

Getting a Chain on the Deduction Beast

National Association of Royalty Owners ROAR Newsletter, December 2016

Post Production Deductions (PPD) are on the minds of most royalty owners right now. The emotion surrounding this topic has intensified as we progressed to the end of 2016. As our legislative committees are engaging in discussions about PPD it became clear that statistical information from royalty owners was needed to make sense of how deductions are affecting royalty owners across the United States.

At our October National Board meeting in Dallas a PPD Committee was formed to look deeper into the details of what royalty owners are experiencing. We plan to bring some detailed information into the discussion to be sure that the decisions made on this topic are made with information on the full scope of this issue. Our PPD Committee consists of NARO members from Pennsylvania, Louisiana, Texas, Oklahoma, North Dakota and Ohio.

“What we face in Pennsylvania is a state house that said ‘Only Bradford County and certain operators are taking excessive post production deductions.’ I think we can assemble information to show that is not the case, but we will need very detailed information from a large group of mineral owners,” said Jackie Root, NARO Pennsylvania President and member of the NARO PPD Committee.

Root went on to say “We need mineral owners to know you are NOT isolated and powerless against companies. Having data is power!”

The committee hopes its investigation will reveal which companies are not taking excessive or prohibited deductions and are adhering to the leases. “It is unfortunate that the companies doing business as they should are not coming out to their peers to say something about the bad business practices that are going on,” said Root.

“In Ohio we are seeing deductions that do NOT match the lease terms. We are also seeing deductions of greater than 30% in some cases with no breakdown on what the deductions are for,” said Rebecca Clutter, NARO Appalachia board member and PPD Committee member.

It is of the utmost importance that we gather as much data as possible! We hope that you will take a few minutes to take the survey the PPD committee has put together. **Even better** please make copies of this survey and get them to any royalty owners you know who will fill it out! The survey can be completed by ANYONE who is a royalty owner. They do not need to be a member of NARO.

“It is so true that you accomplish more with large groups of people. NARO has a dedicated group of royalty owners who deserve the highest value for their energy asset. Although our concerns started on a smaller scale of ‘Why is the operator deducting this when it’s not allowed for in my Lease’, it has blown up into ‘Why am I receiving negative royalty checks and being asked to repay the operator!’ All of these things are really happening and, we believe, happening in all NARO Chapters. The more information you provide; the more detail we will have to evaluate. What will we do with this information? That answer depends on what you provide but you MUST provide the detail being requested for this survey to be validated,” said Malissa Blackburn, NARO Louisiana President and PPD Committee member.

The North Dakota Department of Mineral Resources recently started working on the issue of PPD as well. Bob Skarphol, a Republican from Tioga who recently retired from the ND Legislature discussed this issue, and what royalty owners are trying to do about it with the Bismarck Tribune in a December 9, 2016 article.

“They’re (oil and gas royalty statements) so convoluted and complex that the average person can’t understand them,” Skarphol said. “When you try to call them and ask about it, you get rebuffed. If you don’t know the right questions to ask, you get skillfully distracted “. To read the entire article in the Bismarck Tribune go to <http://bit.ly/2hneWcF> or the ND NARO webpage, www.naro-us.org/northdakota.

For the states steeped in oil and gas history PPD is not a new concern. The soft energy sector in 2016 intensified the level of frustration in the masses. “In about 1996 one of our members with minerals in Colorado realized she had significant deductions being taken out of her royalty checks. She took her issue all the way to the Colorado State Supreme Court, and won all along the way. The final ruling was in probably 2006. It was a ten year battle, but she won back pay for every mineral owner, under lease with that operator, in that field,” said Jerry Simmons, NARO Executive Director.

“We need to find unambiguous leases, and statements that prove damages (incorrectly taken deductions) to make a national impact on post production deductions and be able to protect mineral owners. It is a needle in a haystack, but our members can provide what is needed, if they just will. We really need all the leases and recent statements we can get our hands on,” Simmons went on to say.

Please start with our survey. We have printed it in this issue for members who find the internet challenging. You will also find it online at <https://www.surveymonkey.com/r/MHKMSKF> in an electronic version. You can email this link to friends and family or direct them to our homepage www.naro-us.org to click it there.

After you take the survey please be sure to send in leases and your most recent statement. If you have multiple wells, send information for each well and feel free to take the survey for each well/operator with different deductions practices or categories.

If the paper version is easier for you, please pull it out of this issue and send it to us! Paper surveys and documents can be sent to Cynthia Simonds, NARO National Development Director at CSimonds@NARO-us.org or NARO, PPD Committee c/o Cynthia Simonds 15 W. 6th Street Suite 2626 Tulsa Ok 74119. Be sure to make copies and mail them to anyone you think will help add to our data. If you have questions about this project or what you should send in don't hesitate to contact us! 800-558-0557.

We tried to keep this survey from being too long or complicated. Hopefully the questions cover all of your deduction situations. If you have more that you wish to share, please send it! Please know that your information will be secure and only used for this project.

It has always been NARO's goal to protect and represent mineral owners. We are honored to have been doing this for 36 years. We remain the ONLY national organization representing solely and without compromise, oil and gas royalty owners' interests. **Help us be successful for you by adding to our investigation of post-production deductions!**

Annette—inset graphically three events we have coming up on this topic; “Event agendas and additional information available on the registration website page.”

Washington, Pennsylvania

Saturday, January 21 9:00am-5:00pm

Doubletree, The Meadows

340 Racetrack Rd, Washington PA

Registration online or by phone 918-794-1660

\$25 for NARO Members, \$35 for Non-Member

Attendees who join NARO at the event will receive a \$25 discount on their membership

Breakfast and Lunch provided. Company sponsorships and exhibitor tables available.

Ruston, Louisiana

Thursday, February 9 6:00-8:30 pm

The Ruston Civic Center

401 N Trenton St. Ruston LA

Registration online <http://naro-us.org/event-2404927> or by phone 918-794-1660

Free to attend. Non Members Welcome

Dinner is provided. Company sponsorships and exhibitor tables available.