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In this Minerals Business Report and Buyers Directory, some of the most prominent leaders in the space today share their insights, and Hart Energy editors have updated the annual directory of mineral buyers.

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Front cover image by OLaLa Merkel/Shutterstock.com

Anatomy of a Minerals Startup

Two CEOs share their thoughts on navigating and leading a minerals startup.

By Paul Wiseman, Contributing Editor

Timing a startup in any phase of the oil and gas industry, with its constant ups and downs, can be a real challenge. However, the two mineral companies highlighted in this feature have the advantage of being part of larger, more established firms. They feature experienced leadership that has either worked directly in minerals or in related areas such as nonoperated interests.

FORTUNA RESOURCES

Fortuna Resources CEO Travis Pace has done a wide variety of jobs in his career across the oil and gas industry. Most of his prior endeavors had an entrepreneurial bend and focused on acquiring and optimizing leases, working interests and minerals. Whatever the particulars of the deals, his goal was always to “find creative and strategic ways to create value via win-win transactions.”

Fortuna, which has been on Pace’s business card for five years, currently manages three companies that have deployed more than \$200 million in nonoperated assets, including mineral and overrides, during that time frame.

“We have worked very hard to build a reputation as a partner of choice in these asset classes by negotiating fair deals and following through on what we say we will do,” he said. “The new fund we are actively investing out of in partnership with our financial sponsor, North Hudson Resource Partners, is investing in all nonoperated asset classes, including an increased focus on minerals and overrides.”

Pace noted that having worked in partnership with North Hudson for more than five years, the Fortuna team is able to move quickly and efficiently to assess and execute on new deals.

How the minerals strategy started

Pace related that while Fortuna has historically focused on nonop working interests and joint ventures, minerals were also of interest and remain part of the existing portfolio of assets. Because they already had some minerals experience, starting a fund with a minerals component was a natural next step.

“Nonop investing and minerals investing have many parallels that inform the value versus risk decisions for acquisitions and strategic partnerships,” Pace said. “The key variable in both is timing—basically, when will the assets be developed.”

Over the years, as Fortuna honed its nonop acquisition process, it has developed tools and practices to improve the quality of information relevant to the timing question.

“In many cases, it’s based on tangible data. In others, it’s leveraging our proprietary database and extensive relationships to complement that information,” he said. “But these same tools and resources are applicable to the minerals space.”

“Nonop investing and minerals investing have many parallels that inform the value versus risk decisions for acquisitions and strategic partnerships.”

—TRAVIS PACE
Fortuna Resources



The focus

Rather than aggregate and sell as some companies do, Pace referred to the fund as “an end buyer.” He added that the company’s goal is to “build a portfolio of high-quality assets that have line of sight to development or a strategic trade opportunity that can accelerate development or further enhance the value proposition.”

In some cases, Fortuna might see that a particular mineral property could be of interest to the operator of the unit it is in. In such a case, Fortuna could propose trading the mineral interest to the operator in exchange for a nonop interest that the operator owns under another operator. A deal like that highlights how the dual strategies complement each other.



(Source: wowmomni/
Shutterstock.com)

“You can use each bucket as currency to improve the other,” Pace said. “The objective there is to accelerate development and bring value forward.”

Fortuna buys from both individuals who have decided to monetize their minerals and from companies seeking to optimize their capital budgets for other investments.

Challenges

Pace admits to a bit of a learning curve in minerals, even though they were not totally new to them. However, since minerals and nonops are “sisters but not twins,” he believes Fortuna is becoming competitive faster than they had expected.

Market trends and opportunities

During the pandemic, royalty owners were often not incentivized to sell their rights at depressed prices because, unlike a working interest, there is no cost associated with ownership of minerals. Pace said Fortuna’s other business saw more opportunities then because working interest owners may be motivated to sell in a downturn due to joint interest billing and other costs of ownership.

But anyone who did buy minerals in 2020 has a huge opportunity to make money by selling them in today’s ±\$100/bbl marketplace.

ROCKPORT MINERALS AND ROYALTIES LLC

To say Ted Williams has had a varied career would be an understatement. Descending from three previous generations in the oil field, his own career has migrated from the Marine Corps (a Scout Sniper) to finance, reservoir engineering, investment banking in energy for two firms, then a move to Austin in 2017 to be vice president of business development with Luxe Energy and president of Luxe Minerals.

Fast forward to 2021, Williams founded the Rockport family of companies, where he is president and CEO. That family includes Rockport Minerals and Royalties LLC (RMR), Rockport Energy Solutions LLC (RES) and Rockport Oil and Gas Holdings LLC.

Williams continues to see opportunities in minerals and development in the Permian where many have exited due to competition and pricing. Williams said he loves hearing that minerals are no longer a prime investment and that the Permian “has been picked over.”

The focus

“We are focused on remaining a private company with an investor-first approach,” Williams said. “RES allows me to cover my own G&A [general and administrative] and remain independent. So every dollar an investor puts into RMR, we’re going to put to work—no dead capital.”

RMR focuses on investing long-term capital from institutions, family offices, high-net-worth investors and more.

The company prefers liquid-rich plays in the Permian Basin, but being yield-driven, it is looking for returns in

the mid- to upper-teens. Williams said they are “basin and commodity agnostic.”

RMR prefers to buy from private minerals owners because it is organic sourcing at the roots. As with basins, they will look at any deal that is a good investment.

Challenges

Staying privately funded instead of seeking private equity capital is an expensive proposition because all fees and expenses are borne by RMR, but Williams said “it’s a tradeoff.”

Getting private equity money comes with its own price, which includes 1% to 2% of committed/deployed capital. Another cost lies in loss of control and ability to flex entrepreneurially. Both approaches have their pros and cons.

A second challenge is in having the budget to keep a good team together during the capital-raising process before realizing any income from investments.

Third is the sudden rise in minerals prices, as that limits the amount of minerals that can be bought with every dollar.

“I might be one of the few oil and gas guys who hates \$95 a barrel oil,” he said.

Some of the price increases for minerals are a result of more competition as more people flood into the space. Williams said the pandemic flushed some of the less-capitalized ones out, but it is still a crowded marketplace. That said, those with existing assets, such as Luxe Minerals, are reaping the benefits of higher commodity prices.

“I might be one of the few oil and gas guys who hates \$95 a barrel oil.”

—TED WILLIAMS
Rockport Minerals and Royalties LLC



Market trends and opportunities

Access to capital is a market opportunity. With higher prices, the minerals space is seeing a lot of new buyers in the last few months, Williams said.

“Everyone’s hitting up the same investor groups,” he said. “PE [private equity] shops are only going to invest in so many mineral companies.”

If the demand is there, that could change. Williams believes oil prices will continue to rise, which would open up more access to capital.

“The capital markets are already opening up,” he added.

The challenge for buyers in a crowded market is that individual sellers begin to expect higher and higher prices, and the downside risk is exacerbated. This upward pressure can lead some buyers to overpay, reducing the opportunity for future returns. ■



(Source: King Ropes Access/Shutterstock.com)

How Sellers Can Fetch Premium Prices for Their Property

The minerals space is rebounding following a turbulent few years, presenting lucrative opportunities for sellers looking to cash in on their rights.

By Michelle Thompson, Contributing Editor

As the dark days of COVID-19 are eroded by brighter times ahead, the minerals market is reemerging as an area worthy of exploration for sellers and buyers alike. Mineral owners, who've held their assets tight during recent times of low demand, are now reconsidering sales opportunities as the industry strengthens.

It's a market that's seen steady improvement within the past year. Although the first half of 2021 proved challenging, market insiders began observing a steady uptick during the second half of the year.

The trend has continued through the initial months of the new year as market hesitancy eases among both buyers—who weren't keen to buy in a depressed market—and sellers, who were reluctant to offload their minerals for less than premium prices.

"We're starting to see the price of minerals rebound," said Garrett Phelan, the managing partner at US Mineral Exchange. "We're starting to see some optimism, and I think sellers are also beginning to understand that now may be a good time to remove some of the volatility and capture some of these prices. We're optimistic things will continue to improve."

Amid improving market conditions, sellers might wonder how to yield the maximum price for their assets during a time when certain nuances (including contract wording, timing and the right marketing) can make or break a deal.

"A lot of the buyers aren't even readily out there advertising that they're buying mineral rights. You've got to know who to look for and who's actively looking in your area."

—GARRETT PHELAN
US Mineral Exchange



Partnering up

An Energy Council report in 2019 highlighted the benefits of partnering with an aggregator, whose role is to



(Source: Radoslaw Lecyk/Shutterstock.com)

consolidate and bundle together mineral rights for oil and gas development. The approach has become particularly popular among private equity investors seeking to profit from less-expensive exploration undertakings.

“A significant benefit of working with an aggregator for the mineral rights owner is that of negotiation skills and experience,” the article said. “Aggregators are more likely to be able to negotiate favorable lease terms while being able to leverage their size in comparison to that of the individual. Also, aggregators actively monitor and manage mineral and royalty interests to ensure the maximum economic benefits of the leases are realized.”

Conversely, navigating the market alone can be a daunting experience for an individual seller seeking to connect with the right buyer. And although Google can be a convenient tool for many other aspects of life, it’s not usually the right go-to place for forging market connections.

Instead, sellers could better position their assets by partnering with experts who can educate them on the process, ensure the company it is selling to is reputable and facilitate a smooth closing process.

Working with an agency to sell minerals is akin to hiring a realtor to sell a home, Phelan said.

US Mineral Exchange is that metaphorical realtor, he said, adding that the company has worked with many of the industry’s leading buyers for the past decade.

“We know who the buyers are and whether they are reputable,” he said. “They’re on our platform, and they’re actively seeking properties.”

Although companies are looking to buy, they might not always be advertising their wish lists, making an intermediary with strong industry connections the perfect conduit between buyers and sellers.

Phelan said that’s why it is important to work with an expert with the ability to put the property in front of the most qualified and reliable people.

“If you spent days on the internet, trying to find all the buyers you could possibly find, you wouldn’t even scratch

the surface,” he said. “A lot of the buyers aren’t even readily out there advertising that they’re buying mineral rights. You’ve got to know who to look for and who’s actively looking in your area.”

Organizations such as US Mineral Exchange have a listing platform that’s amassed thousands of buyers nationwide that are actively searching for mineral rights, he said. He likened it to a multiple listing service for realtors.

The agency also takes a multi-pronged approach by linking listings to buyers active in particular areas in an effort to facilitate smooth sales for both parties.

“We know who’s active in the area,” Phelan said. “And so, we’ll reach out to buyers and say, ‘Hey, if you haven’t seen this listing, check it out.’ Sellers want to make sure they’re hiring someone who markets their property but also is fully transparent in how they’re marketing it.”

Common missteps

Failing to ensure a deal is structured properly, and includes a fair closing period, is among mistakes rookie sellers make while navigating the transaction process.

But when it comes to fetching top dollar for their assets, there’s a costlier error that’s often seen among industry experts: accepting the first offer. Although the initial expression of interest can be exciting, the thrill can also blind sellers to the fact that other, better deals are on the horizon.

A person who has given an offer on a property that previously had minimal interest, for example, might jump at the opportunity.

“And they think, ‘Wow. That’s really great,’” Phelan said. “The question that they have to ask themselves is, ‘Is it? Is this really great?’”

Sellers often accept that first deal, worried that the offer will go away and that the opportunity will pass, but that line of thinking can be misguided. Rather than accepting the amount presented, sellers should first take the time to research whether it is a fair deal.

CREATING AND RETAINING VALUE IN THE MINERALS SPACE

Otherwise, they could end up with a transaction they regret.

“If someone is willing to make the offer, in almost every situation, it’s just not enough,” Phelan said. “There’s going to be more available.”

Understanding the lingo

For the uninitiated, jargon-filled sales terms (e.g., net mineral acres, net royalty acres, net decimal interest and more) can be confusing and easy to misinterpret. If sellers misunderstand the terms, they could sign an agreement they aren’t comfortable with, lower their anticipated profits or bring other unpleasant surprises.

“If sellers do not understand the agreement, they could end up at the closing table being surprised,” Phelan said. “That’s why it’s important to work with someone who understands not only how to get the best price but how to make sure that all the details are addressed.”

Knowing when to strike

Texas is—and likely will continue to be—a state where there is an insatiable appetite for mineral rights. However, the market is also picking up in parts of New Mexico, Louisiana, Oklahoma, North Dakota and Colorado. Conversely, interest has waned in other regions, such as the Marcellus and Utica.

Being familiar with the hot and cold spots du jour can help sellers determine whether it’s better to hold onto their property or pursue a sale.

Timing is a factor in the sense that mineral owners aren’t likely to get much value from land that’s not being leased. After all, if an oil and gas operator is not willing to lease a property, it means it’s not a particularly lucrative opportunity for buyers either.

Property being leased is often more valuable, contingent on factors such as the length of the lease, royalty rate and the long-term prospects of the land. Meanwhile, producing properties can cause values to spike astronomically under the right set of circumstances. Factors include the length of the lease, the amount of royalty payments and the amount being produced.

“You’re looking for property with rigs and permits and where there’s a lot of activity,” Phelan said. “That’s when you can see that it no longer becomes about revenue. It becomes about what the value is to someone who sees future potential. And so that’s where the real value is.”

However, even properties that aren’t making money right now can be sought after thanks to new technologies that are enabling further exploration. During the past year, US Mineral Exchange has successfully closed seven-figure deals for properties making minimal income that have the potential to be profitable down the road.

Beware of resellers

If sellers aren’t careful, they could leave a lot of money on the table by dealing with buyers that reap additional

profit by reselling minerals at an inflated price. It is hard to know for certain what a buyer’s true intentions are until the deal is closed, but there are subscription-based resources available that can determine whether buyers hold a portfolio of minerals, which is a sign they are likely to be the end buyer. Those who make profits by flipping, however, are less likely to have any holdings on the record.

Dealing with someone who is not an end buyer can be a costly mistake. The seller could lose up to 40% of their asset’s value by signing the wrong deal.

“Eliminating all those middle people is important in a deal,” Phelan said. “We’ve seen situations where there are four or five different parties between the end buyer and the seller. All of those people took something out of the seller’s pocket.”

Conjuring up competition

The value of minerals is often determined by their worth in the eyes of an individual buyer, meaning their worth can be broad. Areas where buyers are more aggressive can drive value up, but properties in less sought-after areas can also yield top dollar with the right approach.

“Sellers who fail to have someone review the documents often end up selling more than they thought they were.”

—SHAYNE MOSES
Moses, Palmer & Howell LLP



The key, Phelan said, is identifying and seeking out the “outlier” (i.e., the buyer who values the property more than anyone else). In all cases, though, sellers need to create competition for a property, he said.

“It’s all about creating an environment where sellers can put their interest on the market and they can have buyers make offers on it,” Phelan added. “And you want that environment to be competitive to where it’s a property that multiple buyers are interested in. Without multiple buyers interested in offering fair market value, you are just taking the value that someone gives you.”

The U.S. is unique in that mineral rights are owned by the public; in other parts of the world, they are owned and controlled by the state. It’s not always a simple procedure. Different branches of rights—surface, mineral and royalty—offer different degrees of privilege to owners. It is possible for one person to own the surface rights to a property and for another to be in possession of the mineral or property rights.

Legal advice

Moses, Palmer & Howell LLP is a law firm based in Fort Worth, Texas that works on oil and gas-related business transactions. Among its other areas of practice, the firm serves as counsel to landowners, working interest owners and operators within the energy sector.

Firm partner Shayne Moses suggested that those looking to sell their mineral rights seek legal guidance to obtain the best possible price while avoiding common paperwork mistakes.

“Sellers who fail to have someone review the documents often end up selling more than they thought they were,” Moses said. “Purchasers often include omnibus language that results in the seller conveying minerals they did not intend to convey. They also provide a greater warranty than they should. We recommend the seller put the burden of determining the title on the purchaser and give as limited a warranty as possible.”

His firm is often called upon to review sales agreements and conveyances by sellers in the process of closing a deal. It also assists in earlier stages of the sales process by helping mineral and royalty owners shop their assets to known purchasers.

Failing to seek alternative offers is a pitfall sellers should avoid, as is rushing to make a decision because the prospective buyer claims the offer will expire quickly, Moses added.

“If you are told the offer will go away on short notice, there may be a problem with it,” he said. “Anytime someone is rushing a decision, they are often seeking to prevent an informed decision. That is never prudent.”

John Grand, a partner at Vinson & Elkins, said owners must come to a full understanding of their holdings before pursuing a sale. He said while a property that’s fully developed is likely to have a stable value, the worth of an underdeveloped property could be more promising.

“When a new horizontal well is drilled on a property, the value of the property could skyrocket,” Grand said. “Mineral buyers will have a sense if an oil and gas company is close to drilling in the area and will try to swoop in and buy minerals before new wells are drilled.”

The right time and place

Timing is also a factor that could determine whether a property is sold at a premium, Grand added.

“Don’t rush to sell,” he said. “Oftentimes, the first offer is not the best offer. Don’t be afraid to counter and ask for more. Also, get multiple bids from multiple potential buyers. Competition drives price.”

Grand said if only one offer has been received, search the internet to see who else is buying minerals in that specific county or parish. “It is easy to call these other companies, let them know that you are interested in selling and ask if they have interest in making you an offer,” he said.

Just as in the housing market, values can vary depending

on the location of a site, said Brian Bauer with Ohio-based Mossy Oak Properties.

“In Ohio, we have a large shale play happening,” he said in a January report by the company. “Minerals in certain counties can be worth 10 times the value of the surface tract they lay under. If someone is looking to purchase land in a certain area to build a home, start a farm or for recreational purposes, they may not be able to even afford the property because of the market value of the underlying minerals.”

State and municipal regulations also play into mineral rights valuations nationwide. Some states, including Maryland, New York, Vermont and Washington, have banned fracturing, making mineral rights less lucrative.



“Don’t rush to sell. Oftentimes, the first offer is not the best offer. Don’t be afraid to counter and ask for more. Also, get multiple bids from multiple potential buyers. Competition drives price.”

—JOHN GRAND
Vinson & Elkins

Proceed with caution

Mineral rights expert Joseph DeWoody, co-founder of mineral rights management company Valor, said he has heard of people losing millions of dollars in mineral sales without even realizing it.

“These people didn’t understand what they had, or what they agreed to in the lease agreements they signed, and they never realized they were leaking money like an old car leaks oil,” DeWoody shared in a 2020 Forbes article.

He laid out how some buyers intentionally take advantage of uninformed sellers and use numerous manipulative tactics to underpay owners. Tactics include lying about well production and profits as well as doling out incorrect royalty checks.

To avoid being scammed, he said sellers must equip themselves with the knowledge necessary to negotiate a fair deal by understanding what they are signing and understanding the market.

DeWoody said sellers should also partner with a reputable adviser, become comfortable with industry math and learn to use relevant online systems.

“Data will set you free,” he said. “Knowing what you have, how much you have, how it works and having the most information possible (plus, understanding it all) is the best way to avoid getting scammed or missing out. Not just in the world of mineral rights, but in life in general. Knowledge is power.” ■



Source: Olga Maksimava/Shutterstock.com

Using the Eye in the Sky for Mineral Exploration

Advanced remote sensing technology is creating a new frontier for opportunities in mineral exploration.

By Mary Holcomb, Contributing Editor

Remote sensing imagery acquired by satellites has opened new frontiers in exploration. Historically, the data have provided information to government entities to measure land use and predict weather and other benefits to society, but natural resource companies are also finding satellite imagery useful for mineral exploration.

Exploration Mapping Group Inc., based in Las Vegas, is among the few providers supplying these industries with geological remote sensing services and interpretation. Managing director Dan Taranik conducts the bulk of this work with Maxar's WorldView-3 satellite, which offers industrial-grade superspectral instruments, including 15 or more high-resolution spectral bands to capture imagery.

"WorldView-3 spins around the globe once every 90 minutes, so as it rotates across the globe, we can be over the same site of the Earth once every five days," he said. "Each one of those spectral bands is designed to measure some mineral or environmental phenomenon, so we can measure a variety of clays, irons [and] silica. And that's what our geologists want to see before they go in the field so they can plan their time wisely to make the most out of really expensive field time, and it also keeps them safer."

Exploration geologists prefer WorldView-3 as it is among a small group of satellites with the technical quality, ground resolution and spectral range to create quality images and maps.

"There are other technologies like drones and other airborne technologies that do similar things, but they have a big entourage of pilots, technicians and permitting issues," he said. "With this satellite, we can jump over all of that and just acquire data without any mobilization and provide results to our clients pretty quickly."

With more than 30 years of experience in mining and petroleum exploration, Taranik shared his insights with Hart Energy on leveraging remote sensing technology for mineral exploration.

Hart Energy: What is your approach to helping a new client that is looking to explore the potential of new minerals in a certain area?

Taranik: Normally, all we need to start is a polygon on the ground like a shapefile, or what is called the Google Earth KML [keyhole markup language] or KMZ [a zipped file containing one or compressed KML files], and that shows us an area on the ground. We'll take that polygon



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It's the vision to see the true potential in a piece of land. It's the deep industry experience and technical expertise to evaluate assets methodically and calculate carefully. It's the conviction to choose decisively and the entrepreneurial moxie to act boldly. It's the financial horsepower to seal the deal and set the machinery in motion. It's the commitment to see the work done right and done respectfully. And it's the integrity to be true to our word, create value for our partners - and deliver on our promises.





Maxar's WorldView-3 satellite data are processed by Exploration Mapping Group from the Cripple Creek Gold Mine in Colorado. Note, roads and mining haul trucks are pictured for scale. (Source: Exploration Mapping Group Inc.)

and we'll search the archive, and we'll report back to the client what we see in the archived data. We have a collection planning team that are global experts in certain regions of the world with weather.

If we don't have data or if the client wants new data that capture the current state of drilling or infrastructure development, the collection planning team will tell us when the next opportunity will be to collect data again. Once we set a tasking date with the client, the satellite will start passing overhead, and we normally shoot for less than 5% cloud cover because there's nothing worse than trying to map geology with a big puff of cloud in the way that screws up all the statistics. So we try to collect without clouds if possible. Then we do some custom work on the data that has to do with atmospheric corrections, radiometric corrections and the geometric corrections before we can do our mineral mapping procedures.

Hart Energy: What is the key differentiator of this satellite compared to the imaging technology that was used before to map out mineral assets?

Taranik: I would say the number of spectral bands, the quality of the sensors and its detector elements. It's an extremely high-resolution grade signal-to-noise [ratio], and the geometric accuracy is better because every pixel in the scene—roughly 90% of the pixels—are plus or minus three meters in terms of real-world ground distance.

It's an industrial grade satellite, which is important to distinguish these days because there are some really great satellites like the Planet Dove satellites about the size of a

shoebox, which is good for red, green, blue natural color images, but it doesn't have the spectral depth and the signal-to-noise or geometric accuracy characteristics for mineral mapping.

With remote sensing geological satellites, we can cover large areas of ground very quickly in an objective and unbiased way. We could try to do this on the ground with an army of botanists or geologists walking across an area, but that wouldn't be very efficient. But with remote sensing and very high resolution, we can see individual plant canopies, and we can measure the health of each one of those plants. In a similar way, we can measure the mineral response of every outcrop.

You can't just drive around and assume that you've seen everything. The roads are very limited, and it doesn't show you what's over the horizon. So remote sensing is really the only technology that can consistently map an area across large swaths.

Hart Energy: How does the imaging process work in this technology, and how has it evolved over time?

Taranik: The image processing used to be very simple back in the '60s and '70s, where people would use just band ratios, like band five over seven, which was once used to detect clays. Gradually, as we got more spectral bands, the processing became more sophisticated. It has evolved, and now we have so many bands. There can be up to hundreds of bands, and we use techniques like linear regression, and we have spectral libraries that can sort the spectral signatures that are present in any given scene.

We match against spectral libraries, which will tell us what minerals the pixel most resembles, and we can identify geological materials from that. The processing has gotten more sophisticated over the years as we have more spectral bands, but spectral libraries and spectral mixing have made it easier.

Hart Energy: How does the software distinguish between the different deposit minerals it captures?

Taranik: Every scene is a combination of geology with some degree of organic soil, vegetation, urban infrastructure, maybe oceans, lakes, glaciers, so we do quite a lot to mask out the things that are not geology so that we're just looking at rocks and soils.

With our image processing and our knowledge of how to combine those bands, we assign colors to the different bands. That way we can determine silica, which we normally color red, from the clays that are a mix of yellow and green. It makes for a consistent product for our clients, so when they do another project a few months later, they'll know what those colors mean and how to interpret it.

Hart Energy: What opportunities do you see for the oil and gas industry to leverage this technology for new mineral leasing and other opportunities?

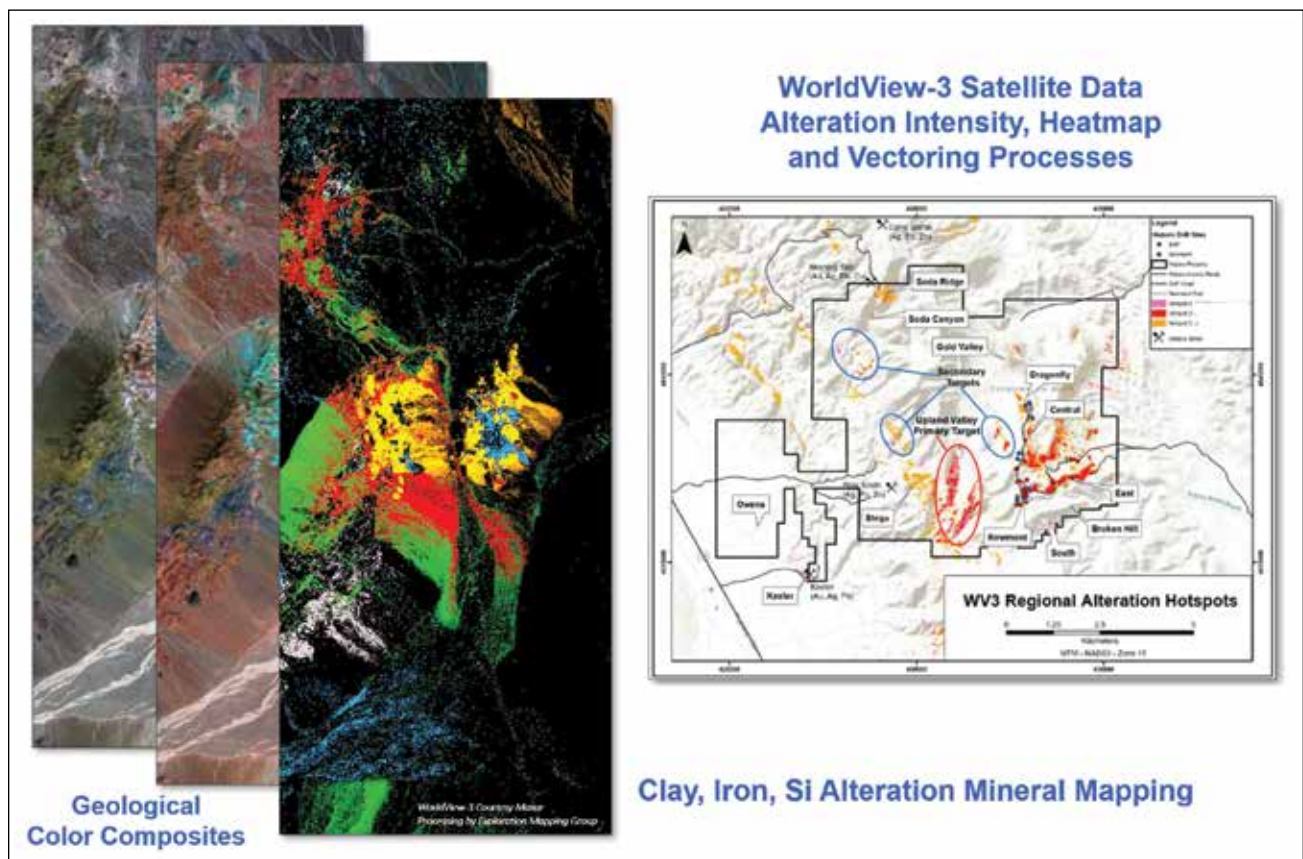
Taranik: Usually, there are two approaches we see with petroleum and mineral clients. One is that they're going into a new remote area that requires either long ground transport or expensive helicopter airborne work, so they

“WorldView-3 spins around the globe once every 90 minutes, so as it rotates across the globe, we can be over the same site of the Earth once every five days.”

—DAN TARANIK
Exploration Mapping Group Inc.



want to stake ground with mineral leases for the purpose of exploration or drilling. The other scenario is that they have a large land holding, and it's expensive to hold that every year. Governments around the world charge money for those claims, and they need to drop ground. So they want to know what's the best ground to hang on to and what they can let go of. ■



Alteration mineral mapping and hot spots targeting examples are shown using Maxar's WorldView-3 satellite data processed by Exploration Mapping Group. (Source: Exploration Mapping Group Inc.)



(Source: FreezeFrames/Shutterstock.com)

The Royal We

Some minerals companies are pushing for consolidation (and scale) as they try to defragment a sector that's stalled on transactions the past couple of years.

By Darren Barbee, Senior Editor

Mineral and royalty deals have started to pivot toward consolidation after last year's M&A market was muted. More recent deals, in particular the \$1.9 billion merger between Falcon Minerals and Desert Peak Minerals, could begin the process of defragmenting the sector.

That may or may not be a good thing, analysts say. They're also skeptical about minerals companies putting all their eggs in one shale.

Minerals buyers, which were on the vanguard of buying proved developed producing (PDP) focused assets before E&Ps began their transition to the same concept, have struggled to return to the same pace of deals they saw prior to the pandemic.

"You don't necessarily have the same pressure for consolidation in minerals as in [working interest] since there isn't much in the way of G&A savings from deals—minerals are mostly a low-overhead business—and there isn't the same type of in-field operational synergies," said Andrew Dittmar, a director with Enverus.

Heated competition for the hottest basins remains. Desert Peak estimated that about 68% of new well spuds are concentrated in the Eagle Ford Shale and the Permian Basin. While there are plenty of opportunities to buy—they estimate 65,000 individual mineral owners in the Permian—they also acknowledge the core of the play is where they want to be. But that only makes a strong case for the need to consolidate, Desert Peak CEO Chris Conoscenti said.

“The market clearly doesn’t need 10 companies doing the same thing in the same places,” he said. “We’re looking to be relevant to market investors at a large scale.”

Focusing on consolidation and scale

Royalty deals for 2021 totaled about \$1.8 billion—roughly the same as the pandemic-hammered previous year and about half of 2019, when minerals transactions totaled \$3.6 billion, according to data by Enverus.

Overall, E&P deals were up 25% to \$66 billion in 2021, according to Enverus—a trend driven by larger corporate acquisitions. Mineral and royalty deals made up almost 3% of that value.

This is what makes recent deals by Desert Peak and Brigham Minerals all the more interesting.

Both companies are now borrowing from the E&P playbook by focusing on consolidation and scale, with the added hardship of plotting acquisition targets in areas that are most likely to be drilled. Brigham is actively divesting areas that aren’t being drilled.

Following the January announcement of a merger between Falcon and Desert Peak, Conoscenti threw down the royalty gauntlet by saying the company is “100% focused on becoming the logical consolidator of Permian minerals.”

But he said the company’s aim is to have great value through scale, not to be the biggest. That scale has helped the company reduce its costs while keeping its staffing relatively stable the past few years.

Scale is important “not only to be relevant to the equity investor community, but also to capitalize on the efficiencies that come with scale in a business as simple as this one,” he said on a January conference call announcing the merger. “Our combined [Falcon and Desert Peak] asset base provides us the scale needed to serve as a platform to continue the consolidation of this highly fragmented sector.”

The company also sees plenty of room to further consolidate, with its own estimates suggesting the Delaware Basin has about 4.8 million acres of acquirable net royalty acres and 5.7 million acres in the Midland Basin.

Conoscenti also noted that for most of 2020, as the company evaluated 195,000 acres for acquisition, it held off on purchasing any interests because of a wide bid-ask spread.

“We held firm,” he said, adding that the “good news is that many of the opportunities we evaluated did not transact, so they are still available.”

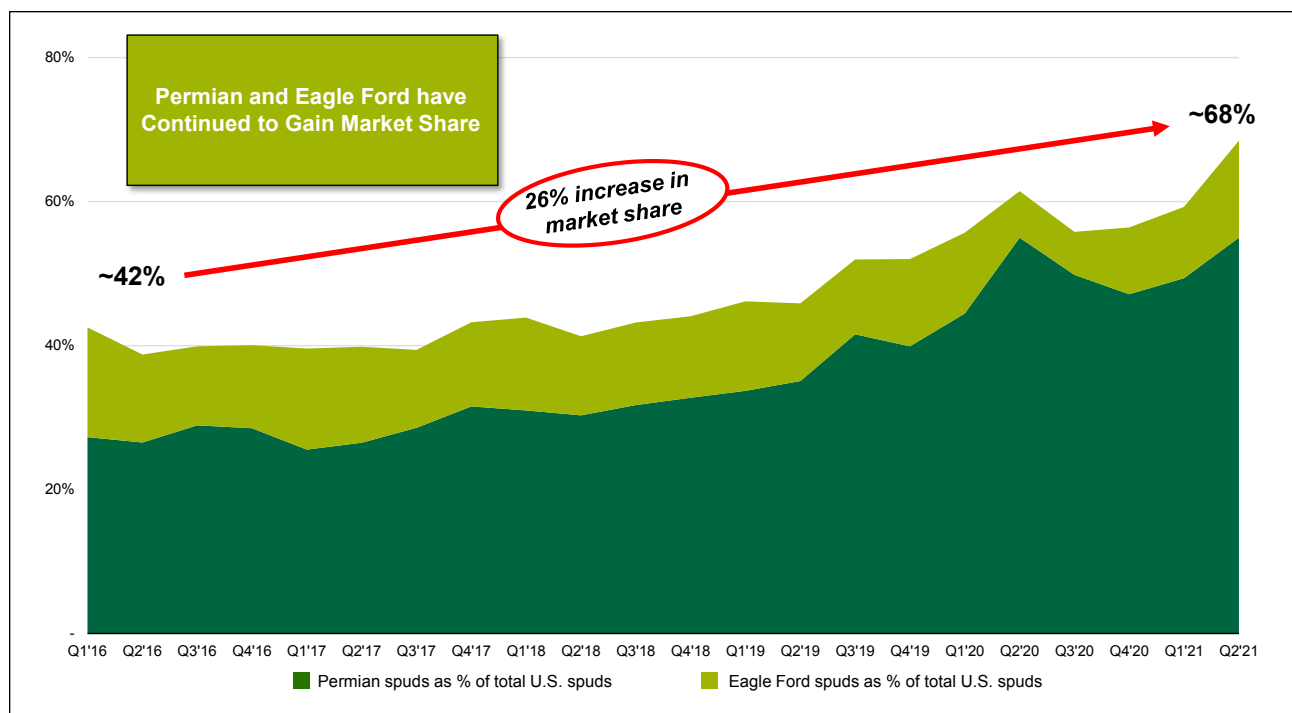
Crowded space

The problem remains that E&P minerals remains a crowded space, said Joseph McKay, senior equity analyst with Wells Fargo Securities LLC.

He noted that companies, such as Black Stone Minerals (BSM), with a diversified footprint help reduce the risk of too much concentration in certain areas.

“The visibility into growth in 2022 is comparatively clearer for BSM via development agreements in the Haynesville and less reliant on a disjointed M&A market,” he said.

Permian and Eagle Ford Spuds Increasingly Comprise a More Meaningful Component of Total US Spuds



(Source: Wood Mackenzie and Enverus)

Mineral Deals by US Play

Date Announced:	2016	2017	2018	2019	2020	2021	2022
	Value (\$MM) (total)	Value (\$MM) (total)	Value (\$MM) (total)	Value (\$MM) (total)	Value (\$MM) (total)	Value (\$MM) (total)	Value (\$MM) (total)
Bakken	\$0.99		\$49	\$22.77	\$2.41	\$14.36	
Conventional	\$360.03	\$141.25	\$11.66	\$60.50	\$0.50	\$12.60	
Delaware Unconventional	\$404.90	\$601.60	\$319.29	\$352.14	\$63.50	\$356.70	\$2,225.75
Eagle Ford	\$0.60		\$1,045.25	\$54.29	\$2.10	\$180	
Haynesville		\$52.70	\$39.30	\$2.30	\$141.28	\$24.05	\$1.12
Marcellus		\$49	\$300	\$750	\$402		
Midland Unconventional	\$343.50	\$140.55	\$300.10	\$1,197.57	\$158.80	\$626.46	\$32.86
Mississippian Lime	\$7.50				\$3.28	\$3.55	
Niobrara	\$36.56	\$0.57		\$0.55		\$401.10	
Powder River Unconventional					\$4.80		
SCOOP/STACK	\$116.84	\$16.80	\$220.94	\$151.32	\$29.22	\$47.09	\$8.43
Utica						\$0.18	
Multiple		\$494.82	\$1,277.53	\$885.68	\$535.70	\$172.07	\$2.09
Other	\$10.55	\$0.40		\$6.65		\$3.30	

This table summarizes the A&D deals by basin for the past five years. (Source: Enverus)

McKay sees a mineral M&A market that will largely stay the same in 2022.

“While the combination of FLMN [Falcon] and Desert Peak Minerals headlines a strong start to 1Q22 capital market activity, we think expectations for continued activity should remain subdued,” he said. “Activity has continued to decline after reaching a relative peak in 2Q21, as divergence between the spot (front month) commodity prices and the 12-month strip usually drive a wider bid-ask spread in the market.”

The spread for both oil and gas began to contract toward the end of 2021 but has since widened again, particularly for oily assets, he said.

Natural gas has not been subjected to the same market forces, at least for now.

This looks to be a headwind for companies such as Brigham and Falcon, which plan to continue M&A as a way of aggregating interests.

“Conversely, we think this is an advantage for diversified peers with depth such as KRP [Kimbell Royalty Partners] and BSM—coincidentally operators with a focus on natural gas production,” he said.

Conoscenti disagreed with this notion when asked about rising oil prices, arguing the target size of an acquisition remains a deciding factor.

“The smaller acquisitions I would describe as overheated and uneconomic,” he said, noting that broadly auctioned assets below \$25 million to \$50 million are seeing “heavy interest from people who have either different cost of capital or much different underwriting assumptions than what we have.”

His conversations with larger mineral owners tend “to be rational about relative value so the run-up in oil prices hasn’t negatively impacted those conversations when you talk about it on a relative value basis.”

Brigham Minerals, also with its eyes on consolidation, in November 2021 announced its largest transaction since its IPO in 2019—a \$95.6 million deal in the Denver-Julesburg (D-J) Basin.

In February of this year, Brigham also agreed to a cash-and-stock mineral acquisition in the Midland Basin, buying acreage largely operated by Pioneer Natural Resources and Endeavor Energy Resources.

Like the Falcon-Desert Peak deal, the transaction focused on building scale. Tudor, Pickering, Holt & Co. analysts valued the deal at about \$32.5 million.

“We remain extremely focused on capturing and creating value through consolidation and are pleased that our disciplined underwriting has been rewarded with acquisitions of over \$120 million in the past three months,” Brigham CEO Robert M. (Rob) Roosa said in a news release.

In an earnings presentation, Roosa said he’s optimistic that Brigham’s team will be able to consolidate “in this positive macro backdrop and generate substantial shareholder returns.”

He said the D-J Basin deal was substantially accretive, with a “high teens yield on 2022 cash flow” that should enable the company to further enhance its dividend policy. He noted that Brigham underwrote the acquisition almost exclusively using PDP and DUCs, “thereby reducing reliance on unpermitted locations and minimizing Colorado political risk.”

‘Goldilocks-like period’

Bud Brigham, founder of Brigham Minerals, sees a constructive environment for deals right now. But in the back of his mind he has some concerns.

“This is a unique time,” Brigham said during the earnings call. “I think the math is easier now than it typically

is. I mean the underinvestment in oil and natural gas over recent years and ... while demand is increasing as the economies kind of come back online post pandemic, I think it's, as I stated, it's a very bullish setup.”

Higher prices are inevitable, he said.

For now, the industry is in a “Goldilocks-like period, in my view, for oil and natural gas with a lower cost structure coming out of the downcycle while prices have validated, and we're not getting the supply response,” he said.

But he worries that as the runway for value beckons E&Ps and minerals companies, the price may get too far out of bounds.

“I am concerned personally that they could get too high,” he added. “Clearly, it's going to be beneficial for the consumer and for the overall economy. It's certainly inflationary.” ■

Notable Mineral and Royalty Deals, 2021

Value (\$MM)	Buyer/Surviving Entity	Seller/Acquired or Merged Entity	Play/Basin
900	Grayson Mill Energy LLC; EnCap Investments LP	Equinor ASA	Midland Basin
498	Viper Energy Partners LP; Diamondback Energy Inc.	Swallowtail Royalties LLC; Blackstone Energy Partners LP	Eagle Ford Shale
180	Freehold Royalties Ltd.	Undisclosed	D-J Basin
95.6	Brigham Minerals Inc.	Principle Energy LLC; Regal Petroleum LLC	Permian Basin (39%), Midcontinent (31%) and Haynesville Shale (14%)
58	Freehold Royalties Ltd.	Undisclosed	New Mexico, Oklahoma, Texas and Wyoming
57	Kimbell Royalty Partners LP	Undisclosed	Bakken
29	Dorchester Minerals LP	Undisclosed	Various states

(Source: HartEnergy.com)



(Source: zhengzaishuru/Shutterstock.com)



(Source: Ralph E. Davis Associates)

Minerals Investors Mull Midstream Development

Molecules need to reach markets for owners or operators to make money.

By Gregory DL Morris, Contributing Editor

Midstream considerations of minerals investing are always present and yet rarely a priority—like air: ubiquitous and thus unremarkable.

“Basin midstream takeaway capacity is an important consideration to our overall acquisition program,” said Darin A. Zanovich, president and CEO of Mesa Minerals Partners II. That is especially the case “as we continue to look at acquisitions of larger mineral and royalty portfolios in new basins, because it influences operator development pace, which ultimately underpins our valuations.”

Zanovich said at Mesa Minerals they frequently think about midstream capacity and constraints as a consideration when buying on the ground in the company’s complimentary ground game strategy in the Haynesville.

“In addition to understanding the basin-level midstream environment, we incorporate gathering, production and transportation costs [GP&T] into our underwriting, which is area- and operator-specific. For

large, marketed packages, we review historical data to understand GP&T trends among operators. On the ground, we review individual leases and check stub data to estimate future deductions.”

“We continue to see minerals as an integral part of most large PE shops’ portfolios.”

—DARIN A. ZANOVICH
Mesa Minerals Partners II



As buyers, information about midstream development helps provide Mesa with more competitive valuations.

“We always seek to get as much detail as possible before making an offer,” Zanolich said. “Often, that is more of a pull because mineral owners may not have information on midstream developments, and producers are reluctant to share information unless they are also a mineral buyer themselves.”

Mesa does not make mineral acquisitions or execute oil and gas leases that are contingent on midstream capabilities.

“Before we acquire a mineral interest or execute an oil and gas lease with an operator,” Zanolich continued, “we have a good understanding of their overall midstream takeaway in the area as well as their historical GP&T costs in that area. All of that is part of our underwriting process, which also includes timing of future development, spacing, type curves and conversion timing from reserve categories.”

That extensive due diligence is important because any complication that affects production at the wellhead will ultimately flow through in the royalty payments.

“That being said,” Zanolich added, “we extensively review our leases to make sure operators are taking appropriate deductions and our royalty payments are not being burdened by any unnecessary costs.”

It has been observed that private equity (PE) has been reducing its presence in minerals, but Zanolich has not seen it.

“There have been some major new commitments to teams across multiple basins in the U.S. over the last 12 months,” he said. “We continue to see minerals as an integral part of most large PE shops’ portfolios. As a mineral owner, we would typically benefit from operators who work with sister company PE midstream companies on basin takeaway.”

Roadblocks

Capital management firm Stephens Inc. executed its first minerals transaction in 2011, said Brad Nelson, managing director of the investment banking group.

“Now about a third of our deal flow is currently in the minerals and royalties space,” he said. “Usually the midstream aspect of a transaction comes in tandem with the producer and slightly ahead of the minerals investor.”

There are more than 100 companies of scale that are focused on investing in minerals and royalties, according to Nelson. Some have been around for a long time.

“There are new minerals platforms (under 10 years old) with relatively new committed capital,” he said. “As they make their investment decisions, they are always looking for roadblocks to development because minerals are a nonoperating interest, so they are alert to anything that would derail development.”

Those roadblocks could be as broad as commodity prices or trends, and they can also include the producer’s financial health and track record of success.

“Minerals investors’ first questions are when and how

development will take place,” Nelson said. “They want to know the number of wells that will be drilled and who will be financing that development.”

In addition, the hydrocarbons need to get to market to make any money for those involved. In a small irony, that mandate means that minerals investors see the midstream only in terms of what might not happen. The assumption is that there will be gathering and transportation infrastructure, so minerals investors are more concerned with downside risk in terms of midstream development.

“We are now starting to see who is in and who is out. There is clearly an upswing in demand for all commodities, and the trends are moving in a better direction.”

—BRAD NELSON
Stephens Inc.



“Many minerals investors are active in the big producing basins, or at least known markets, so there is not a whole lot of midstream development still to be done,” Nelson said. “They are looking for a lot of PDPs [proved developed producing reserves] up front. Others are willing to take a bit more risk, looking for DUCs and permits. There are only about 10% to 20% of minerals investors’ capital deployed buying away from the fairway because they like the rock and the operators involved.”

Important considerations

The producer is the one connected, literally and transactionally, with the midstream operator.

“Minerals owners and buyers are mostly concerned with the quality of the operator and the acreage, and their belief about where and when the producers will drill,” explained Steve Hendrickson, president of Ralph E. Davis Associates, a reservoir engineering and management company also active in A&D and minerals transactions.

“As a mineral owner/investor,” he added, “I don’t control or even influence the midstream decisions, but I would certainly have my eyes open about whether the producer is managing those decisions well.”

There is another, later midstream consideration for minerals owners to bear in mind, Hendrickson noted: not just capacity for initial development but also for growth.

“In active plays, there’s a risk of a ‘basis blowout,’ where future production growth outpaces the construction of new transportation and processing,” he said. “Even if adequate midstream is in place today, one should consider whether midstream capacity will be there for us when production grows.”



“Minerals investors are a savvy bunch,” Hendrickson continued. “The competition for minerals assets can be strong, which can drive up asset values. With more money at stake and less room for error, it becomes more important to consider the midstream aspects of their investments.”

The same is true for a public offering.

“When a minerals company plans an IPO, they know the market is going to be looking at their diversification across a number of metrics: plays, acreage and operators, for instance. Diversification of transportation and processing alternatives is another important consideration.”

Upswing in demand

New committed capital coming in is not the only change in minerals investing, noted Nelson at Stephens.

“As recently as 10 years ago, people would somewhat blanket an area,” he added. “Now they are much more targeted. It used to be you would like this or that county. Now investors are more specific. Part of that is having midstream in place. Most of our deal flow is in the bigger and active basins where there is usually plenty of midstream capacity.”

To a large degree, the risk tolerance of minerals investors varies with their time horizon. For the majority, midstream in operation, or at least planned, precedes investment. That said, there is a risk-tolerant corner of the sector for those comfortable betting on the come. Just as some land speculators would buy in anticipation of the route of the railroad, there are some geographic areas where midstream capacity is constrained. It would seem logical that plans for new pipe and processing would open the gates for more production revenue.

“The typical time horizon of investors is usually about four to eight years,” Nelson said. “While some may have a longer view, it is also true that midstream development can take longer than producers or operators anticipate.

There are some minerals companies that would deploy some of their capital for that longer, strategic bet, but not as a majority of their investment thesis.”

More broadly, Nelson cautioned against drawing and sweeping conclusions based on the last few years.

“Minerals investors are a savvy bunch. The competition for minerals assets can be strong, which can drive up asset values.”

—STEVE HENDRICKSON
Ralph E. Davis Associates



“Calendar 2020 was obviously horrible for everyone, and not just COVID-19,” he said. “There was Russia/OPEC posturing and an election looming over the entire year. In my 25 years in the business, I have never seen so many headwinds. There has also been significant capital leaving oil and gas because of environmental, social and governance concerns.”

Just this year, Nelson continued, “We are now starting to see who is in and who is out. There is clearly an upswing in demand for all commodities, and the trends are moving in a better direction. We like the macro environment at the moment.”

In that context, Nelson said they “try to keep things simple.”

“Most minerals investors are interested in major basins where midstream is not a concern, he added. “Minerals investors are always looking for roadblocks, and one of those can be midstream. If that is the case, they will tend to go in another direction.” ■

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The Ins and Outs of Nonop Working Interests

What are the challenges, solutions and opportunities?

By Anna Kachkova, Contributing Editor

Companies active in the oil and gas and minerals spaces alike are looking at a variety of strategies to optimize their businesses, spurred by the volatility in the oil market in recent years.

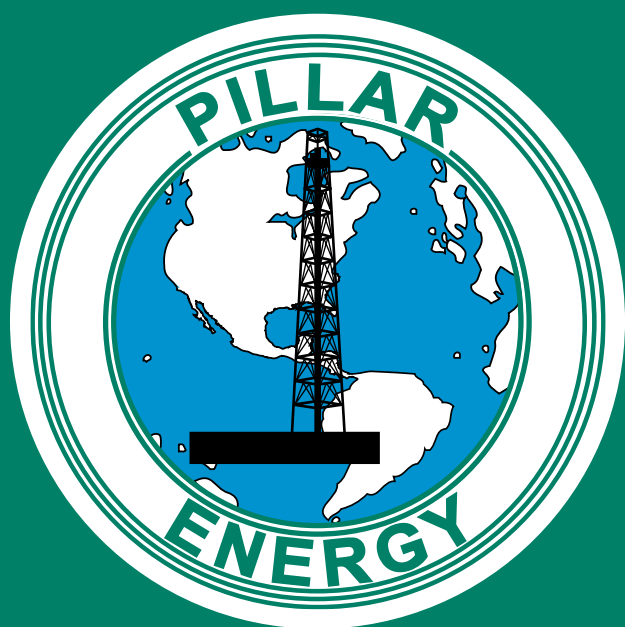
Some companies have pursued both E&P and the acquisition of mineral leases or are exploring hybrid approaches that tie both together. Chris Cottrell, an associate at law firm Winston & Strawn, cited Black Stone Minerals and Viper Energy Partners as examples of such hybrid approaches that have emerged in recent years.

Some companies have opted to focus on nonoperated working interests on the E&P side of their businesses while also engaging in activity on the minerals side. Such a focus on nonop interests comes with certain risks but also certain opportunities.

Cottrell told Hart Energy that the lack of control was one of the main challenges for nonop players.

“You don't have control over what the operator wants to do with respect to development. The most typical situation is the operator proposing the project, and you just have the right to consent or not consent to it.”

—CHRIS COTTRELL
Winston & Strawn



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“You don’t have control over what the operator wants to do with respect to development,” he said. “The most typical situation is the operator proposing the project, and you just have the right to consent or not consent to it.”

He added that companies that own nonop interests tend to be smaller, with less access to capital markets than larger operators.

At the same time, though, there are opportunities to be found with this approach, and a number of companies consider the opportunities to outweigh the risks. Those seeing benefits to pursuing a nonop strategy specifically include Ventana Exploration and Production as well as Accelerate Resources.

Accelerate’s approach

Accelerate describes itself as a technology- and data-driven company, focused on the pursuit of fractional working interests and minerals in the Permian Basin.

“Our company was founded in 2016 to take advantage of a dislocation we identified in the oil and gas market—that small, fractional ownership interests were overlooked by the industry at large, and there was an opportunity to aggregate them into a large, cash-flowing, diversified portfolio of scale,” Brennan Potts, Accelerate’s founder and CEO, told Hart Energy. “Our solution was to build a proprietary technology and data-driven process to identify, acquire and manage financial-oriented assets on behalf of leading institutional investors.”

The company opted to focus on the core of the Permian because that was where it saw some of the industry’s best risk-adjusted returns. Since 2016 it has participated in drilling more than 1,000 wells in the basin, while establishing relationships with operating partners and a network of potential sellers.



“After a pretty slow year in A&D in 2020, we are now seeing a good deal of competition for a smaller set of available deals across the board.”

—BRENNAN POTTS
Accelerate Resources

“While nonop interests had been around the oil and gas industry for some time, we saw an opportunity to pioneer a new type of asset class in aggregating fractional working interests in premium areas in the Permian to build a diversified portfolio of the best wells,” Potts said. “This worked favorably for us because our exposure to any one well or interest is typically less than 10%, which greatly reduces our risk.”

“Finding the right mix of debt, living within cash flows and determining a capital budget focused on respective core projects is critical to success and, at times, survival.”

—HEATHER POWELL
Ventana Exploration and Production



Potts sees the biggest challenge in the space as navigating volatility, whether that volatility comes in the form of commodity pricing, cost assumptions or development timing.

“Our solution to this challenge is to build a diverse portfolio of core resources that can generate both free cash flow and growth that are largely uncorrelated with broader market conditions,” he said. “We then leverage our experience, relationships and dataset to help us make faster and smarter decisions.”

The COVID-19 pandemic also added to the challenges faced by Accelerate and others, though some of these are now easing as oil demand and prices pick up.

“The biggest challenge during the pandemic was calibrating the right value for new deals in such a dynamic pricing environment,” Potts said. “After a pretty slow year in A&D in 2020, we are now seeing a good deal of competition for a smaller set of available deals across the board.”

Ventana’s strategy

Ventana, a private equity-backed firm that was also founded in 2016, is focused on acquiring nonop interests across Oklahoma. The company states on its website that its nonop strategy is unique and that it seeks to offer favorable deals to mineral and leasehold owners. Ventana has pursued opportunities related to the dynamics that have played out in the oil patch over the past few years.

“Since the inception of Ventana, there have been numerous tailwinds that have affected our industry, including capital constraints in the space,” Ventana’s president and CEO, Heather Powell, told Hart Energy. “This has given us an advantage in the nonop space to partner with operators to reduce their exposures or diversify their interests so that their dollars are focused on keeping their rigs in core areas.”

Powell believes there are currently a lot of opportunities, both for Ventana and other companies in the same space.

“There will continue to be consolidations, so being disciplined and focused on the short- and long-term goals of the company is extremely important,” she said. “Ventana is always in acquisition mode, but it is important for our team to constantly be evaluating our portfolio to ensure we consider divestitures as well. We have strict guidance for diversification given the nonop strategy, so working with peers in the same space to work trades or sell-downs has also been very important to us.”

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Additionally, Powell sees opportunities in working with both operators and other nonop companies to pursue common goals.

“When we work together to achieve our respective and common goals, more development happens, less regulatory filing delays and costs are reduced,” she said.

Powell acknowledges that there is “definitely” risk in working interest ownership, and Ventana has various ways of mitigating that risk.

“We are committed to our exposure limits to remain diversified, have a strong hedge book and a consistent approach to underwriting projects to avoid taking on any unnecessary risk,” she added.

The company is also navigating the changes that have resulted from the recent volatility in the oil market.

“Pre-2019, operators were focused on having 100% exposure to their drill program, spending budget dollars on their nonop, and it just wasn’t sustainable when commodity prices crashed and bank loans called,” she said. “I don’t think anyone wants to ever be that leveraged again, so finding the right mix of debt, living within cash flows and determining a capital budget focused on respective core projects is critical to success and, at times, survival.”

Looking ahead

While the oil and gas industry is benefiting from higher prices and demand, the headwinds are unlikely to be over and there will be further challenges to contend with. Winston & Strawn’s Cottrell pointed to cost inflation as being among those challenges.

“Even though commodity prices go up, your costs of doing business go up as well,” he said. This is particularly the case in the context of unconventional development, which requires continual capital investment to maintain production, he explained.

“In that context, it’s difficult to maintain your margins or increase your margins,” Cottrell said.

However, he sees this as presenting an opportunity for nonop players.

“The phrase that people use is ‘developing within cash flow,’ and that’s a huge focus right now. But, obviously, that makes nonop interests a lot more attractive,” he said. “If development is slowing down and there’s now a lot more focus on fiscal responsibility, then in my mind, the asset class becomes a lot more attractive, because at least you have a much higher likelihood of having a partner that is economically rational.” ■

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The Downside of Energy's Current Upside

While there is downside to the upside of pricing, the impact can be mitigated.

By Daron Fredrickson, Merit Advisors LLC

Anyone involved with the oil and gas industry knows that the commodity price experiences its fair share of ups and downs. Over the last two years, that might be the single greatest understatement of all time. The industry has gone from low commodity pricing to negative commodity pricing to record high commodity pricing many times over in a 24-month period. Besides the obvious effects this instability causes in the industry, it creates issues that may not routinely be on leadership's radar.

In today's market, the pandemic has caused stress on supply chains across most industries. The oil and gas industry is no different. However, in oil and gas, the stress is even greater on the supply chain due to the surging commodity prices and demand for equipment and tubular steel. That stress has caused the prices of those items to go significantly higher.

While those facts are not going to be a surprise to anyone working in the industry, the impact on property tax bills that may arrive this tax year very well could be. Two of the most significant drivers of the valuations for property tax purposes are the cost of assets and the income produced by the assets. Both drivers are up significantly. While that trend has been going on in the world since early in 2021, it has yet to be fully seen in property tax valuations. However, you should expect that to change.

In the calculation of property taxes, there is a day that is referred to as the assessment date. That date is a snapshot in time used to decide the value of the assets for that tax year. For most oil- and gas-producing states, the assessment date is Jan. 1 of any given year.

Looking back to Jan. 1, 2021, the oil and gas industry outlook was still generally negative in nature. Oil prices had just begun to rise from the 2020 levels and were approximately \$50. Natural gas prices were \$2.70, not vastly different from the preceding few years. Demand for equipment and services was low, and the forecasted need was even lower. Capital expense budgets were being cut due to the loss of revenue. Fast forward to Jan. 1, 2022. Oil prices are approximately \$90. Natural gas prices are \$4.50, after reaching more than \$6 during 2021. The demand for equipment and services is remarkably high. Capital expense budgets are increased. It is that delta and the timing of the assessment date that will directly affect the property tax liability for all sectors of the oil and gas industry. Each part of the value chain for oil and gas will be affected by the increased pricing and demand but not in an equitable manner.

The clearest example of the timing effect is found in the upstream sector. This is especially true in Texas. The property tax assessments for upstream assets in Texas are based on a discounted cash flow (DCF) formula. The formula is intended to estimate the fair market value as of the assessment date for the wells and related equipment. The calculation is tied to the present worth of the future income in the active producing zones. As a result, proved developed producing category reserves are the comparable measurement. The average commodity price received in the prior year is the starting point in the calculation for revenue. That pricing is further adjusted based on Section 23.175 of the Texas Property Tax Code. That code section is intended to

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trend the prior year average price to a current market value through a series of calculations and comparisons.

Considering the price change alone in the DCF for the assets, the examples below are based on actual assessments to show the projected increase from tax year 2021 to tax year 2022. Notice that the relationship of the percentage increase in price to the increase in assessment is not direct. It may seem counterintuitive, but the largest percentage increases in assessment will be on the lower producing assets. This is due to the very marginal value calculated in tax year 2021 with lower pricing, compared to the same well and operating cost, at much higher pricing.

The 2021 property tax payments paid by companies in Texas were based on the 2020 average price trended, which was approximately \$45 for oil and \$2.25 for natural gas. During the year, the actual prices received averaged approximately \$71 for oil and \$3.79 for natural gas.

While there are natural swings in valuations using income information each year, 2022 is a tax year that companies need to prepare for in their cash management and accrual processes. The timing of the changes in commodity price in 2021 worsens the situation for one of the most common methods that companies project their annual property tax liability. That approach calculates taxes as a percentage of income in the prior year and applies that percentage to the current year to predict liability. That approach normally supplies a conservative, predictable result. When 2022 is calculated in the same manner, the result will be skewed by timing of the price change. It's interesting that on the assessment date in 2021, the outlook and pricing was quite different from what ultimately occurred.

If the 2021 taxes as a percent of revenue is applied to the projected 2022 income, the accrued liability is understated by 53%. That type of variation between accrued liability to actual tax payment could be devastating to budgets and cash flow.

While there is downside to the upside of pricing, the impact can be mitigated. There is a difference between filing and processing tax payments in a timely and accurate way and actually paying on the asset's accurate

Oil Assets

Asset	2021 Value	Implied 2022 Value
Sprayberry well 74 bbl/d & 93 Mcf/d	1,047,354	3,029,891
Sprayberry lease, 2 wells 4,400 bbl/d & 6,100 Mcf/d	27,316,780	40,023,040
Stripper Wells, Mills Ranch Field 5 bbl/d & 32 Mcf/d	87,030	214,081

(Source: Merit Advisors LLC)

Gas Assets

Asset	2021 Value	Implied 2022 Value
1 well, Angie Field 169 Mcf/d	83,450	270,459
1 well, Barnett Field 150 Mcf/d	18,183	280,740
1 well, Carthage Field 19,143 Mcf/d	15,755,360	33,700,160

(Source: Merit Advisors LLC)

value. It is imperative that companies are initiative-taking and plan for the coming increased assessments. Qualified tax professionals, collaborating with the company accounting, engineering and operations groups, can affect positive results, effectively estimating and mitigating any increased liability. The illustration below shows the impact of the timing of the price change to estimated taxes.

The early identification of any valuation issues and prompt action are key to the process. Preventing overstated assessments from being incorporated into budgets helps the taxpayer and the taxing authority alike. If you let it, this could be a case of what goes up doesn't automatically mean a down on your bottom line. ■

About the author: Daron Fredrickson is a partner with Merit Advisors LLC.

From the Carthage Field Well Referenced Above

Production/Day	# Days	Annual	Avg Price	Gross Income
19143 Mcf	365 =	6,987,195 Mcf	\$2.25 =	\$15,721,189
2021 Taxable Value	Tax Rate	2021 Tax	Tax as % of Income	
15,755,360	0.0275 =	\$433,272.40	2.76%	
Actual 2021 Income	2021 Price	2021 Gross Income	Tax as % of Income	
6,987,195 Mcf	\$3.79 =	\$26,481,469	1.64%	
2022 Implied Value	Tax Rate	2022 Tax	Accrual Miss	
33,700,160	0.0275 =	\$926,754.40	\$493,482.00	

Source: Merit Advisors LLC



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 Fort Worth, Texas 76102
 kimbellrp.com
Focus: Lower 48
Preferred deal size: \$50 million+



L

Legacy Royalties

Steve Smith
 President
 903-596-9813
 info@legacyroyalties.com
 102 N. College Ave., Ste. 610
 Tyler, Texas 75702
 legacyroyalties.com

Levee Resources LLC

214-306-5119
 info@leveeresources.com
 2040 Farrington St.
 Dallas, Texas 75207

Live Oak Resource Partners LLC

Andrew Keene
 President, CFO
 832-982-0787
 info@liveoakrp.com
 4900 Woodway Dr., Ste. 825
 Houston, Texas 77056
 liveoakrp.com
Focus: Haynesville (minerals, royalties, ORRI and nonop)
Preferred deal size: \$1 million-\$10 million

LongPoint Minerals

Will Cullen
 Vice President of Business Development
 303-945-8304
 wcullen@longpointminerals.com
 100 Saint Paul St., Ste. 400
 Denver, Colorado 80206
 longpointminerals.com
Focus: Eastern Anadarko, Permian, Denver-Julesburg, Bakken, Eagle Ford, Haynesville
Preferred deal size: Any size



Magnolia Minerals Trust LLC

James Williams
 Principal
 303-628-5586
 jcw@magnoliatrust.net
 1616 17th St., Ste. 572
 Denver, Colorado 80202
 magnoliamineralstrust.com

Master Mineral Holdings Inc.

412-407-3304
 info@mastermineral.net
 1525 Park Manor Blvd., Ste. 371
 Pittsburgh, Pennsylvania 15205
 mastermineral.net

Mavros Minerals II LLC

Brandon Black
 Manager
 432-684-9696
 bblack@bcoperating.com
 4000 N. Big Spring, Ste. 310
 Midland, Texas 79705
Focus: Permian
Preferred deal size: \$1 million-\$50 million

Mekusukey Oil Co. LLC

Katy Alven
 Landman
 405-257-5431
 katy@mekusukey.com
 201 South Mekusukey Ave.
 Wewoka, Oklahoma 74884
 mekuskey.com
Focus: West of the Mississippi River
Preferred deal size: \$5,000-\$5 million

Meredith Land and Minerals

Gill Cheesman
 Principal
 713-703-3609
 info@meredithminerals.com
 1001 McKinney St.
 Houston, Texas 77002

Mesa Minerals Partners II LLC

Darin Zanovich
 President, CEO
 832-948-6284
 dzanovich@mesamineralsllc.com
 820 Gessner Rd., Ste. 1470
 Houston, Texas 77024
 mesamineralsllc.com
Focus: Haynesville, Eagle Ford, Bakken, Permian, Denver-Julesburg, Appalachia, Midcontinent
Preferred deal size: Up to \$400 million

MGX Minerals Inc.

Jared Lazerson
 Chairman
 604-681-7735
 info@mgxminerals.com
 1040 Hamilton St., Ste. 303
 Vancouver, British Columbia V6B 2R9
 mgxminerals.com

Mineral Owner Mart

405-701-0605
 info@mineralownermart.com
 P.O. Box 720754
 Norman, Oklahoma 73070
 mineralownermart.com

Momentum Minerals LLC

Kevin Lorenzen
 Co-CEO
 713-633-4900
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 750 Town & Country Blvd., Ste. 420
 Houston, Texas 77024
 momentumminerals.com

Montego Minerals

Cutler Gist
 Principal
 432-683-9900
 cutler@montegominerals.com
 214 West Texas, Ste. 400
 Midland, Texas 79701
 montegominerals.com



National Royalty Co.

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 General Partner Manager
 214-522-5505
 purchase@nationalroyalty.com
 3838 Oak Lawn Ave., Ste. 1600
 Dallas, Texas 75219
 nationalroyalty.com
Focus: Texas, Oklahoma, New Mexico, Utah, Missouri, North Dakota, Wyoming

Navigator Oil & Minerals Inc.

Spencer Blake
 Vice President of Business Development
 432-682-9585
 sblake@navigator.tx.com
 P.O. Box 10184
 Midland, Texas 79702
 navigator.tx.com
Focus: Kansas, Kentucky, Montana, North Dakota, Texas, West Virginia

Noble Royalties Inc.

Scott Noble
 CEO
 972-720-1888
 info@nobleroyalties.com
 15303 N. Dallas Pkwy., Ste. 1350
 Addison, Texas 75001
 nobleroyalties.com

Northwest Oil & Gas Exploration LLC

Kevin Burshears
 Managing Member
 817-484-4931
 125 Park Ave., Ste. LL
 Oklahoma City, Oklahoma 73102
 northwestroyalty.com

Nueces Minerals Co.

Charles Munson
 214-954-0260
 cmunson@nuecesminerals.com
 12221 Merit Dr., Ste. 930
 Dallas, Texas 75251
 nuecesminerals.com



Oak Tree Minerals LLC

Haley Ward
 Acquisitions Specialist
 214-987-6000
 specialist@oaktreeminerals.com
 2601 Network Blvd., Ste. 404
 Frisco, Texas 75034
 oaktreeminerals.com
Focus: Producing mineral, royalty and overriding interests
Preferred deal size: \$5,000+

Oklahoma Mineral Buyers LLC

405-657-6117
 info@okmineralbuyers.com
 P.O. Box 21
 Edmond, Oklahoma 73083
 okmineralbuyers.com

Old River Royalty

James Floyd
 Vice President of Acquisitions and Business Development
 719-800-5035
 james@oldriverroyalty.com
 9055 East Mineral Circle, Ste. 110
 Centennial, Colorado 80112
 oldriverroyalty.com
Focus: Eaglebine
Preferred deal size: All

OneMap Mineral Services

Adam C. Olivier, CPL
 Vice President of Business Development
 337-789-8518
 aolivier@onemapminerals.com
 109 North Post Oak Ln., Ste. 140
 Houston, Texas 77024
 onemapminerals.com
Focus: Delaware, Midland



Pardee Resources Co.

Jeffrey A. Brown, CPG, CPL
 Senior Vice President of Oil and Gas
 304-760-7219
 jeff.brown@pardee.com
 135 Corporate Center Dr., Ste. 510
 Scott Depot, West Virginia 25560
 pardee.com
Focus: Mineral properties
Preferred deal size: \$5 million-\$10 million

Patch Energy LLC

Christian Patry
 Managing Partner
 432-684-7995
 cpatry@patchenergyllc.com
 312 E. Illinois Ave., Ste. 1
 Midland, Texas 79701
 patchenergyllc.com
Focus: Texas, New Mexico
Preferred deal size: Up to \$5 million

Pathfinder Resources LLC

469-726-2946
 pathfinder-resources.com
Focus: Marcellus, Utica

PEC Minerals LP

214-265-9590
 contact@pecminerals.com
 8111 Westchester Rd., Ste. 900,
 Dallas, Texas 75225

Pegasus Resources

Will Rodgers
 President
 817-338-1118
 wrodgers@pegasusresources.com
 2821 West 7th St., Ste. 500
 Fort Worth, Texas 76107
 pegasusresources.com
Focus: Permian
Preferred deal size: All

PennMarc Resources LP

J. Chase Hill
 General Partner
 814-765-3451
 info@pennmarc.com
 400 S. Record St., Ste. 850
 Dallas, Texas 75202
 pennmarc.com
Focus: Appalachian Basin (Pennsylvania, Ohio, West Virginia)
Preferred deal size: Any size

Pennsylvania Mineral Group LLC

Douglas Keith
 Principal
 304-642-5696
 226 Ferndale Dr.
 Elkins, West Virginia 26241

Peregrine Energy Partners

Josh Prier
 Managing Director
 303-828-8318
 josh@peregrinelp.com
 5710 Lyndon B Johnson Fwy., Ste. 490
 Dallas, Texas 75240
 peregrinelp.com
Focus: Nationwide
Preferred deal size: \$2 million-\$20 million

Permico Royalties LLC

Benjamin Griffin
 Owner
 432-242-7337
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 508 W. Wall St., Ste. 1250
 Midland, Texas 79701
 permicoroyalties.com

Perpetual Production LLC

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 Josh.Camp@perpetual-production.com
 2527 Fairmount St.
 Dallas, Texas 75201
 perpetual-production.com





Q-R

Petroleo LLC

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 817-353-2070
 perry@petroleo-llc.com
 306 West 7th St., Ste. 702
 Fort Worth, Texas 76102
 petroleo-llc.com
Focus: Delaware Basin
Preferred deal size: All

Phillips Energy

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 Chief Marketing Officer
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 7225 Fern Ave., Ste. 900
 Shreveport, Louisiana 71105
 phillips.energy

PHX Minerals Inc.

Ralph D'Amico
 CFO
 405-948-1560
 rdamico@phxmin.com
 1601 NW Expy., Ste. 1100
 Oklahoma City, Oklahoma 73118
 phxmin.com
Focus: Midcontinent, East Texas, Appalachia
Preferred deal size: \$5 million+

Pillar Energy LLC

Casey Hunt / Marshall T. Hunt
 214-880-7110 / 214-880-8430
 chunt@petrohunt.com /
 mthunt@petrohunt.com
 2101 Cedar Springs Rd., Ste. 600
 Dallas, Texas 75201
Focus: Minerals/royalty; nonop working interest

Pine Tree Energy Partners LLC

Clint Mahand
 Landman
 972-354-1411
 clint.mahand@wynncrosby.com
 1700 Pacific Ave., Ste. 1200
 Dallas, Texas 75201
Focus: Minerals, royalties and nonoperated working interests in the onshore U.S.
Preferred deal size: \$5,000-\$100 million

Pledge Resources LLC

Austin D. Hunt / Casey Hunt
 214-880-7117
 ahunt@petrohunt.com /
 chunt@petrohunt.com
 2101 Cedar Springs Rd., Ste. 600
 Dallas, Texas 75201
Focus: Minerals/royalty; nonop working interest

Pony Oil

John Paul Merritt
 Founder, CEO
 214-865-7575
 jpm@ponyoil.com
 3100 Monticello Ave., Ste. 500
 Dallas, Texas 75205
 ponyoil.com
Focus: Denver-Julesburg, Midcontinent, Permian, Delaware, Eagle Ford, Powder River Basin
Preferred deal size: Up to \$50 million

Potomac Mineral Group LLC

412-344-1300
 info@potomacmineralgroup.com
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 Pittsburgh, Pennsylvania 15228
 potomacmineralgroup.com

Prairie Mineral Co. LLC

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 817-980-9697
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 Fort Worth, Texas 76102
 prairiemineral.com

Presta Petroleum

Jonny Brumley
 President
 817-796-9980
 jsbrumley@prestapetro.com
 4455 Camp Bowie Blvd., Ste. 11449
 Fort Worth, Texas 76107
 prestapetro.com
Focus: Texas and Oklahoma

Providence Minerals LLC

Karen Herbst
 Land Manager
 214-522-9131
 kherbst@providence-energy.com
 16400 Dallas Pkwy., Ste. 400
 Dallas, Texas 75248
 providence-energy.com
Focus: Western Oklahoma, Permian, Powder River Basin
Preferred deal size: \$10 million+

Rain Oil & Gas LP

Cas Atchison, CPL
 Co-Founder, CEO
 512-772-1226
 cas@rainoilandgas.com
 3303 Northland Dr., Ste. 201
 Austin, Texas 78731
 rainoilandgas.com
Focus: Texas, Western New Mexico, Williston, Eastern Louisiana
Preferred deal size: All

Raisa Energy LLC

Babak Fadaiepour
 Director of Business Development
 303-854-9141
 bfadaiepour@raisaenergy.com
 1560 Broadway St., Ste. 2050
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 raisaenergy.com

Red Rock Minerals Oklahoma

214-272-6017
 info@redrockmineralsok.com
 16803 N. Dallas Pkwy.
 Addison, Texas 75001
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Red Stone Resources LLC

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 817 Irish Ln.
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 redstoneresourcesllc.com

Redhawk Investment Group

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Redtail Royalty LLC

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Regions Energy LLC

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310 West Wall St., Ste. 300
Midland, Texas 79701
regionsenergyllc.com
Focus: Permian
Preferred deal size: \$550,000-\$10 million

Remarkable Land LLC

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Manager
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dow@remarkableland.com
6115 Owens St., Ste. 201
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remarkableland.com
Focus: Texas, Oklahoma, Colorado, Wyoming
Preferred deal size: \$50,000-\$1 million

Resource Minerals LLC

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resourceminerals.com

Revere Resources

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4203 Yoakum Blvd., Ste. 100
Houston, Texas 77006
revereresources.com

Rising Phoenix Royalties

Jace Graham
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214-393-6486
minerals@rising-phoenix.com
4230 Avondale Ave.
Dallas, Texas 75218
risingphoenixroyalties.com
Focus: PDP-focused with assets in Barnett, Haynesville, Denver-Julesburg, Marcellus & Eagle Ford
Preferred deal size: \$50,000-\$10 million

Rivercrest Royalties LLC

R. Davis Ravnaas
CFO
817-945-9700
306 W. 7th St.
Fort Worth, Texas 76102

Rock Ridge Royalty LLC

Garrett Kimbell
Vice President of Land and Business Development
817-475-5505
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4849 Greenville Ave., Ste. 1670
Dallas, Texas 75206

Rock River Minerals LP

Sam Beaufait
CFO
432-685-9005
sbeaufait@piedrallc.com
400 West Illinois Ave., Ste. 1070
Midland, Texas 79701
rockriverminerals.com
Focus: Permian

Royalty Clearinghouse

Marc Zimmerman
President, COO
512-458-4545
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RRIG Energy

Jet Ellis
Acquisitions Manager
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105 Nursery Ln., Ste. 110
Fort Worth, Texas 76114
rrigenergy.com



San Jacinto Minerals LLC

James Floyd
Vice President of Acquisitions and Business Development
719-800-5035
james@sanjacintominerals.com
9055 E. Mineral Circle, Ste. 110
Centennial, Colorado 80112
sanjacintominerals.com
Focus: Denver-Julesburg, Appalachia, Delaware, Haynesville, Eaglebine
Preferred deal size: All

San Saba Royalty Co. LLC

Carson Coon
Acquisitions, Landman
972-388-7346
ccoos@sansabaroyalty.com
4925 Greenville Ave., Ste. 500
Dallas, Texas 75206
sansabaroyalty.com
Focus: Texas, Louisiana, New Mexico
Preferred deal size: All

Saxet Petroleum Inc. Managing | Royalty Interests Partnership LP | RIP3 LP

Robert O'Brien
President
713-243-8400
robrien@saxetpetroleum.com
510 Bering Dr., Ste. 600
Houston, Texas 77057
riplpsaxet.com
Focus: Permian, Williston, Anadarko
Preferred deal size: \$20 million

Shale Mineral Group Inc.

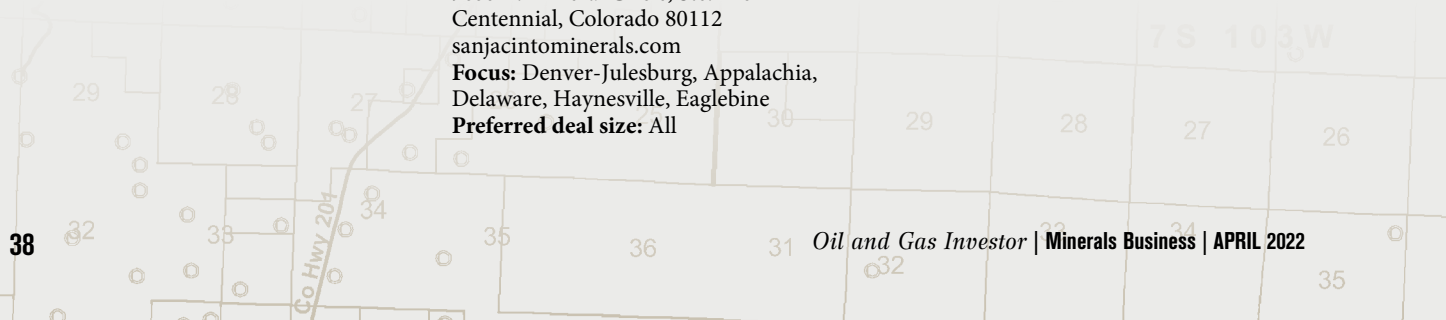
Brian Davis
President
972-835-4100
bdavis@shalemgroup.com
580 Decker Dr., Ste. 130
Irving, Texas 75062
shalemineralgroup.com
Focus: Texas, Ohio, Pennsylvania, West Virginia

Shepherd Royalty LLC

Gary Redwine
Managing Member
214-234-0360
gredwine@shepherdroyalty.com
5949 Sherry Ln., Ste. 1175
Dallas, Texas 75225
shepherdroyalty.com
Focus: Anadarko, Cana Woodford, SCOOP/STACK/Merge, Permian, Eagle Ford
Preferred deal size: \$10,000-\$10 million

Source Minerals

Hunter Kennedy
Vice President of Land
469-729-5289
hunter@sourceminerals.net
4311 Oak Lawn Ave., Ste. 450
Dallas, Texas 75219



Spindletop Oil & Gas

Chris Mazzini
972-644-2581
cmazzini@spindletopoil.com
One Spindletop Centre, 12850 Spurling Rd., Ste. 200
Dallas, Texas 75230
spindletopoil.com

Springbok Energy

Brian Sellers
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214-445-6000
bsellers@springbokenergy.com
5956 Sherry Ln., Ste. 500
Dallas, Texas 75225
springbokenergy.com
Focus: Onshore U.S.
Preferred deal size: <\$5 million

Stone Hill Minerals Holdings LLC

Andrew Schmid
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724-766-5775
info@stonehillminerals.com
P.O. Box 470426
Fort Worth, Texas 76147
stonehillminerals.com
Focus: Appalachian, Permian, Denver-Julesburg
Preferred deal size: All

Strata Royalty Partners LP

Brock Morris
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brockm1985@gmail.com
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Swallowtail Royalties

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972-427-1751
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7750 N. MacArthur Blvd., Ste. 120-370
Irving, Texas 75063
swallowtailroyalties.com
Focus: Midland Basin
Preferred deal size: \$1 million-\$100 million



Texas Royalty Corp.

Tom Schoonover
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500 N. Capital of Texas Hwy., Bldg. 4-200
Austin, Texas 78746
texasroyalty.com

Focus: Austin Chalk, Permian, Delaware Basin, East Texas conventional
Preferred deal size: Up to \$25 million

Three Rivers Royalty

Tiffany Culp
Vice President of Land and Legal
724-300-8061
tiffany.culp@threeriversroyalty.com
100 Adios Dr., Ste. 1110
Washington, Pennsylvania 15301
threeriversroyalty.com
Focus: Appalachia
Preferred deal size: All

Tower Rock Oil & Gas

Brandon Guidry
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737-255-7906
bguidry@towerrockog.com
P.O. Box 5746
Austin, Texas 78763
towerrockoilandgas.com
Focus: Lower 48 with emphasis on the Permian (both PDP and PUD)
Preferred deal size: \$1 million+

Tregan Energy Partners LP

Reid Stein
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tregan.com
Focus: Permian, Eagle Ford, Haynesville, Oklahoma, Bakken

Triple Crown Energy LLC

Chase Williams
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Tulsa, Oklahoma 74114
triplecrownenergy.com
Focus: STACK/SCOOP/Merge, Western Anadarko, Permian, Eagle Ford, Marcellus, Utica

Tumbleweed Royalty

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817-840-5430
gwright@tumbleweedroyalty.com
508 W. Wall, Ste. 1250
Midland, Texas 79701
tumbleweedroyalty.com
Focus: Permian
Preferred deal size: Up to \$50 million

UNI Royalties Ltd.

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uniroyalties.com

Universal Royalty Co.

Ryan Miller
214-706-9933
ryan@universalroyaltyco.com
8235 Douglas Ave., Ste. 1030
Dallas, Texas 75225
Focus: Texas, New Mexico
Preferred deal size: All



Venable Royalty Ltd.

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patrick@venableroyalty.com
5910 N. Central Expy., Ste. 1470
Dallas, Texas 75206
venableroyalty.com
Focus: Marcellus, Eagle Ford, Permian, Haynesville
Preferred deal size: \$250,000-\$5 million

Vendera Resources

Wood Brookshire
Founder, CEO
469-248-3079
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2626 Cole Ave., Ste. 750
Dallas, Texas 75204
venderaresources.com
Focus: Haynesville
Preferred deal size: \$1 million-\$10 million

Ventana Exploration and Production

Heather Powell
 President
 405-754-5010
 hpowell@ventanaep.com
 13832 Wireless Way
 Oklahoma City, Oklahoma 73134
 ventanaep.com
Focus: Onshore nonop and minerals

Vero Minerals LLC

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 Houston, Texas 77008
 verominerals.com
Focus: PDP, undeveloped unconventional
Preferred deal size: \$3 million+

Viking Minerals

Ransome Oliver
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 101 N. Robinson, Ste. 940
 Oklahoma City, Oklahoma 73102
 vikingminerals.com
Focus: Permian, Eagle Ford,
 Midcontinent, Haynesville
Preferred deal size: \$1 million+

Viper Energy Partners LP

Travis Stice
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 432-221-7430
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 Midland, Texas 79701
 viperenergy.com

Westgate Mineral Group

Chris Caffey
 COO
 800-580-4706
 info@westgatemineralgroup.com
 P.O. Box 122988
 Fort Worth, Texas 76116
 westgatemineralgroup.com
Focus: Lower 48
Preferred deal size: 10-500 acres

Wilco Properties Inc.

214-521-3222
 info@wilcoproperties.com
 4809 Cole Ave., Ste. 107
 Dallas, Texas 75205
 wilcoproperties.com

Windswept Royalties LLC

Jesse Kimball
 Managing Member
 214-267-1104
 kimballj@windsweptenergy.com
 3838 Oak Lawn Ave., Ste. 1414
 Dallas, Texas 75219
 windsweptroyalties.com
Focus: Oklahoma, Texas, Pennsylvania
Preferred deal size: \$50,000-\$30 million

Wing Resources LLC

Nick Varell
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 214-389-1060
 info@wingoilandgas.com
 2100 McKinney Ave., Ste. 1540
 Dallas, Texas 75201
 wingoilandgas.com
Focus: Permian
Preferred deal size: All

Wolf Royalties LLC

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 719-351-4414
 kevinc@wolfroyalties.com
 3400 S. Broadway
 Englewood, Colorado 80113
 wolfroyalties.com
Focus: Denver-Julesburg, Powder River,
 Bakken

Wynn-Crosby Operating Ltd.

Dan Koontz
 Vice President of Land and Business
 Development
 972-354-1402
 dan.koontz@wynncrosby.com
 1700 Pacific Ave., Ste. 1200,
 Dallas, Texas 75201
 wynncrosby.com
Focus: Minerals, royalties and
 nonoperated working interests in the
 onshore U.S.
Preferred deal size: \$5,000-\$100 million



W-Z

West Bend Energy Partners

Charlie Scherer
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 charlie@basenergyholdings.com
 P.O. Box 472087
 Fort Worth, Texas 76147
 westbendenergy.com
Focus: Permian

A landscape photograph showing a field of tall, golden-brown grass. In the middle ground, a black cow is grazing. In the background, there are several industrial structures, including large cylindrical tanks and a tall, thin chimney. The sky is a clear, pale blue, suggesting a bright day. The foreground is dominated by a dark, textured surface, possibly a large pile of gravel or crushed rock, which is partially covered by the text.

MINERAL RIGHTS DONE RIGHT

We take a different approach to buying minerals and we believe in the importance of respect, trust and integrity. Our forward-thinking approach to acquiring mineral interests and a strong emphasis on relationships sets us apart from our industry peers.

Visit us at longpointminerals.com to learn more.

The logo for Longpoint Minerals features a stylized blue arrow pointing upwards and to the right, positioned above the company name.

LONGPOINT
MINERALS

Actively Buying Minerals & Royalties ***Across All Basins***



PLEDGE RESOURCES

Email: contact@pledgeresources.com