

ROAR

THE ROYALTY OWNERS ACTION REPORT MARCH 2019



THE NARO MESSAGE BOARD IS BACK!

JOIN THE CONVERSATION

The mission of NARO is to support, advocate and educate for the empowerment of mineral and royalty owners. We are proud to announce we are launching a new tool to empower, educate and connect you with a network of mineral owners and professionals!

For a long time message boards and forums have been used to share information and link people together. Typically they were used by people who had a higher level of understanding, and comfort, with working online. Being volunteer led, NARO struggled to keep an active professional message board for our members. In 2014, it was necessary to remove our message board. Reviving the message board, or something like it, has been a topic of discussion, and brain storming, ever since. The Board of Directors has been searching for a way to replace this valuable tool that would offer the most reliable information in a very timely manner. Rather than reinvent the wheel we were offered an exciting opportunity to be a custom group on an already very active site.

We are happy to announce beginning March 1 you will be able to participate in the NARO message board via the **Mineral Rights Forum.com** (“MRF”) site. This custom group/category will allow NARO members, and others interested in finding out more about NARO, to exchange information, see announcements of upcoming NARO events, follow legislative developments, and exchange ideas about our mutual interests as mineral and royalty owners. In other words, **a good place to have a conversation.**

MineralRightsForum.com is the largest U.S. mineral and royalty owner forum on the internet. It was founded in 2009 by Kenny DuBose, a petroleum engineer, and has a vibrant community of mineral and royalty owners, resources, and many other features. MRF is generally set up with county groups/categories in all producing states, and has additional groups of interest to mineral and royalty owners.

It is easy to keep up with a specific topic you are interested in. Think of your topic as specific conversations. You can be notified when things happen within a topic. Visit the “Getting Started” page at www.mineralrightsforum.com to see all the ways you can customize your alerts and use the message board.

If you are not “tech savvy” you will be pleased to know today’s platforms are much more user friendly than they were previously. You don’t have to have a high level of understanding to work with them, think FaceBook.

NARO is encouraging all members to join our customized NARO group/category as another way of communicating and sharing information. This broad reach of a large forum provides a more continuous source of information. **Joining is free.** You can use Gmail, Facebook, Twitter, Yahoo credentials, or just a plain ole email address!

If you have children or grandchildren that use the internet have them check out our message board to keep them informed, and help you get involved. If you don’t use the internet never fear! The ROAR, office staff, and your local chapter directors are all here to help you!



INSTRUCTIONS FOR JOINING THE NARO MESSAGE BOARD:

- Go to www.mineralrightsforum.com and sign-up (free of charge). Some of you are already registered forum members.
- After March 1, go to <https://www.mineralrightsforum.com/c/naro> or type “NARO” in the search function in the upper right to find the NARO category.
- Browse the different threads in the NARO category and click on the ones of interest to you.
- To receive email alerts every time there is an additional post, click on the small grey box at the top of the thread just to the right of the “New Topic” button and select your “follow” option for that thread. We recommend the “Watching” option to start (you can always change it later). You will be sent an email every time an additional post is made to your thread of interest. We would encourage you to especially keep abreast of the Topic titled “NARO Announcements” within the NARO category.
- To be able to **create** additional topics, (start a conversation) you must send your MRF Username to ForumModerator@naro-us.org to be approved.

These instructions apply to both desktop and mobile versions of MRF. You'll minimize chances of problems by having up to date web browsing and operating software on your devices.

If you have difficulties, contact a NARO message board moderator via ForumModerator@naro-us.org. Oklahoma Chapter President Rick Howell, Texas President Wade Caldwell and Oklahoma Director Martha Barnes, who are all very knowledgeable about MRF have offered to assist NARO members trouble shooting, walking through new member set up and how to make the most of our new message board. Please remember, our moderators are volunteers! We ask that you are patient and understanding, especially initially when the need for personal assistance is greater.



JOIN THE CONVERSATION!

IMPORTANT: MRF has a firm non-solicitation policy, and NARO members are going to be serving as moderators for our customized NARO category. Please be respectful of this fact, understanding the owners of the site create revenue through selling advertising (not providing it for free to solicitors), and be aware of the following guidelines:

No solicitation for goods or services is allowed;

If you are posting in other categories of MRF (anything other than the custom NARO category), it is okay to mention to those unaware of NARO about this new group, but direct solicitations to join NARO as an organization or attend NARO functions is not allowed (but you can post an announcement of your NARO function in the “NARO Announcements” Topic in the NARO Category);

While anyone registered on MRF can **read** and **reply** to the topics within the NARO category, you must be approved by a NARO moderator in order to **create** a new topic.



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CPENN@NARO-US.ORG

918-794-1660 918-794-1662 (fax)
15 W. 6th Street #2626
Tulsa, Ok 74119



*G. Wade Caldwell
President*

The most common question I get, far more than any other types of agreements we do for land and mineral owners, is – should I sell my minerals? With the digitization of county deed records (remember that invisible commodity we discussed last month?), and a flood of money from investors, buying minerals has quickly become one of the hottest areas of the oil and gas business. The main question in weighing these offers is – how smart are you?

The mineral buying funds are repackaging these minerals and selling them to investors as a safe investment, with 11% to 12% returns, and a potential upside. This sets off my “too good to be true” radar.

On the other hand, we as mineral owners know the rewards of mineral ownership. Additional discoveries, advances in technology, a growing population, and the spread of industrialization around the world have meant an upward march in mineral (and land) prices overall for the last 100 years. Will wind and solar finally break this trend? I will believe it when I see a solar powered jetliner. The minerals in old, played out fields, with the advent of a new technology, drilling technique, or other advancement, may end up being the Permian Basin of tomorrow. It is for good reason that the strong mantra exists among mineral owners, passed down through generations – never sell minerals.

Yet, there are some instances where selling minerals makes sense. If you need the money, need to diversify your assets (i.e. you are mineral rich and cash poor), or own such a small amount of minerals that investing the time to learn how to manage them is a questionable use of your time, then perhaps selling is something to entertain. A fourth instance would be where the price is so good you cannot turn it down.

However, that fourth instance – a great price - is hard to know. What is the fair market value of minerals? Mineral buyers would say it is what a willing seller and a willing buyer agree to. However, if you are in an area that is likely to be developed with a modern horizontal well (which is what most mineral buyers target), isn't the fair market value the present value of that twenty (20)

HOW SMART ARE YOU?

year stream of royalties? It is very hard to get a price that equals that latter measure of fair market value from a mineral buyer.

Every day I see people that have sold minerals at low prices because of lack of education or the inability to resist a big check dangled in front of them (usually both). The mineral buyers cleverly time their offers. First, a flood of offers shows up in your mailbox shortly before the permit gets filed or the rig shows up. Second, expect

offers about a year after a new well has been producing, hoping to catch you in a selling mood after some of the bloom has faded off of the royalty rose. Of course, the second-round offers are betting that additional wells are going to be drilled in the future.

So if you are considering some of the big offers that arrive in your mailbox, ask yourself – how smart am I? Am I smart enough to know for sure that this is a bubble in mineral prices and a great time to sell? Am I smart enough to know that the price being offered is more than I am likely to realize if I hold on to the minerals? Am I smarter than a lot of very smart financial people who have put together these funds to buy minerals? Am I

smart enough to handle a big lump sum of money instead of being paid over a long period of time through royalties?

Personally, I know the answer. I am not that smart, and will hold on for now, thank you. Maybe you are, but ask yourself the question first.

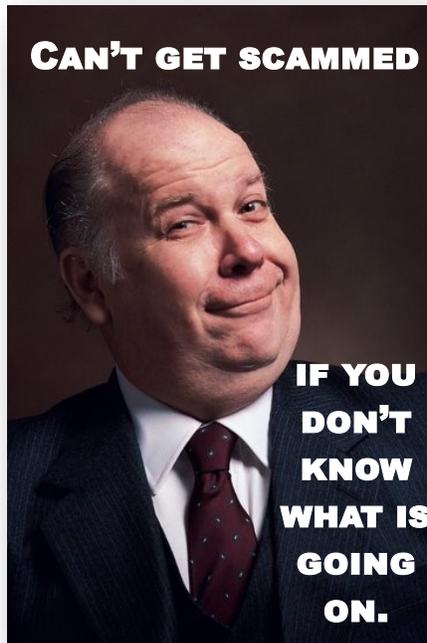
**LEARN.
NETWORK.
PARTICIPATE.**

**REGISTRATION
IS OPEN.**

**WWW.NARO-US.ORG/
EVENTS**



**Hosted at the Omni Barton Creek Resort!
More agenda and detail information soon.**





Paul Vallhonrat
President

HUNDREDS ATTEND MEETING TO STOP INJECTION WELL

The Chicot Aquifer stretches over 9,000 square miles below the surface of southwest and parts of central Louisiana.

Cities and towns in 15 parishes rely on it for drinking water. More than 600 million gallons of water get pumped out of it each day. For most of its span, the aquifer is capped by a layer of dense clay about

35 feet beneath the southwestern quarter of Louisiana.

A proposed saltwater injection, or a "Class II" well in St. Landry Parish, has many in the area upset, as often happens when rumor, social media hype, and money infused anti oil and gas organizations get hold of citizens who are not familiar with oil and gas procedures. The Office of Conservation received over 500 letters of opposition, and a petition with over 500 signatures was presented during the meeting in Opelousas at the end of January.

Parish officials are concerned about the site's proximity to the St. Landry Parish Landfill a mile away.

"Landfills are something you have to have. Maybe you have to have saltwater injection wells, but, golly, it doesn't have to be next to our landfill," said Parish Councilman Harold Taylor said.

Other concerns sent to the DNR from residents included making it harder for farmers to grow crops and get them to market, and safety for children who live along the highways.

The facts are, top of this proposed well is 2170ft. The aquifer is estimated to be 1640ft at the bottom in this area. The DNR plans to confirm depth of aquifer from well logs when/if drilling happens. The well depth could be changed if aquifer is deeper than expected. There are **Approximately 180,000 Class II wells in operation** in the United States, mostly in Texas, Oklahoma, California and Kansas. These states also have a significant agricultural presence in their economy. These wells are operated in an environmentally sound and responsible way with the benefits of modern technology, as well as state and federal oversight.

What goes into a Class II well? "Produced water" Produced water is a term used in the oil industry to describe

water that is produced as a byproduct along with the oil and gas. Oil and gas reservoirs often have water as well as hydrocarbons, sometimes in a zone that lies under the hydrocarbons, and sometimes in the same zone with the oil and gas.

Historically, produced water was disposed of in large evaporation ponds. However, evaporation ponds require a lot of space and overspray of concentrated solids can be a problem. Injection wells, while requiring more manpower are beneficial in many ways.

FACTS ABOUT INJECTION WELLS:

- **THIS IS NOT A NEW METHOD.** Widespread use of injection wells began in the 1930s to dispose of brine generated during oil production. Injection effectively disposed of unwanted brine and preserved surface waters. In some formations injection enhanced the recovery of oil.
- In 1974, Congress passed the Safe Drinking Water Act (SDWA). The SDWA required EPA to Report back to Congress on waste disposal practices.
- Class II wells are used only to inject fluids associated with oil and natural gas production. Class II fluids are primarily brines (salt water) that are brought to the surface while producing oil and gas.
- The number of Class II wells varies from year to year based on fluctuations in oil and gas demand and production. **Approximately 180,000 Class II wells are in operation** in the United States..

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AC OG Leasing Rights**

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BIDDING ENDS MARCH 12TH - 12:00 PM

***Taylor County, WV * Booth Creek * Unleased Royalty Interest * Pruntytown Area * Marcellus Shale Area ***

Alden Butcher
Alden@Kaufmanrealty.com
Cell# 304-695-1621
License#WV0030182
Auc. Lic #1918

John L. Spiker
Cell# 304-677-0255
License #WV0029399
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Registration Form

Total Number of People Registering: _____

Member _____ @ \$ 99

Non Member _____ @ \$174

REGISTRATION AFTER 4/22/19

Member _____ @ \$124

Non Member _____ @ \$199

Amount due: _____

Preliminary Schedule:

Agenda Times Subject to Change.

Monday, May 6

10:00 am
Registration Opens

10:00-11:00 am
Meet Your Board

1:30 pm
Opening Session

5:00 pm
Session Conclusion

5:30 pm Reception

Tuesday, May 7

7:00 am Breakfast

8:30 am
First Session

12:00 pm Lunch

5:00 pm
Event Concludes

Please contact the National Office
800-558-0557 with any special
dietary needs or ADA requirements.

Registration online: www.naro-us.org/events

Registration by phone with a credit card: 1.800.558.0557

Registration by mail: Make Checks Payable to NARO

Mail to: NARO 15 W. 6th Street—Suite 2626, Tulsa OK 74119

Attendee

Name as you'd like it on your badge:

Company: _____

Email: _____

Phone: _____

Additional Attendee

Name as you'd like it on your badge:

Company: _____

Email: _____

Phone: _____

Method Of Payment

Check Enclosed Visa/Mastercard Amex Discover

Credit Card # _____

Expiration: _____



STATE OF INNOVATION

**OK NARO
2019 CONVENTION
MAY 22-24
OKLAHOMA CITY**

Our venue this year, the downtown Embassy Suites, 741 North Phillips Ave is in OKC’s new **Innovation District**. Our 2019 event theme “**State of Innovation**” is a tip of the hat to the effort of the NARO boards to combine vision, collaboration and hard work for a 2019 goal of coming together to generate prosperity and a better quality relationship with other mineral owners and our industry partners.

If you thought the 2018 OK NARO convention was informative, just wait until you see what we have planned for 2019! In addition to an outstanding line up of speakers and educational topics, we will be welcoming famed business author **Greg Zuckerman**. Greg is the author of “*The Frackers: The Outrageous Inside Story of the New Billionaire Wildcatters*,” a national bestseller. **All convention attendees will receive a complimentary copy of “The Frackers” with paid registration.**

Hotel reservations should be made with Embassy Suites directly at 405-239-3900 The NARO Group Rate is \$139 until April 22, 2019.

Refunds are subject to a \$75 processing fee. Registration refunds will not be available after April 24, 2019.

AGENDA

Wednesday, May 22

9:00 AM-5:00 PM CMM Review Course

11:00AM - 3:00PM Lunch and Learn at the Oklahoma History Center

Enjoy lunch, tour exhibits and learn about Oklahoma’s innovative oil and gas history at the beautiful Oklahoma History Center overlooking the State Capitol building. **\$25** per person includes lunch, admission and transportation to and from convention hotel.

5:30PM - 7:30PM Dinner and Cocktails at Vast, in Devon Tower

\$50 per person includes dinner, hosted bar, live entertainment and transportation to and from convention hotel.

Thursday, May 23

7:00-8:30 AM CMM Exams

8:00 AM Breakfast

9:00 AM Convention Welcome

1:30-5:00 PM Concurrent Sessions

5:00 PM Conclusion for the Day

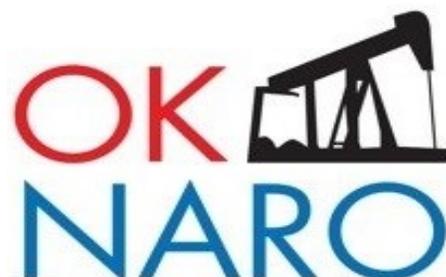
5:30-7:00 PM Networking Reception

Friday, May 24

8:00 AM Breakfast

9:00 AM First Session

1:30 PM Event Conclusion



OK NARO Event Registration Form

Registration on/before April 24, 2019

_____ @ \$249 *Early Bird* Member

_____ @ \$399 *Early Bird* Non Member*

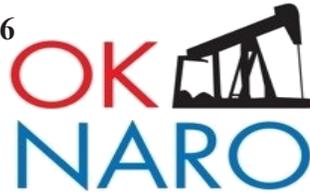
Registration on/after April 24, 2019

_____ @ \$349 Member

_____ @ \$499 Non Member *

*Non Member registration comes with a one year membership to OK NARO. Email this completed form to CSimonds@naro-us.org Or US Mail it with payment to

NARO, 15 W. 6th Street #2626
Tulsa, OK 74119



Attendee Name: _____

Email: _____

Phone: _____

ADDITIONAL ATTENDEE

Name: _____

Email: _____

Phone: _____

Add _____ Lunch & Learn tickets @ \$25 each

Add _____ Dinner & Cocktails at Vast tickets @ \$50 each

Total to be paid _____

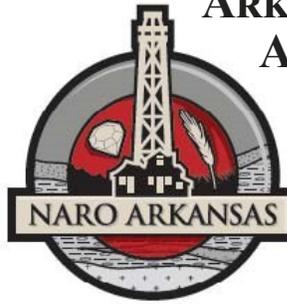
Method Of Payment

Check Enclosed Visa/Mastercard

Amex Discover

Credit Card # _____

Expiration: _____



*Terrel Shields
President*

ARKANSAS MINERALS ARE A MULTIGENERATIONAL INVESTMENT

While the prospect of any drilling boom does not loom on the horizon, gas prices seem somewhat improved and XTO, a subsidiary of Exxon, is said to be considering drilling six more wells in the Fayetteville. Un-

doubtedly it won't be rank wildcats, it is something. The high and low prices are making for a lot of angst in the service companies. Some companies appear to be on the verge of bankruptcy. It is simply not likely that anyone will find more ways to lower expenses and drive down drilling costs. The drillers are down to skin and bones as it is.



The Ft. Smith Geological Society met February 5th and about 50 attended. There are a lot of geologists who are now working in Oklahoma and South Arkansas searching for

oil. Natural gas simply isn't sexy anymore, but in talking with one geologist, the subject of the Desha Basin came up. Basically the southeast corner of Arkansas has never been adequately explored. And until prices rise, I doubt it will be. So if you own minerals in this area, remember that such minerals should be thought of as multigenerational investments. Keeping these minerals is cheap, and if no benefit to you otherwise or worth only a few dollars, then they might be something your grandchildren can enjoy in the future.

The legislature meets soon and we will try to keep you posted on any bills impacting minerals on our Facebook page. The board is in need of new blood and with the recent resignation of another board member we are asking anyone willing to serve to step up and do so. A recent article claims natural gas is being flared at twice the rate the state allows in W. Texas. If so, mineral owners are being cheated out of their mineral rights. You should be paid for that gas anyway, and some minimum amount in the lease is a good thing, but if already leased, too late for that. I would like to see the return of prorationing in Oklahoma and Texas. Cutting allowables to 70% would help prices for everyone.



EXPANDED USE OF DRONES POSSIBLE IN ND

*Tony Watterud
President*

North Dakota is hoping to expand the role of unmanned aerial systems (UAS), or drones, in the state's oil and gas fields by pushing federal regulators to allow use of the devices

"beyond the visual line of sight" (BVLS) of an operator.

The state Department of Commerce and an industry-backed research effort called the Intelligent Pipeline Integrity Program (iPIPE) are behind efforts to gain the approval.

"Drones are being used in North Dakota now in sort of niche markets, but with the iPIPE program, we're going to do something radically different in 2019," said Jay Almlie, iPIPE program manager at the Energy and Environmental Research Center (EERC) at the University of North Dakota.

Almlie outlined plans that began with the retention of a Boeing Corp. UAS subsidiary, Insitu, to provide help to an industry-led consortium including some of the Bakken's largest producers and midstream operators.

"They're going to be doing first-of-its-kind BVLS monitoring of gathering pipelines," Almlie told *NGI's Shale Daily*. "They're going to be doing leak detection from drones."



North Dakota's Department of Mineral Resources (DMR), which oversees oil and gas activity in the state, already uses drones for geological survey work and to verify site remediation by industry operators.

"They are used to obtaining visuals of areas that are otherwise difficult to traverse by vehicle or on foot, and to get a better visual of areas of a large expanse such as during landslide mapping," said agency spokeswoman Katie Haarsager.

Dunlevy cited an economic report on the integration of drones from the Association for Unmanned Vehicle Systems International (AUVSI). Although it's six years old, the report found drones could have an \$82 billion impact on the U.S. economy between 2015-2025.

North Dakota has about 0.5% of the commercial pilots licensed by FAA nationally, which it estimates will reach 400,000-450,000 in 2023. That could mean that North Dakota has 2,000-3,000 licensed pilots eligible for the UAS sector in 2023, according to a UAS executive in the state who keeps track of the national statistics and economic estimates.

2019
OIL & GAS MINERAL OWNERS
ANNUAL CONVENTION
JUNE 19 & 20 | BISMARCK, ND



*Craig Peterson
President*

The NARO Rockies annual meeting will be held in connection with the Uintah Energy Conference on August 29-30, in Vernal, Utah, at 313 E 200 S, Vernal, UT 84078. The

SpringHill Suites and TownePlace Suites will have a convention rate for royalty owners. This Energy Conference is one of the largest in the west with government officials, oil companies, geologists, and royalty owners attending. Last year, there were 600 registered

from throughout the west. NARO Rockies is one of the sponsors of the conference.

In addition, Montana members are welcome to attend the North Dakota Conference in Bismarck on June 19-20, and New Mexico members are welcome to attend the Texas Conference in Austin on July 21-23. Information regarding their royalty ownership in their respective states will be available, with planned break out sessions.

NARO Rockies board members in New Mexico, Wyoming, and Montana are also planning a one day meeting in their respective states in the late summer and fall. Further information will be available in the next newsletter.



2019 Chapter Conventions

PENNSYLVANIA

Eastern Regional Conference | CANCELLED
Western Regional Conference | CANCELLED

Visit the PA Webpage for updates.

LOUISIANA

May 6-7 | Crowne Plaza | Baton Rouge

OKLAHOMA

May 22-24 | Embassy Suites | Oklahoma City

APPALACHIA

June 1 | Oglebay | Wheeling, WV

COLORADO

June 14 | TBA | Denver

NORTH DAKOTA (AND MONTANA)

June 19-20 | Ramkota | Bismarck

TEXAS (AND NEW MEXICO)

July 21-23 | Omni Barton Creek | Austin

ROCKIES

Aug. 29 | Uintah Conf. Center | Vernal, UT

OHIO

Oct. 2-3 | Sheridan Station Sq. | Pittsburgh, PA

NATIONAL CONVENTION

October 2-4 | Sheridan Station Square | Pittsburgh, PA

NATIONAL ASSOCIATION OF ROYALTY OWNERS

NARO APPALACHIA 2019 EDUCATION SERIES



MARCH 27, 2019 | 6-8 PM

Negotiating Right of Way & Pipelines on Your Property
The Mollohan Center, New Martinsville, WV

FREE TO ATTEND. OPEN TO THE PUBLIC.

To register online visit www.naro-us.org/events
Questions? Call 918-794-1660

APRIL 17, 2019 | 6-8 PM

How is Gas Processed?
Sistersville VFD, Sistersville WV

MAY 16, 2019 | 6-8 PM

Selling Your Minerals
Doddridge County Park, West Union, WV

2019 NATIONAL CONVENTION DRIVEN BY MEMBER FEEDBACK



**The National Convention is being refreshed!
The format is being flipped over and we
think you are going to LOVE it!**

EVENT DETAILS

CMM Review Course: Preregistration is requested. Cost for the course is \$150. This cost DOES NOT include a review course manual. The manual is sold separately for \$50 and can be shipped when purchased. Manuals will be available for sale at the event on a limited basis for \$50.

Exams 1, 2 & 3 will be offered. Preregistration is requested for exams 1 and 2. Preregistration and preapproval is required for exam 3. All CMM Candidates taking exam 3 must be approved by the CMM Certification Committee. Check with the CMM Registrar, Caroline Penn, cpenn@naro-us.org to start the certification process. Certification process must be started by September 2, 2019 to be considered for the 2019 Exam #3 Opportunity.

Ohio Sessions: We hope to have an agenda specifically for Ohio mineral/royalty owners. The number of total speakers will not be known until later in the year and could be a half or full day. Watch for more information!

Welcome Reception: Meet attendees and vendors during this welcome reception before dinner.

Segway at Night Tour: Experience the charm of the Golden Triangle under the lights! Effortlessly glide through Pittsburgh on this 90-minute evening Segway tour. Some highlights include Point State Park, PPG Place, Market Square, and the Cultural District. More information coming soon!

Duquesne Incline: Ride a century-old cable car and see the best views of downtown Pittsburgh while riding one of the few remaining inclines in the country. The Duquesne Incline's upper station houses a museum of Pittsburgh history, including photos and a storehouse of information on inclines from around the world. Unusual Pittsburgh souvenirs, maps and photos can be found at the gift shop.

CMM Meeting: This meeting is specifically for those who have passed CMM Certifications. It will be led by the Foundation and offer an opportunity for CMMs to network, get questions answered and give the Foundation leadership feedback.

Heinz History Museum: The Heinz Museum, located downtown, offers 4 floors of Smithsonian quality exhibits.

Chapter Caucus Meetings: Each chapter will host a structured meeting to focus on state issues and give attendees an opportunity to network.

Saturday Field Trip: This opportunity is unconfirmed but we hope to get a fun, interesting and educational group tour secured. More details soon!

WEDNESDAY, OCTOBER 2

- ◆ CMM Review Course 8a-5p
- ◆ National Board Meeting 10:00 am
- ◆ Welcome Reception 5:30-7:00 pm
- ◆ Pittsburgh At Night Segway Tour 6:00 pm
90 minutes, \$49 per person, limit 20, Weather permitting
- ◆ The Duquesne Incline Visit 6:00 pm
\$5 admission for adults, Seniors are free, limited 20, Weather permitting

THURSDAY, OCTOBER 3

- ◆ Breakfast 7:00 am
- ◆ CMM Exam Opportunity #1 7:00 am
- ◆ CMM Meeting 8:30-9:30 am
- ◆ Social Event/Tour 9:00 am-12:00 pm
Heinz History Museum, a Smithsonian Affiliate
\$18 adult admission, all ages.
- ◆ Foundation Board Meeting 9:30 am
- ◆ General Session Welcome 1:00-2:00 pm
- ◆ Seven Concurrent Caucus Meetings 2-3:15 pm
- ◆ Seven Concurrent Caucus Meetings 3:30-5:00 pm
OK and TX will host in both sessions so attendees have the best chance to attend multiple without conflict.
- ◆ Networking Reception 5:30 pm
- ◆ Pittsburgh At Night Segway Tour 6:00 pm
This will be a repeat of the Wednesday evening tour.
- ◆ The Duquesne Incline Visit 6:00 pm
This will be a repeat of the Wednesday evening tour.

FRIDAY, OCTOBER 4

- ◆ CMM Exam Opportunity #2 7:00 am
- ◆ Breakfast 7:00 am
- ◆ Concurrent Sessions 8:30 am-12:00 pm
Track A: Advanced
Track B: Basic
- ◆ Group Networking Lunch
- ◆ Concurrent Sessions 1:00-4:00 pm
Track A: Advanced
Track B: Basic
- ◆ General Session Event Conclusion 4:00-5:00 pm

SATURDAY, OCTOBER 5

- ◆ Possible full day field trip/social event
More details soon.

UPDATED, SUBJECT TO CHANGE.



Jim Leonard, CPA, CMM
President

THOSE CHICKENS

In last October's ROAR, I revealed in my article "No Gas For You!" that Con Edison announced the company may have no choice but to stop taking new natural gas customers in the New York City area. Governor Andrew Cuomo has effectively banned any new gas pipelines, power plants or other fossil fuel infrastructure projects in the state.

In a report to the Public Service Commission last fall, Con Ed forecasted "in the near term it may be unable to meet demand from new customers on extremely cold days." The problem is so severe that "a temporary moratorium on new gas customer connections remains a possibility."

Con Ed's threat is no longer a threat. On January 18th, the company formally notified state regulators that come March 15th, it would no longer be accepting new natural gas hookups in most of its Westchester County territory. Con Ed cited increased demand for natural gas due to the construction of new buildings and customers who have converted from fuel oil to cleaner-burning natural gas options.

Governor Cuomo, a Westchester resident, immediately jumped into action. The state Public Service Commission (PSC) scheduled hearings on the issue for February 11th at a Westchester location not determined as of the date of this writing. The PSC will almost certainly do the Governor's bidding and attempt to pin the blame on Con Ed instead of the political decisions of Andrew Cuomo, the root source of the problem. The Commission, which oversees the state's utilities, will issue its report and recommendations by July 1. Con Ed officials said they were looking forward to the



hearings.

PSC Chairman John B. Rhodes said the hearings will be part of a broad analysis of "changing market conditions" that led Con Ed to announce the moratorium. His announcement comes as the state tries to balance the environmental impact of fossil fuels while it works toward achieving climate change goals established by the Cuomo Administration calling for increased use of renewable energy sources like wind and solar power. The phrase "changing market conditions" is evidently a euphemism for "we're going to shove these renewables down your throats whether you want them or not."

"We just can't stop all economic development, all affordable housing projects, all residential development, which is what this moratorium will do," said Assemblywoman Amy Paulin (D-Scarsdale).

On February 1st, National Grid, another major utility in the New York metropolitan area, issued an ultimatum to New York State regarding a separate matter. The company's operation provides natural gas to some 590,000 customers on Long Island and 1.2 million outer borough customers in New York City.

The company is demanding approval of the Northeast Supply Enhancement (NESE) pipeline project by May 15th. The 24-mile gas pipeline, which includes about 18 miles under

New York Bay, would provide up to 400 million cubic feet a day of new gas to the region.

National Grid New York president John Bruckner, in an interview, said the company "may declare" a moratorium on several projects if its plan is not approved by the New York Department of Environmental Conservation by May 15. Approval by that date is needed to meet key development milestones. Other pipelines to Long Island are "maxed out," Bruckner said, including the Iroquois pipeline across Long Island Sound.

Real estate developers are in an uproar. The decisions by Con Ed and National Grid have stoked fear among developers with active projects in Westchester and Long Island. Plans for hundreds of millions of dollars of new development such as new apartment buildings, offices, shopping centers and residential projects are now on hold because of a crisis created by Cuomo and his refusal to authorize new pipeline projects.

Although no date has yet been set, National Grid has also issued warnings for some time that service for new gas customers in New York City itself may be cutoff.

Yes indeed, the Governor's chickens are finally coming home to roost.

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IS WV PARTITION IN REMISSION?

WRITTEN BY CHRISTIAN E. TURAK, ESQ.

It's not an uncommon occurrence. From time to time, I receive a phone call from a person who explains—in a panic—that an oil and gas company has sued them, and they have no clue as to why. When this happens, it's almost always the case that the oil and gas company has commenced a legal proceeding pursuant to West Virginia's partition statute (W.Va. Code §§ 37-4-1, *et seq.*). The likely, ultimate outcome of any partition proceeding of this nature is that the person will be forced to sell his or her interest in the minerals to the oil and gas company. How can that be? Is it right? Read on and learn more....

What is Partition?

The law favors the development of real property. When co-owners cannot agree as to development of property, partition allows any co-owner to sue the holdout to force a sale of his or her interest in the property. In the oil and gas context, the idea is that after the forced sale, all owners will be united in their desire to have the minerals developed, and such development will occur. The remaining co-owners will eventually receive royalties, and the holdout has received compensation for their interest in the minerals.

How do Oil and Gas Companies Use Partition?

You may be wondering how an oil and gas company can use partition. To be clear, an oil and gas company is not permitted to commence a partition proceeding simply because it holds an oil and gas lease. In order to pursue partition, an oil and gas company would have to purchase an interest in the mineral parcel, thereby becoming a co-owner of the parcel. Once that occurs, it has the same exact rights as an individual co-owner.

Partition by Allotment—A Twist!

When the oil and gas company pursues partition, it asks the court to "allot" the holdouts shares to it. In layman's terms, the company asks the judge to set a price for the holdout's interest in the minerals and order a sale of the holdout's mineral interest to the oil and gas company. This is explicitly permitted, under certain circumstances, by current West Virginia law. So, not only does the oil and gas company rid itself of a pesky holdout, it acquires ownership of their minerals.

Who Exactly is a Holdout?

So the process seems pretty fair on the whole. The vast, vast majority of us want our minerals developed, and who wants to deal with a so-called holdout? Nine times out of ten, a holdout isn't a militant environmentalist who is opposed to any and all drilling for any reason. The typical holdout is simply someone who is not satisfied with the all too often take-it-or leave it lease offers made by oil and gas companies. The common situation is a co-owner who simply wants a gross, no-deductions royalty

clause included in his or her lease. If an oil and gas company refuses to offers such a term, it can always use the threat of partition to pressure a co-owner into signing a lease they would not otherwise sign or actually use partition to separate the co-owner from his mineral interest.

What is being done to address the problems of partition?

All that being said, it's easy to see how the current partition law favors industry over mineral owners. So, what is being done about it?

On February 1, 2019, the Partition Reform Bill (HB 2802) was introduced in the West Virginia Legislature. The bill, if passed, would establish a separate and more equitable partition framework for certain parcels of real property defined as "heirs property." In very basic terms, "heirs property" is simply a property that is owned (at least in significant part) by family members. The bill's aim is to allow this family property that has been passed down from generation to generation to remain in that family—not to have any mineral interests sold to an oil and gas company or other third party.

For the first step, the judge decides whether a property qualifies as an "heirs property." If the judge determines that it is, the value of the property would, in most cases, be determined by a court-ordered appraisal. Then, the judge would have several options on how to resolve the case. Chief among those are two options: either order (1) a co-owner buyout; or (2) a private auction of the whole heirs property between co-owners who are relatives.

For a co-owner buyout, the judge would send notice to all other co-owners that they are entitled to purchase the interest of **the co-owner who requested partition by sale** for the appraised price. That's the key—if the oil and gas company starts the partition proceeding and seeks partition by sale, the other co-owners would be entitled to purchase the oil and gas company's interest in the minerals.

For a private auction, the judge would determine which co-owners are relatives, as defined by the bill, and give notice to all co-owners that a private sale of **the entire heirs property** will be held. Only "relatives" will be entitled to bid on the heirs property at the private auction.

While the actual bill is much more detailed and contains many other important provisions, these are the basics. What is abundantly clear is that the bill seeks to introduce a way for family property to stay in the family. It also does not allow the oil and gas company to use partition in an effort to obtain ownership of mineral interests. If you have any doubts about whose interests are favored by this bill, just know that the oil and gas industry is vigorously objecting to the bill in an effort to prevent it from becoming law.

Reform is needed. Will this bill be it? Only the West Virginia legislature can answer that question.

Christian E. Turak is an Ohio Valley Oil and Gas Attorney with Gold, Khourey & Turak. Prior to joining GKT, Christian practiced as a real estate litigator in New York City.



Robert Sher President

BACK TO WORK ON PA LEGISLATION

A few weeks ago Punxsutawney Phil predicted spring is around the corner and the Pennsylvania Legislators are back in session. Returning

to the agenda is House Bill 247 Multi-Unit Wells and Severance Tax, both reintroduced from last year's session. The Pennsylvania NARO Legislative Committee, with the help of Versant Strategies, is following the bills and studying the potential impact on lease holders. The Committee is also working on the ongoing problem with unequitable post production deductions and underground trespass concerns. The Pennsylvania Attorney General, Josh Shapiro, discussed the severity of the problem at a recent community meeting in Towanda and his efforts to bring relief to the Lease Holders.

NARO PA is here to represent Pennsylvania Lease Holders and to fight for fair legislation and equitable contracts with the producers. We are all in this together and success depends upon understanding our leases, supporting legislators that understand the issues and financial support for Versant's work in Harrisburg.



PENNSYLVANIA CONFERENCES CANCELLED.



We always strive to make the annual member conference as meaningful as possible. After thoughtful consideration the PA Board felt we needed more time to fulfill our goal to be able to deliver the best possible conference to our membership. **We are postponing both our Pennsylvania Eastern and Western Conferences.**

Please accept our apology if this has caused any inconvenience, and know that conference fees will be refunded as soon as possible. We anticipate rescheduling the Eastern and Western Conferences at a later date, so stay tuned for updates. Thank you for your understanding, and we look forward to seeing you at the reschedule events!

Visit the PA webpage for additional information

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PROTECTING YOUR MINERAL RIGHTS FROM BEYOND

WRITTEN BY BEN KINNEY, CO NARO DIRECTOR

I am sure most of you reading this have seen the Getty quote below. Few of us have likely given it much thought. Who really inherits your mineral rights? Many families assume that the mineral rights will pass to their

heirs through a will or a trust – if they have any estate planning at all. Unfortunately, many people find out too late that mineral rights were not properly handled in an estate plan and require additional attorneys’ fees, court proceedings and other expenses to get resolved.

Estate planning is about making sure you have control over your assets so that they go to who you want, in the way you want, after you are gone. If you own mineral rights, proper estate planning becomes more important than ever. You have worked hard in your life to acquire mineral rights that provide you with income for retirement, to support your lifestyle, or even just to have some extra money when you need it. Too often, mineral rights become a source of conflict between family members and relatives interested only in the money.

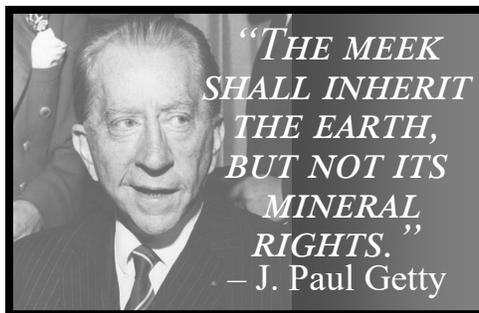
Mineral rights are considered a property interest, meaning that a court process (called a probate) is required in each state where you own mineral rights to determine who should receive those rights. This is true even if you have a will that stipulates the mineral rights are supposed to pass to your wife, kids, favorite charity or anyone else. This can result in thousands of dollars in additional attorneys’ fees and costs. On top of that, the probate process exists primarily for the benefit of your creditors and not the people that are important in your life. Fortunately for mineral owners, there is a way to avoid this problem.

A trust is an entity that exists separately from you that can hold these mineral rights. During your life, the proceeds from the trust (your royalties or other mineral income) can be used for almost any purpose you like.

The real benefit of a trust is realized after you are gone. Instead of going to court and having all the details of your holdings made a part of the public record, the trust continues to receive the mineral income and can provide it to a person, person(s) or organizations that you choose. The trust can even distribute assets according to your wishes and express instructions. A trust allows you to maintain control over your assets even after you pass away.

Proper estate planning is important for everyone but is especially important for mineral owners. Your property interests require specialized planning and monitoring and an estate planning firm that is committed to

protecting your interests. More importantly, just because you have an estate plan (especially if it was done online or a few years ago) does not mean that your mineral rights are properly protected. Go back today and review your estate plan. Was your trust properly funded? Are there deeds showing that the mineral rights were transferred to the trust?



If you haven’t checked your estate plan recently, call the attorney that prepared it. If you don’t have an estate plan, call a firm with experience in managing mineral rights to help. Don’t leave your valuable mineral rights to chance or allow them to create conflict in your family after you are gone. As the saying goes: “Always plan ahead. It wasn’t raining when Noah built the Ark.” – Richard Cushing

Ben Kinney is the owner of Kinney Law Office, a mineral rights and estate planning law firm that specializes in helping mineral owners protect and maximize the value of their minerals.



Barry Browne
President

OHIO OIL & GAS LEASING COMMISSION

At the recent National Board meeting in Pittsburg, NARO Executive Director Grant Black reminded everyone present all US citizens are royalty owners due to the offshore and onshore federal lands generating oil and gas leasing and royalty income. Unfortunately, Ohio residents cannot say the same regarding

our State lands! For those Ohio mineral owners adjacent to State lands, their property rights are being abridged due to the State's inability to lease State minerals.

In 2011, then Ohio Governor Kasich signed 129-HB133 creating the five member Ohio Oil & Gas Leasing Commission authorizing the Governor to appoint the Commission so they could ".....oversee and facilitate the leasing of land that is owned or controlled by a state agency, including a state university, for the purpose of the exploration for, development of and production of oil and natural gas resources." (The Hannah Report 3/15/2018)

The Governor then delayed making any appointments to the Commission and no further progress was made until 2017 when the Ohio Legislature passed a bill declaring they would appoint the Commission members. Ohio Governors have line item veto power and this provision was one of the few items the Governor vetoed. The House overrode the veto and the Senate leadership convinced the Governor there are enough votes to override his veto and would do so if he didn't appoint the Commission by December 2017. Faced with the possibility of losing control of the Commission, the Governor relented and appointed the required Commissioners. There were two Commission meetings held in 2018, both apparently only administrative in nature, and thus far none have been scheduled for 2019.

Meanwhile, in the intervening six years between the legislation authorizing the Ohio Oil & Gas Leasing Commission and Governor Kasich's final appointments, the Muskingum Watershed Conservancy District (MWCD) has realized over \$213,000,000 from oil and gas leasing, royalties and water sales in the ongoing Utica Shale development. The MWCD has embarked on major capital improvement projects as a result of this bounty without adverse environmental impact as evidenced by the extensive data they have gathered regarding water quality.

"The Muskingum Watershed Conservancy District (MWCD) is a political subdivision of the State of Ohio organized in 1933 to develop and implement a plan to reduce the effects of flooding and conserve water for beneficial public uses under Ohio Revised Code Chapter 6101 (commonly called the Conservancy Act)." <https://www.mwcd.org/get-to-know-us/what-is-the-mwcd>

Ohio's residents have not enjoyed the financial benefits as has the MWCD. Mineral owners adjacent to State lands like the former coal strip mined 14,300 acre Egypt Valley Wildlife Area, administered by the Ohio Department of Natural Resources (ODNR) since 1990, are being disenfranchised due to the inability of producers to put together production units containing State minerals. The same scenario is happening around the 240,101 acre (832,147 acre proclamation boundary) Wayne National Forest in southeast Ohio! Few know there are producing Utica horizontal wells under Fernwood State Forest in Jefferson County with no surface disturbance on State property since the production pads are on private property.

NARO Ohio continues to advocate for the protection of property rights of all Ohioans so that safe, sustainable and environmentally responsible development of Ohio's oil and gas resources can continue to benefit all Ohio's residents and royalty owners alike.



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**“VOLUNTEERS DO NOT NECESSARILY HAVE THE TIME;
THEY JUST HAVE THE HEART.” - ELIZABETH ANDREW**



JIM SOUTO

For almost 40 years NARO has educated, advocated and protected the property rights of mineral and royalty owners. Leading the way locally has been a dedicated army of volunteers. Our Directors give of their time and talent to help NARO stay an effective and informative

organization.

We would like to thank our outgoing National Board President Jim Souto who has served on our Pennsylvania board for several years, and is now stepping into the Immediate Past President's position after two years leading our National Board.

Many of our members know the incoming National Board President as an event staple. Jack Fleet has been Texas Chapter President. He also serves on the Oklahoma Board, and the NARO Foundation. Jack is a regular convention speaker and CMM Review Course instructor.



JACK FLEET

Both of these men are good examples of professionals who do not necessarily have the time to volunteer, they just have the heart of the mission work. They see the necessity in the organization and have stepped up for the greater good. Thank you Jim and Jack for your service to the US mineral and royalty owners

Thank You