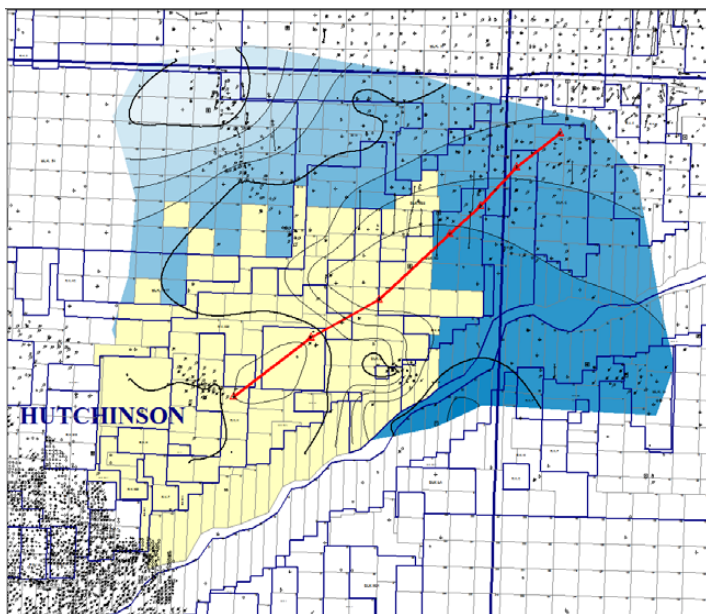
“I didn’t so much set out to find this kind of work as I recalibrated my compass to the work that was trying to find me. This work is looking for the land industry, whether it comes knocking on the door or not. These are all very turf-oriented industries. They don’t necessarily blend very well. They don’t join the same trade associations. They are very distinct politically. But we need people to bridge the gap. And so I’d take the call about wind, solar, or utilities at a time when others might have said, “That’s not my space.””

Surprisingly, when he started accepting solar projects, he found that the work was similar. “We were being hired specifically to analyze working and mineral interests underneath solar leases because it’s a big conflict in Texas. You have to get mineral stipulations, mineral owners have to sign on, and working interest owners have rights to lay pipelines and roads. You must devise a common plan before putting those solar panels on the surface.”

By simply saying yes, Jonathan became someone who could bridge the gaps and help the different players find common ground among their varying agendas. He quickly picked up on the need for what he calls concurrent development. “You now have to work around solar and wind and pumpjacks and drilling locations, transmission lines. That will be the skill set necessary for the next generation.”

Jonathan, who is frequently invited to speak to the next generation at Texas Tech University School of Law, sees the trend surfacing at the collegiate level and is encouraging young people to continue to enter the energy sector, no matter which specific field they choose. “Their curriculum is changing to be all hands on deck. What can we do to understand more about solar, wind, natural gas, oil, brine extraction, geothermal... because this state will need all of it.

“In Texas,” he continued, “the population growth has nearly doubled the national average. We’re continuing to grow, and we are continuing to use more and more electricity, which will pull on all of these sources. That demand will continue to increase, and the infrastructure we’re using to do it is so outdated. There is going to be an enormous amount of work in the years ahead. It’s going to require people who can think outside of the box and work hard. And so, to that end, I would recommend anyone going into energy. And that includes infrastructure, transportation, transmission lines... pick one - although I strongly recommend understanding all of them to some degree - I really don’t think you can go wrong.”



“carbon capture is the process by which carbon emissions from burning fossil fuels are trapped before they can enter the atmosphere”

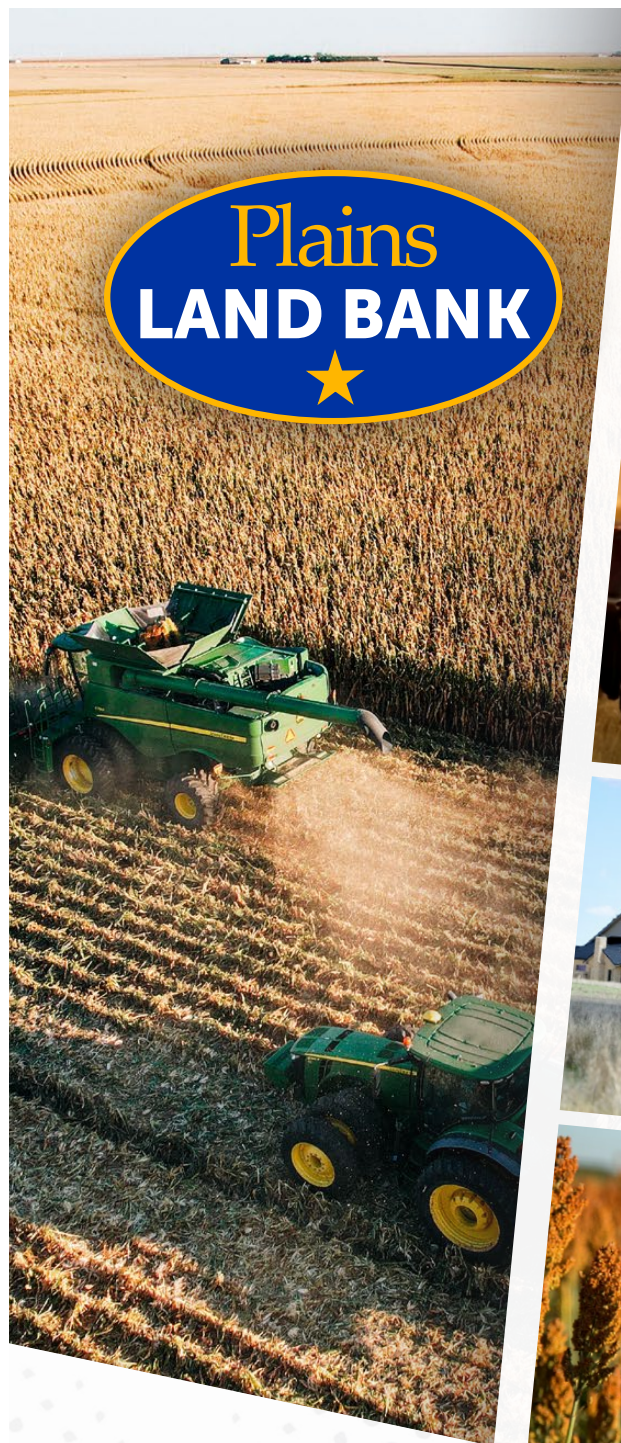


Still learning and evolving himself, Jonathan's most recent and most rapid growth opportunity has been in his role as the CEO of U.S. Carbon Capture. If you need a quick overview, carbon capture and sequestration is the process by which carbon emissions from burning fossil fuels are trapped before they can enter the atmosphere and then transported by pipeline and stored safely underground. "If you're a natural gas power plant, and if you're getting pressure from your shareholders, your investors, and potentially the EPA and the SEC to reduce your carbon footprint, this is an opportunity if you have geology nearby that will safely store your carbon dioxide."

Jonathan recognizes this is a concept few local landowners are comfortable even thinking about just yet. Still, he feels strongly that they should begin preparing for this next layer of diversification. "I believe that concurrent development, including carbon capture and storage, will be tantamount to ensuring security for legacy properties moving forward as other commodities continue to shift in price."

The biggest thing Jonathan wants landowners to know as they are approached for this opportunity is that "If CO2 finds its way to fresh water, it creates H2CO3, or carbonic acid, which in high levels, under a steady stream, can ruin an aquifer. However, if you have the same geology that will hold oil and gas, it will hold carbon dioxide as well. If your geology is done correctly, the risk of contamination to fresh water is minimal." Landowners must vet the companies they are working with and ensure the geology is sound. "Trust levels need to be even higher on these projects," Jonathan said, "the stakes are higher if the geology is off."

Jonathan believes that the extra due diligence required is worth the possible payoff. "Certainly, being able to pay landowners to store emissions



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undeneath their ground, if it can be done safely, could bring the next stage of big revenue into the Texas Panhandle.”

If it all sounds a bit like junk science to you, consider this story Charles Gould shared describing a conversation after the dedication of that very first well: “Mr. Masterson, the owner of the land, and who was one of the company, afterward told me that while I was making my talk, he was trying to size me up and make up his mind whether I was a dam fool, a mighty smart guy, or a tremendous bluffer.”

Jonathan, who now has four children with his wife Claire (Jeb, Grace, Georgia, and Jovie), has been able to keep his desk more than full, simply by being open to progress in an industry that has never truly stayed the same.

Though well-respected across the energy field, at heart, Jonathan is still a petroleum landman. “Oil and gas is where my loyalty rests. It’s the most enjoyable of the industries for me. It’s what drew me in.”

And it continues to draw in young people, including Tyler Rufenacht, the son of Jonathan’s first client, Dale. Tyler, a graduate of the University of Oklahoma, is now the Vice President at Questa Energy, following in his father’s footsteps, knowing the path forward may look different. “The oil and gas industry has certainly changed since my father started out nearly 50 years ago,” Tyler shared, “however, the simple fact is it’s not going anywhere. The younger generation will need to learn and navigate the ever-changing environment to survive, which is exactly what Jonathan is doing.”

Jonathan would agree. “Certainly, oil and gas is coming back. I can feel it,” he said. “I think a lot of investors see that as well. But being able to understand how each industry works and how they’re interconnected, whether or not you want to generate your income from any of them or have it be your profession, you will be a valuable asset to this state in the coming years.” *AW*

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