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# Natural Gas and Oil Development Partnership

MDS 2025-SHALE DEVELOPMENT LP



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# Fueling American Energy Independence

In 2005, the US was a net importer of natural gas and oil. Since then, through technological advancements, the nation has become a net exporter of natural gas. Increasing domestic oil and natural gas production is bringing jobs back home and reducing our dependence on foreign natural gas and oil. Plus, it's helped cut CO<sub>2</sub> emissions to levels not seen since the early 1980s. However, as discussed in the footnotes below, oil and natural gas operations are increasingly subject to executive orders and regulatory measures that could restrict these activities in the future.<sup>(1)(2)</sup>

We're proud to be part of the American energy revolution, sparked by American ingenuity and powered by American investors, companies and workers.

## Potential Tax Benefits of Natural Gas and Oil Limited Partnerships

The IRS provides significant tax deductions for companies that invest in drilling natural gas and oil wells. Our partnership captures these benefits and passes them along to our investor general partners, making this a potentially valuable tax planning tool for high net worth individuals that are accredited investors. Electing to participate as an investor general partner carries potentially unlimited liability.<sup>(3)(4)</sup> See the Private Placement Memorandum for more information about investor general partner liability.

(1) Executive orders and regulatory measures, including those related to climate change, have been subject to significant changes in recent years under both the Trump and Biden Administrations. Although the full impact of these actions is uncertain at this time, the adoption and implementation of these or other initiatives may result in the restriction or cancellation of oil and natural gas activities, greater costs of compliance or consumption (thereby reducing demand for oil and natural gas) or an impairment in the Partnership's ability to continue its operations in an economically viable manner.

(2) Climate change and regulatory and other efforts to reduce climate change, including restrictions on emissions of greenhouse gases could adversely affect the Partnership's business. Also, the Partnership will use hydraulic fracturing in completing its wells, which is subject to federal and state legislation and regulations that could result in increased costs and operating restrictions. See "Competition, Markets and Regulation" in the Private Placement Memorandum for a discussion of the more significant laws, rules, and regulations that the Partnership's operations are subject to and for which compliance may have a material adverse impact on the Partnership.

(3) You will have unlimited joint and several liability for Partnership obligations if you choose to invest as an investor general partner until you are converted to a limited partner. See "Risk Factors" later in this brochure for more details.

(4) If you invest as a limited partner, your interest in the Partnership generally will be treated as a passive activity for U.S. federal income tax purposes and your share of Partnership losses will be limited to offsetting your passive income (if any).

The equipment pictured herein is not owned by, and will not be owned by, the Partnership.



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## INTANGIBLE DRILLING COST (IDC) DEDUCTION

IDC deductions may create an immediate, current year, above-the-line tax deduction that may reduce any income type and may help reduce your taxes due on 2025 income from any source.

An investment in the Partnership is anticipated to create a deduction in an amount equal to approximately \$0.70 for each dollar invested, making it a potential tax-planning tool for accredited investors who invest as investor general partners, but not who invest as limited partners. See disclaimer set forth below.

Our partnership structure passes through all tax losses to the investors individual tax return.

### Basic Example of the IDC Deduction

	\$100,000 Investment	
	No MDS Investment	With an MDS Investment
Gross Income	\$500,000	\$500,000
Investment in the Partnership	\$0	\$100,000
Tax Loss Generated	\$0	\$70,000
Adjusted Gross Income	\$500,000	\$430,000
Taxes Due	\$246,500	\$212,110
<b>Taxes Eliminated</b>	<b>\$0</b>	<b>\$34,400</b>

Assumes 37% and 12.3% federal and state marginal tax rates, respectively.

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## DEPRECIATION DEDUCTION

You could receive another deduction for depreciation for tax year 2026 for approximately 16% of your investment.

**Disclaimer:** An investment in the Partnership may provide certain tax benefits; however, the above noted tax benefits are not guaranteed. Changes in federal and state tax law could limit or eliminate these benefits. Also, if the IRS successfully challenges the timing or allocation of the deduction of IDCs, such deductions could be required to be taken into account in later tax years, including tax years that are after your investor general partner Units are converted to limited partner Units, which could adversely affect the characterization of at least a portion of the deductions as active for purposes of the passive activity rules. The risk that the IRS successfully challenges the prepayment of IDCs for lack of business purpose is increased if prepayments are not required for 100% of the working interest, as is the case here because the Partnership is expected to acquire less than 100% of the working interest in substantially all wells, and other working interest owners will not be required to prepay IDCs.

An investment in the Partnership involves a high degree of risk. An investor should only invest if he or she can afford the total loss of the investment. You should consult your personal tax advisor regarding the impact to you of an investment in the Partnership. Attainment of the investment objective by the Partnership and tax benefits will depend on many factors including the ability of the Managing General Partner to select suitable wells that will be productive and produce enough revenue to return the investment made. The success of the Partnership depends largely on future economic conditions, especially the future prices of natural gas and oil, which are volatile and may be low or decrease during a well's most productive period. There can be no guarantee that the foregoing objective or tax benefits will be attained.

## DEPLETION ALLOWANCE

Depending on your personal circumstances, you may be entitled to a deduction of up to 15% your share of the Partnership's gross production income.

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## GROWTH ON TAX SAVINGS

Taxes eliminated by your investment in the Partnership are now free to be reinvested. Potential growth on your tax savings is often overlooked, but could be a benefit to the overall return on your investment in the Partnership.

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## How This Works

The Managing General Partner anticipates the Partnership will drill a combination of horizontal natural gas wells in western Pennsylvania and horizontal oil wells in areas outside of western Pennsylvania. The Managing General Partner will analyze a number of factors such as the market conditions for natural gas production as compared to oil production. For example, if the market conditions are prospectively better for oil than natural gas, then the Partnership may spend a disproportionate amount of the subscription proceeds in those areas outside of western Pennsylvania. Conversely, if the market conditions are prospectively better for natural gas, then the Partnership may spend more of the subscription proceeds in western Pennsylvania which are more likely to produce natural gas. Other factors which will affect the location and number of wells will be:

- the amount of subscription proceeds received by the Partnership in each closing;
- the cost to drill and complete the wells and the Partnership's percentage of working interest owned in the wells; and
- regulatory and permitting requirements.

The Managing General Partner expects that the Partnership will joint venture with its related party, Snyder Brothers, Inc., to drill, complete, and operate the Partnership's wells in western Pennsylvania.<sup>(1)</sup> In most, if not all, of the wells outside of western Pennsylvania, the Managing General Partner expects that the Partnership will joint venture with third parties, some of which may serve as a Third-Party Operator.

After the wells are drilled, the Partnership's net revenues will be distributed to our investor partners monthly during the Initial Distribution Period (as defined in the Private Placement Memorandum) and quarterly thereafter, potentially creating a long-term, income stream.<sup>(2)(3)</sup>

<sup>(1)</sup> Snyder Brothers, Inc. is a related party to the Managing General Partner as described in the Private Placement Memorandum.

<sup>(2)</sup> Distributions are not guaranteed. They can be less or more than expected depending on the productivity of the well. Anticipated start date of distributions is not guaranteed.

<sup>(3)</sup> Also, the Leaseholders will receive a portion of the well revenues in exchange for the transfer of the Leases. See "Risk Factors" in the Private Placement Memorandum.

## Our Story

The Managing General Partner employs approximately 30 people with expertise in land acquisitions, engineering, drilling and completion operations, well supervision and production operations, oil and gas accounting, investor services, and business management.<sup>(1)</sup>

THE MANAGING GENERAL PARTNER  
HAS RAISED AND DEPLOYED OVER \$1  
BILLION FROM OVER 9,600 INDIVIDUAL  
INVESTMENTS.

### WESTERN PENNSYLVANIA

A portion of the subscription proceeds will be used to drill horizontal natural gas wells to the Marcellus Shale geological formation in western Pennsylvania. In western Pennsylvania, the Managing General Partner expects the Partnership will joint venture with Snyder Brothers Inc.<sup>(2)</sup>, which has been operating in western Pennsylvania since the mid 1970s, employing more than 1,000 people. The Managing General Partner believes the local infrastructure, its land position of more than 150,000 acres of oil and gas drilling rights, and a level of legacy efficiencies enable the Marcellus Shale horizontal well costs in western Pennsylvania to be at a lower cost structure than other operators in the area.

### OUTSIDE OF WESTERN PENNSYLVANIA

The Managing General Partner anticipates the Partnership will use a portion of the subscription proceeds to drill horizontal oil wells in areas outside of western Pennsylvania. The Managing General Partner has been and continues to review oil prospects located outside of western Pennsylvania as described in the "Proposed Activities" section and Appendix A of the Private Placement Memorandum. The Managing General Partner has been analyzing various factors with respect to such oil prospects, including the changing oil and gas commodity market conditions.<sup>(3)</sup> The Managing General Partner and its Affiliates have limited experience in areas outside of western Pennsylvania.

<sup>(1)</sup> See "How This Works" for a discussion of the factors the Managing General Partner will analyze in determining the amount of subscription proceeds to spend drilling horizontal natural gas wells in western Pennsylvania as compared to horizontal oil wells outside of western Pennsylvania.

<sup>(2)</sup> Snyder Brothers, Inc. is a related party to the Managing General Partner as described in the Private Placement Memorandum.

<sup>(3)</sup> Although Appendix A sets forth certain Prospects, the Partnership has not committed to drill any of the wells specified in the Memorandum.

# MDS 2025-Shale Development, LP

## INVESTMENT SUMMARY

**Partnership:** MDS 2025-Shale Development LP

**Sponsor:** MDS Energy Development LLC

**Third-Party Due Diligence:** Mick Law/Snyder Kearney

**Due Diligence Materials:** Available Online via OneHub

**Managing Broker/Dealer:** Realta Equities, Inc.

**Subscription Agreement Submission:**

Electronically via MDS Energy Development Website

**Offering Structure:** SEC Regulation D, Rule 506(c)

**Critical Documents:**

Online via Secure MDS Accounting Portal

**Offering Size:** \$200 Million Maximum (\$300 million if Greenshoe Option is exercised), No Minimum, No Escrow

**Distribution Schedule:** After wells are fully developed and are producing revenue, the Partnership's net revenues will be distributed to our investor partners monthly during the Initial Distribution Period (as defined in the Private Placement Memorandum) and quarterly thereafter<sup>(1)</sup>

**Minimum Investment:** \$50,000 (\$1,000 Increments Thereafter)

**Drilling Area/Formation:** Natural gas wells in western Pennsylvania and primarily oil wells outside of western Pennsylvania.<sup>(2)</sup>

**First Year IDC Write-Off:**

Approximately 70% (for investor general partners)<sup>(3)</sup>

<sup>(1)</sup> Distributions are not guaranteed. They can be less or more than expected depending on the productivity of the well. Anticipated start date of distributions is not guaranteed.

<sup>(2)</sup> The Managing General Partner will determine where to drill wells based on its analysis of various factors as described in "How it Works."

<sup>(3)</sup> See page 3 of this brochure for additional information on IDC deductions and the disclaimer on the timing and allocation of such deductions.

## RISK FACTORS

An investment in the Partnership is speculative and involves a high degree of risk. Because of this, you must be an Accredited Investor. These securities have not been approved or disapproved by the SEC or any state securities administrator. You should invest in the Partnership only if you can afford a complete loss of your investment.

The Partnership's drilling operations involve the possibility of a total or partial loss of your investment because the Partnership may drill nonproductive wells or wells that are productive but do not produce enough revenue to return the investment made. Even if the well is productive, if the prices of natural gas and oil do not achieve and/or maintain a certain price level during a well's most productive period, then you will not receive a return of your investment. Natural gas and oil prices have been volatile over the last ten years.

Although Appendix A of the Private Placement Memorandum sets forth certain Prospects, the Partnership has not committed to drill any of the wells specified in the Memorandum. The Partnership's subscription proceeds will be used to drill a combination of horizontal wells in western Pennsylvania that are expected to produce natural gas and in areas outside of western Pennsylvania that are expected to produce oil.

Because the wells are not specified, you will not be able to independently evaluate the Prospects to be drilled. Instead, you must rely on the Managing General Partner's ability to select suitable Prospects. There can be no assurance that the Managing General Partner will be successful in selecting Prospects that generate sufficient production and revenues to achieve the Partnership's investment objective.

The Partnership's revenues are tied to natural gas and oil prices. If the prices are low for an extended period of time and revenue decreases, then the Partnership Wells will not be economical, and you may not receive either a return of or on your investment.

Although the Managing General Partner is the partnership operator for all of the wells, when the Managing General Partner is not the actual operator of a well, which will be the case in western Pennsylvania and some of the wells outside of western Pennsylvania, there is a risk that the Managing General Partner may not be able to supervise the Related Party Operator or Third-Party Operator closely enough.

Cash distributions are not guaranteed and in certain circumstances may be reduced or delayed.

You must rely entirely on the Managing General Partner to manage the Partnership and its business.

There is a lack of conflict of interest resolution procedures between the Managing General Partner and you and the other investors, and such conflicts may not necessarily be resolved in favor of you and the other investors.

You will have unlimited joint and several liability for the Partnership obligations if you choose to invest as an investor general partner until you are converted to a limited partner. This means that if the Partnership's insurance proceeds, the Managing General Partner's indemnification of you and the other investor general partners, and the Partnership's assets were not sufficient to satisfy the Partnership liability, then the Managing General Partner would require you and the other investor general partners to make additional capital contributions to the Partnership to satisfy the liability. In addition, you and the other investor general partners have joint and several liability which generally means that a person with a claim against the Partnership may sue all or any one or more of the investor general partners, including you, for the entire amount of the liability.

If you invest as a limited partner, your interest in the Partnership generally will be treated as a passive activity for U.S. federal income tax purposes and your share of Partnership losses will be limited to offsetting your passive income (if any).

A lack of liquidity or a public market for the units, and limited transferability, makes it extremely difficult for you to sell your units.

Substantial fees will be paid by the Partnership to the Managing General Partner, the Related Party Operator, and their respective Affiliates for their services in drilling, completing, and operating the wells regardless of the success of the wells.

The Managing General Partner, the Related Party Operator, and their respective Affiliates will receive an overriding royalty interest as described in the Private Placement Memorandum (including the Gross ORRI), which does not pay any of the costs of drilling, completing, and operating the well but gives the Managing General Partner, the Related Party Operator, and their respective Affiliates a portion of the well revenues in exchange for the transfer of the leases. The Partnership may pay higher than market rates for the Leases because the Managing General Partner will determine in its

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discretion the consideration, which is the Gross ORRI and possible additional Overriding Royalty Interest, for the Leases transferred to the Partnership without an appraisal by an independent expert of the Leases or the Gross ORRI.

Under the Limited Partnership Agreement, you and the Managing General Partner will share in costs disproportionately to the sharing of revenues. Also, through the transfer of Leases, the Leaseholders will share a portion of the revenues from the Partnership Wells without paying any costs of development, operation, or maintenance of the wells.

If there is a change of control of the Managing General Partner, then the Related Party Operator has a call option on wells joint ventured with the Related Party Operator in western Pennsylvania.

General economic conditions could negatively impact the Partnership's business which, in turn, could impact the cash it has to make distributions. For example, trade wars, tariffs, and protectionist policies may increase costs for materials and equipment, disrupt supply chains, and adversely impact the Partnership's operations and financial performance. Also, these developments may reduce global demand for oil and natural gas and disrupt energy exports, which could lower the price of oil and/or natural gas.

Laws and regulations related to hydraulic fracturing could result in increased costs and operating restrictions or delays.

Legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs.

Changes in the federal income tax laws may adversely affect the taxation of your interest in the Partnership, including the elimination or reduction of tax benefits attributable to your investment in the Partnership.

If the Partnership were to become subject to entity-level taxation for federal or state income tax purposes, taxes paid would reduce the amount of cash available for distribution.

The IRS may audit the Partnership's annual federal information tax returns, and any adjustments made by the IRS could lead to tax liabilities owed by the Partnership unless the Partnership elects to require you to take the adjustment into account on your personal federal income tax return. Any such adjustment on your personal federal income tax returns could increase your federal income tax liability.

If the Partnership is audited, then there is a risk that the IRS may challenge your deductions, including the amount of your share of the Partnership's deductions for intangible drilling costs, and the taxable year in which the intangible drilling costs and the deductions were claimed. Also, there is uncertainty regarding the timing of prepayment of intangible drilling costs and when the wells will be drilled. Further, the

risk that the IRS successfully challenges the prepayment of intangible drilling costs for lack of business purpose is increased if prepayments are not required for 100% of the working interest, as is the case here because the Partnership is expected to acquire less than 100% of the working interest in substantially all wells, and other working interest owners will not be required to prepay intangible drilling costs.

If the IRS successfully challenges the timing or allocation of the deduction of intangible drilling costs, such deductions could be required to be taken into account in later tax years, including tax years that are after your investor general partner Units are converted to limited partner Units, which could adversely affect the characterization of at least a portion of the deductions as active for purposes of the passive activity rules.

Your deduction for intangible drilling costs may be limited for the purposes of determining your alternative minimum taxable income for U.S. federal income tax purposes. Your tax benefits from an investment in the Partnership are not contractually protected.

Participation with third parties in drilling wells may require the Partnership to pay additional costs and face additional risks and conflicts related to joint venture investments.

Future hedging activities may adversely affect the Partnership's financial condition and results of operations.

You will have difficulty exercising any voting rights you may have under the Limited Partnership Agreement because of the negative consent and notice provisions contained therein.

Regulation Best Interest may negatively impact the Partnership's ability to raise capital in this offering.

Major public health issues, including pandemic and/or other similar public health emergencies, and related disruptions in the U.S. and global economy and financial markets may adversely impact the Partnership's business.

*Disclaimer: This is a summary of some of the information relating to the offering and is intended for convenient reference only. It is qualified in its entirety by reference to the Private Placement Memorandum. You and your professional advisors should carefully read the Private Placement Memorandum, including the "Risk Factors," "Conflicts of Interest," and "Federal Income Tax Consequences" sections, and you should consult with your tax advisor regarding the tax consequences to you of an investment in the partnership.*

*This brochure must be read in conjunction with the Private Placement Memorandum to understand fully all of the implications and risks of the offering of securities to which it relates. This brochure is neither an offer to sell nor a solicitation of an offer to buy units in the Partnership. The offering may be made only by means of the Private Placement Memorandum.*

*Securities are being offered on a best-efforts basis through Realta Equities, Inc., member FINRA/SIPC.*



We know our investors by their names, not a number.

Contact us to learn more about MDS Energy Development or the potential tax advantages of limited natural gas and oil limited partnerships.



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