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WHEN THE GOING GETS TOUGH, BE READY TO BUY

While minerals have been the darling of the oil patch over the past couple of years, even this low-cost investment sector is feeling the rush of escaping capital from the industry. As operators drop rigs at a record pace, the idea of buying minerals just ahead of the drill bit has become a whole lot murkier proposition.

And, alas, no one could have imagined that the spigots on existing production would be tightened down via shut-ins as producers protected their commodity from too-low prices—and giving royalties a burr-cropped haircut in doing so.

But interesting times make for unprecedented opportunities.

The world economy is gradually recovering post-pandemic, and the oil and gas world feels like it is reawakening. Shut-ins are coming back online; operators are forecasting more rigs in the fall. With individual minerals owners beginning to feel the pinch of smaller checks, more will likely be motivated to sell.

And the minerals space still has plenty of capital on the sidelines. Be ready for a buying spree this fall.

—**STEVE TOON**, Editor-in-Chief, Oil and Gas Investor

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(Source: G B Hart/Shutterstock.com)

Solid (Relatively) as the Rock

A brutal downcycle hurts all, but don't mistake mineral portfolios with struggling E&Ps. The nature of their part of the business means less risk but greater stability in times like these.

By Joseph Markman

Far from the cacophony of pandemics, market upheavals, geopolitical sparring and global economic nightmares, minerals exist quietly and literally underground. Similarly, those in the private sector that own those assets continue to operate quietly on figuratively solid ground.

Scott Noble, founder and CEO of Noble Royalties Inc., who has acquired and still manages more than $1 billion in assets covering roughly 10 million acres, said he is concerned by the tendency for many investors to lump the minerals sector with E&Ps.

"We share the reserves [with E&Ps] but not the expenses," Noble said. "We do not drill, complete or operate oil and gas wells. Instead, we select undivided and diversified mineral positions under key basins, reservoirs and healthy operators. We are not subject to the normal lease operating expenses, which become burdensome to operators during low price cycles, nor are we subject to the capital requirements to develop and drill new wells. We have a material behavioral and low cost advantage in being paid off the gross [production and revenue].

"Mineral players, on the other hand, are relatively risk-averse," Noble continued. "Mineral funds are historically debt-averse and decline to take on anymore debt than one times or 1½ times EBITDA, so we rarely if ever put ourselves into an aggressive levered situation. We like low cost, net revenue and free cash flow. That's the whole purpose of being a royalty owner, right?"

Although a mineral fund encompasses some advantages that other parts of the sector do not, this does not

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> —SCOTT NOBLE
> *Noble Royalties Inc.*

imply that the mineral segment will be spared as the industry struggles through a difficult period.

"Until supply, demand and storage issues are balanced, we're probably in a world where [E&Ps] are either going to choke back their production or store their barrels locally," Noble said. "Near term, we're going to witness less production sold, less revenue received and subsequently less drilling. All of these material drivers have a compounding effect on reducing [mineral owners'] revenue the following months. Long-term U.S. production will pull back to a lower baseline of economically and sustainable production volumes. Growth at any rate will disappear, growth at an efficient rate will be available for some, and [there's] nothing wrong with sustainable reserve replacement E&P models for us mineral owners."

Expectations

WTI peaked at more than $63/bbl during the first week of 2020. That was several months ago—it only seems like several years ago. At the time, many minerals executives were making routine calculations for the future.

"We were, for the most part, betting that DUCs [drilled but uncompleted wells] would get completed and/or drilled in the next six to 18 months," Kevin Lorenzen, co-CEO of Momentum Minerals LLC, said.

Those bets are very much off. Also gone is the assumption about rig count, said Nick Varel, founder and CEO of Wing Resources LLC.

"When you're looking at undeveloped acreage, you have to assume X amount of rigs over Y amount of area, and the rig count is something that we've had to remodel," Varel said. "All the factors going into the underwriting have brought down the price quite a bit in each basin. It's really been an exercise over the past 60 days of how to rework a deal."

Noble, who founded his company in 1997, was somewhat wary in January of what 2020 would hold, especially about the approach by E&Ps and its impact on the minerals space. Crude oil's rally wouldn't last. The $60-plus/bbl price of crude that began in mid-December would endure less than four weeks. By the end of January, WTI's price was back to about $50/bbl. At February's end, it was under $45/bbl.

"We saw E&P companies struggling with full-cycle economics and the growing pressure from investors to embrace more sustainable operations," he said. "At $50 oil, many were looking to consolidate."

But in the absence of a predictable market, the private-equity drilling companies kept doing what they were doing—drill to increase revenue and aggregate a position. That strategy worked prior to the shale revolution when most drilling was vertical and oil fields were scarce. A great deal of land wasn't necessary then, and the M&A cycle thrived. Unconventional development with its horizontal drilling techniques requires more acreage to accommodate volume, and E&Ps have since struggled to please investors as a whole.

"When you're leasing shale, you are leasing the scale of an ocean floor," Noble said. "You can become so overbalanced in land and potential locations that you will not have enough capital to realize an attractive value for investors."

The sheer size of the properties, some loaded with decades of inventory, began to give investors pause. Selling the land became difficult. The inevitable result: Excessive loca-

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—NICK VAREL
Wing Resources LLC

tion inventory, continued technological advances and dramatic increases in U.S. oil production drove down commodity prices, even before Saudi Arabia/Russia and COVID-19 considerations. M&A needs scarcity to thrive, and the decades of inventories caused traditional sellers to convert to emerging and struggling drillers.

So at the beginning of January, Noble was concerned. The land that many minerals owners and funds were underwriting was badly overpriced. At some point, he thought, somebody is going to do the math and unearth that the undisciplined underwriting that includes assumptions of an unsustainable, aggressive drilling pace and unrealistic economic location inventories will surely need to be corrected by the market.

In an oil and gas downcycle like this, in a devastated economy like this one, being on the wrong end of a market correction is what will be the short-term fate for some overly aggressive minerals executives. They will end up retaining the title of fund CEO but hold the less glamorous responsibilities of an asset manager. Noble knows. He has had that job, and although he was able to provide a healthy return for his investor, he has used the lessons learned from the experience to avoid duplicating it.

Adjustments

To be sure, there remain plenty of opportunities in the minerals space in spite of and, in some cases, as a result of the downcycle. In some ways, it is a matter of adjusting perspective.

"Like most buyers, we're hoping that it's going to present an opportunity to buy assets that we believe to be a discount to long-term value," said James Elder, co-CEO with Lorenzen of Momentum Minerals. "As royalty buyers, we are more focused on long-term valuation of the asset. For those of us in the minerals royalties space who are able to weather this storm and pick up assets during the trough and hold them for a fair amount of time, we feel there is going to be a very good arbitrage to those assets down the road."

Like all in the industry, Elder said, Momentum changed its outlook on pricing. Just as important, though, was to change its thinking on the development pace of assets and adjust expectations for six months, 12 months, 18 months and further out, he said.

"Before the pandemic crushed prices, we saw a development cycle within a certain period of time, particularly when the completion of DUCs will happen," Elder said. "Those underwriting assumptions are now out the window, and we're looking at things in a totally different light. We still believe there's going to be a lot of opportunity and hopefully the opportunity to buy at a discounted value."

In a low crude price environment expected to stay that way for many months, having the chance to pick up valuable assets at a discounted price is a good assumption on the part of prospective buyers. Sellers, however, may not share that assumption during the early stages of a downcycle, creating a buyer/seller gap. Noble said he understands why landowners might be hesitant to sell soon after prices first collapse. The checks, after all, continue to arrive. Reality may not set in until three or four dramatically reduced royalty payments are received.

"It is important to note that large-scale mineral funds succeed because they are built to behave differently during volatile pricing and activity cycles. Smaller funds, whether an estate or privately held, typically come up short for the balance required to endure industry cycles when compared to larger funds. Owners unfortunately may need to see the rigs lay down and flares disappear in the field to understand why it's smart to consider selling some and keeping some minerals to balance their fund or family risk appetite," he said.

It's not always economics alone, he added. Emotion plays a role in the decision, especially when property has been in a family for generations.

"The No. 1 reason why an owner does not sell is the fear of public ridicule," Noble said. "I don't want to hear from my family. This is dad's. This is granddaddy's. This is ours, by God, whether it's great, good or whatever. I am not diversifying. I am riding this one out."

But when their mindset entertains economics, mineral owners must contemplate their own circumstances. They may have been advised by dad to not accept a low offer, but it's been some 90 years since the global economy faced this kind of a challenge. Current offers are not low anymore, political support to drill oil wells has changed and funding to drill future wells is being challenged.

Another economic point is a matter of decline rates on smaller estates. The new unconventional wells do not have the same profile as the unitized slow decline fields of the past. Wells in the shale fields typically decline at about 73% the first year and 40% the second. Four years after drilling begins, the value of the minerals is about 9% of what the well was initially.

Even highly educated landowners will struggle to model the risks and rewards if they lack the engineering or financial know-how to navigate the situation. That makes it difficult for a buyer to engage in a conversation about economics, Noble said.

"The combination of high declines, lower pricing and the absence of drilling activity is going to be an unfortunate shock, especially since they're paying taxes this year for last year's income," he said. "Think about that. It may take 100% of this year's income to pay for taxes last year. They may have zero net income this year because last year was at $55."

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—JAMES ELDER
Momentum Minerals LLC

That's where a team of pros can be helpful. Objective outsiders with expertise in finance, oil and gas futures pricing and engineering can advise a landowner about options as well as when and if it is a good time to sell. This presents an opportunity to narrow the buyer/seller gap and get a transaction completed.

Outlook

Country singer Lefty Frizzell unknowingly wrote the 2020 anthem for the minerals sector in 1950 when he penned the line, "If you've got the money, honey, I've got the time."

The well-capitalized players are not unconcerned about present challenges to the country, industry and economy, but they retain confidence because this sector is built to withstand challenges over the long term. (The song's lyrics divert from the oil and gas theme after the first line.)

"We're freshly backed with capital," Varel said. "We have over $100 million currently, and so we're very much in the market. We're one of the few companies that has capital at the moment. So all that means is that my outlook is pretty positive."

Varel's optimism extends to the minerals sector as a whole, calling it the most resilient in the oil and gas industry currently. Those fortunate enough to have placed their bets on U.S. oily basins should be set for a while, he said. Then again, Varel's Wing Resources sold about 9,000 net royalty acres in the Midland Basin to Alliance Resource Partners LP in mid-year 2019 for about $145 million. Not all members of his peer group are as well-positioned. Many of them, he said, invested during the 2017 to 2019 time frame when prices were considerably higher and the future looked considerably more mundane. Varel doesn't worry, though, because he believes that prices will return to the $50 range.

"As far as peer group," he said, "as long as they're buying sound petrophysics, in the long run they're going to be OK. This asset class has no clock and no additional capex. It's just a totally different way to calibrate your mind, looking at oil and gas. You really can weather the storms."

Elder is less confident about the ability of at least some in the sector to survive.

"I think some of the leaner shops that typically count on buying and selling of assets in a higher frequency to sustain G&A [general and administrative expense], or those that buy solely ahead of the drill bit, might struggle through this environment. Some larger operations like ours are fortunate to have a significantly high operating margin to cover our overhead."

Momentum's portfolio is such that it will still be in a strong position even if very low oil prices force producers to shut in 30% or more of its wells, Elder said. The firm has ample amounts of fresh capital to deploy on the assets and keep the lights on.

Noble, backed by Apollo Global Management Inc., is also well-positioned with capital and prepared to be disciplined in this evolving market.

"We are going to have a challenge of an unknown supply and demand gap for an unknown amount of time," he said. "We don't know when people are going to go back to normal, but I expect caution and newfound habits to lead to lower demand for oil and natural gas. We should be cautious. There are a lot of reasons to be disciplined and underwrite differently right now in the mineral business."

The numbers improve as the price of oil improves. At $50/bbl, 60% of the locations in the Eagle Ford become viable at a 20% IRR. It has been a crazy year with all kinds of unprecedented market gyrations, but $40/bbl is not part of many short-term price forecasts. Not yet, anyway.

"My point is," Noble said, "it's going to be a long time before mineral buyers go back to underwriting the way they did in December."

Noble views the next few months as an opportunity to execute his proven strategy to provide capital solutions for E&Ps, mineral funds, land brokers and landowners. The current state of the industry provides a unique chance to reset on assets, he said, as well as rethink strategies and redeploy capital into the newly evolving energy landscape. ■

(Source: iurii/Shutterstock.com)

Weathering the Storm

Private-equity companies and their mineral portfolios have been quick in their response to the dramatic slowdown of drilling activity in the shale patch.

By Faiza Rizvi

Faced by a barrage of setbacks including crippling crude prices and shrinking storage capacity, producers across shale basins continue to shut in thousands of wells. Though the complete picture is yet to be seen, private-equity firms and their mineral portfolios are bracing for the likelihood of distressed market conditions by exercising caution and practicing greater discipline.

"Valuations and expectations will have to adjust to the current environment."

—KYLE KAFKA
EnCap Investments LP

However, despite the market uncertainty, private-equity firms have no plans to slow down acquisitions and are confident the crisis will create new opportunities for their mineral portfolio companies.

According to Kyle Kafka, partner with EnCap Investments LP, the distressed market is likely to open doors to attractive opportunities for acquiring minerals due to improved risk-adjusted valuations.

"The minerals space has attracted a significant amount of capital from public and private investors alike over the past several years," he said. "As a result, it became increasingly challenging to acquire meaningful opportunities that met our return expectations. We believe there will be less capital available on the other side of this downturn, and valuations and expectations will have to adjust to the current environment."

Kafka also expects that the current market conditions will lead to increased consolidation.

"In the coming quarters, we also expect to see more consolidation of minerals across the space just like we're starting to see on the operator side. Increased scale provides synergies and reduces overall cost structures," he said.

To adjust to the changing market conditions, EnCap Investments is working to increase efficiency by controlling costs of doing business.

"Minerals have great intrinsic value. The asset class is durable and will not trade at extraordinarily low valuations."

—FROST COCHRAN
Post Oak Energy Capital

"Fortunately for mineral companies, revenue translates directly to free cash flow outside of overhead and the redeployment of cash into acquisitions. Our management teams are all highly focused on keeping corporate costs to a minimum. Given the bid-ask spread in the market and the lack of transaction activity right now, free cash flow is being used to make distributions and/or bolster liquidity," Kafka explained.

"Two of the biggest components of mineral acquisition underwriting are commodity prices and timing of development," he continued. "Clearly, both inputs are being impacted in a significantly negative way in the current environment. In a $20 or $30 per barrel environment, it's difficult to expect much, if any, drilling activity in the near term.

To adapt to the unprecedented slowdown of activity, EnCap is working on a concrete plan of action to support the distressed E&P producers on its acreage.

"Our mineral companies are in constant dialogue with operators," Kafka said. "And in some recent instances, our teams have worked with operators to amend lease terms to allow for shut-ins or to amend/delay well commitments. Like the operators, we are incentivized to realize cash flow from production in a better environment."

Even though the downturn has impacted EnCap's underwriting standards, Kafka is optimistic that it will create unique prospects.

"Companies are focused on acquisition opportunities, consolidating larger packages of minerals and working with operators on lease provisions," he said.

Continuing acquisitions

Post Oak Energy Capital is less than 30% invested with a $600 million fund, which is roughly two and a half years old.

"Our plan is to continue acquiring minerals, which has been our strategy for over 10 years, and we have no plans of changing that," said Frost Cochran, managing director and founding partner with Post Oak Energy Capital. "Our portfolio companies run with either low or no financial leverage."

"We have not made an upstream investment, as we saw that the oil markets were oversupplied; therefore, oil prices were too high, and we anticipated a pullback in oil prices," he continued. "We could not get comfortable with upstream valuations based on higher oil prices."

Post Oak has two companies that are committed to mineral strategies, both of which have substantial commitments to pursue acquisitions in the low-price environment, Cochran said.

"Additionally, our operating companies have been acquiring minerals for the past 12 years. We have rarely sold any minerals, so we have quite a bit of accumulated mineral acreage. This strategy provides regular distributions to our fund investors," he said, adding that he expects distributions to decline due to slowed activity.

"Obviously in an environment of declining prices and lesser activity, we expect distributions to decline over the next 60 to 90 days," he said.

Considering the mineral positions that Post Oak has held for a long period of time, the perpetual investors believe that "this is just a cycle," according to Cochran.

"When we talk of operating companies, we have to think differently in terms of executing and managing personnel, services and contract relationships. However, in the mineral space, it's an embedded long-term strategy for our funds and always has been," he said. "We will adjust valuations to reflect the reality of the market, but we will keep doing the same things in each county with an expectation that activity levels will remain slow until the middle of the next year."

However, due to an increasing number of E&Ps shutting down production, Cochran said Post Oak plans to support the distressed producers on its acreage.

"What we're seeing in the field is that shut-ins are much larger and much more extensive than what is perhaps being publicly discussed in the market," he said. "Clearly there are going to be distressed producers on the mineral positions that we own, and we will have to think of ways in which we can be flexible partners and respond to those producers in a constructive way as they navigate the market downturn."

Post Oak also has canceled all new drilling activity for its portfolio companies for the rest of 2020.

"When you have a good operator on your acreage as mineral owner, it is in your best interest to be helpful to the operator to avoid ownership changes to a large extent, which disrupts operations even further. As a good partner, it's in the best interest to incentivize producers to drill on our acreage," Cochran said.

Prior to the market downturn, several mineral owners turned down acquisition deals offered by Post Oak

"The benefit of minerals is obviously that it is a unique asset relative to a working interest E&P company. The nature of the asset that has unlimited duration at no capital cost is very unique in the downturn."

—JEFFREY SCOFIELD
Lime Rock Partners

because the owners had high expectations with respect to activity levels on their acreage, Cochran added.

"Obviously since that's not happening now, they might have some alternative investment opportunities. Mineral owners could partially monetize some of their minerals with the hope of rolling in capital for diversification and liquidity. We are revisiting the desires of a lot of mineral owners to sell their rights in the current environment," he said.

According to Cochran, the low-price environment is a good time to acquire, even though he believes the valuations will not deteriorate considerably.

"There might be a small amount of distressed mineral buying, but the majority of mineral owners are not distressed. It is unlikely in our view that mineral valuations would materially decouple from past trends. Minerals have great intrinsic value. The asset class is durable and will not trade at extraordinarily low valuations," he said.

Adjusting to the new equilibrium

According to Jeffrey Scofield, managing director and COO at Lime Rock Partners, due to the severity of the industry's downturn, Lime Rock, like many other private-equity companies, "put brakes on everything immediately," while suspending current offers and assessing the current situation.

"The sector has been in a downturn for five years, and we were just getting to a new normal. This is hopefully the final round of structural change, which will get us to a more disciplined business on the other side," he said.

Focused solely on the energy sector, Lime Rock's funds have received more than $8.9 billion in total private capital commitments including over $6.5 billion made to the Lime Rock Partners strategy that invests in E&P and oilfield service companies. The firm is 22 years old there, and most of its investment activity is concentrated in U.S. onshore opportunities. With the slowdown of drilling activity and falling crude prices, Lime Rock has been adapting to the new reality.

"Our strategy in the minerals space has largely been focused on a very small number of counties predominantly in the Midland Basin, D-J [Denver-Julesburg] Basin and the southwestern Marcellus. Over the last eight weeks, we had to re-underwrite because all the model assumptions we had been using have changed considerably," Scofield said.

He added that even though shale "isn't going away," the scale of the segment will be smaller, with a slower pace of growth and more focus in core areas.

"As the pandemic eases and demand recovers, businesses will be required to have a supply response, and we will have to underwrite in that new equilibrium," he added.

Even though the rig count recently plunged to a record low, Scofield believes certain private-equity companies are "advantaged" during the downturn.

"The benefit of minerals is obviously that it is a unique asset relative to a working interest E&P company. The nature of the asset that has unlimited duration at no capital cost is very unique in the downturn," he said.

He added that while cash flow will decrease with lower commodity prices, hedges could protect some of the cash flow. Even more important, according to Scofield, is that private-equity investors are not focused on quarterly performance.

"Every month, you're getting liquidity. Yes, you may have to adjust the allocation of the capital from a distribution mode to debt pay down. But from a private-equity perspective, it's a lot less painful, and there is more flexibility than the public context where investors tend to buy solely on cash yield."

Changing expectations

"Clearly a few of the key assumptions that many mineral acquirers were using previously were too optimistic in hindsight," said James Wallis, partner at NGP Energy Capital Management LLC. "I think that was becoming evident prior to COVID-19 but is fairly obvious now. The entire industry is now resetting to lower expectations for future activity, capital availability and earnings growth amid a highly uncertain macro outlook."

According to Wallis, uncertainty in the oil and gas industry would translate into lower valuations nearly everywhere.

"The value of unhedged production is down materially, and most undeveloped inventory is very difficult to underwrite anywhere close to prior seller expectations," he said.

NGP Energy Capital has responded to the market turmoil by narrowing its already-tight focus areas further and spending more time on partially developed properties with a more predictable cash flow profile. The company has blended return expectations that are less dependent on future development activity, and it expects to continue acquisitions.

"Overall, we're fortunate to have great partners and a long-term capital structure that allows us to be patient with our existing portfolio and opportunistically acquire in times like this," Wallis said. "We're proud to be partnered with some of the best entrepreneurs and deal-makers in the business—all of whom are excited about the buying opportunities, which we expect to materialize over the coming quarters. I'm confident they will continue finding great new opportunities throughout the cycle, and NGP will be there to support our high performers in building great businesses."

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>
> **—JAMES WALLIS**
> *NGP Energy Capital Management LLC*

Wallis does not believe that the distressed market will result in significant decrease in valuations in the short term.

"I think it will still be some time before we broadly see sellers' price expectations drop to levels low enough to incent widespread transaction activity," he said. "Typically when we have this much market volatility, there is a small spurt of deals driven primarily by liquidity issues, then largely silence while market participants wait to see where things stabilize. We're in that period right now I think. There should be some great opportunities on the other side of that lull though—and we'll be in the market bidding conservatively in the meantime."

Looking forward, Wallis concluded, "There is generally more caution and less competition in the system overall, which one would normally expect to translate into lower entry prices and decreased risk relative to just a few months ago. But increased caution is certainly warranted given the exceptionally wide range of economic recovery outcomes we may see from here." ■

(Source: Shutterstock/Hart Energy)

Tarnished Crown?

Minerals and royalties companies, favored by investors for the past few years, are now facing their first real test as the pandemic exposes their reliance on E&Ps to generate revenue.

By Emily Patsy

For the past couple of years, oil and gas has had few businesses that could court investors like minerals and royalties companies.

The darlings of the sector, public mineral companies traded at a premium to their E&P cousins and even launched successful IPOs as production companies tried and failed to get aloft in the same markets. A relatively small pool of companies—concentrated around Black Stone Minerals LP, Brigham Minerals Inc., Falcon Minerals Corp., Kimbell Royalty Partners LP and Viper Energy Partners LP—has been able to consistently do A&D without alienating investors and access capital through the equity market.

But heavy is the head that wears the crown, and after burning so bright, minerals and royalties companies find themselves more clearly beholden than ever to a vastly weakened oil and gas space.

Producers have not only cut capex but also shut in wells and curtailed guidance for the remainder of 2020. The price war among OPEC+ members, led by Saudi Arabia and Russia, and the ongoing uncertainty due to the COVID-19 pandemic have put oil prices on a volatile path. By the first quarter, publicly traded mineral companies were seeing drops in market value, and all but one announced plans to slash dividends in the first quarter.

While mineral companies have been built to cover wide swaths of geography and essentially insulate themselves from direct pain in one particular commodity or region, the industrywide suffering has left them more vulnerable than at any time since they first rose to the fore among energy investors.

"The overall sentiment for the minerals market is a bit mixed right now," Jay Snodgrass, vice president of business development for MineralSoft, said.

A lingering question mark for the space, Snodgrass said, is the magnitude of uncertainly around future development plans by E&P companies.

'Perfect storm'

Oil and gas producers began cutting spending and dropping rigs in March. However, an additional wave of curtailment announcements began to accelerate following April's historic oil price drop. The cutbacks led to publicly traded mineral companies revising or completely withdrawing their guidance for the year.

Investors made cutbacks of their own, selling off shares.

From the start of trading in March through May 20, minerals companies have seen share prices generally fall. Kimbell Royalty, for instance, saw stock prices fall by 40%, Brigham's dropped 20% in value and Black Stone by 25%.

"The overall sentiment for the minerals market is a bit mixed right now."

—JAY SNODGRASS
MineralSoft

"The Achilles' heel of the mineral companies has always been that they don't control their own destinies," said Welles Fitzpatrick, managing director of E&P research at SunTrust Robinson Humphrey Inc.

In early May, Rystad Energy estimated that gross U.S. cuts could reach at least 2 MMbbl/d in June, including liquids. The estimates were based on early communication by the energy consulting firm with 31 U.S. oil producers, meaning actual production cuts could be larger.

"When you look at the mineral companies on an individual level, they are exposed to different operators and different basins," Kyle May, senior equity research analyst at Capital One Securities Inc., said. "If you were to carve them out one by one and then talk to each company separately to try to understand what the production implications are going to be for them over the next one to three months, you're going to get a different answer from all of them."

The Permian Basin has suffered the most. Rystad estimates a 42% share of cuts are from E&Ps in the basin—and where most public minerals companies have exposure. The exception is Falcon Minerals, which has a portfolio primarily located in the Eagle Ford Shale.

But, as Fitzpatrick noted, "There's really nowhere that's immune, unfortunately."

Oil producers with portfolios spread across multiple plays followed close behind their Permian-focused peers, contributing a 35% share of the cuts. Still, Rystad noted about half of these diversified companies have assets in the Permian's Delaware sub-basin as well as the Eagle Ford Shale.

According to Rystad's analysis, Bakken-focused operators made up 18% of the cuts, with the rest spread among producers in the Powder River Basin Niobrara's tight oil play and the Eagle Ford.

Once the industry returns to life, after months of shut-ins, will the market be likely to look past the historic and unprecedented drop in oil and gas activity? Fitzpatrick thinks so.

"The stickier and more fundamental value driver," he added, "is really going to be: If there's a recovery, where do the rigs come back to?"

The rig count in the U.S., an indicator of future activity unlike curtailments, which have a more immediate impact, began to decrease in mid-March. By May 12, it had reached its lowest point on record at 339 active rigs.

A May 20 report by the U.S. Energy Information Administration said the U.S. rig count has fallen by about 433 rigs since March 17. About 308, or 71%, of the rigs taken out of service were in the country's top three crude oil-producing regions: the Permian Basin, Eagle Ford Shale and Bakken.

Looking ahead, Fitzpatrick said consensus among the industry is that the rigs will come back to the Permian Basin as well as the Denver-Julesburg (D-J) Basin and even the Bakken.

"But some of the other plays might not see the growth that they did in a pre-2019 world again," he said.

"The Achilles' heel of the mineral companies has always been that they don't control their own destinies."

—WELLES FITZPATRICK
SunTrust Robinson Humphrey Inc.

Capital One's May said the impact on E&P activity is clearly something that's changing the landscape and dividend or distribution policy for these companies.

Most companies in the public minerals space announced plans during first-quarter earnings to temporarily reduce distributions. The one exception, Brigham Minerals said it expects to distribute 100% of discretionary cash flow through the second quarter as it has done for the last couple of quarters.

"Obviously this is all driven by what's going on with COVID-19, as well as the price war that occurred between Saudi Arabia and Russia, and that's also led to storage potentially filling," May said. "You're getting this perfect storm of basically everything that could go wrong for these mineral companies happening all at once in a short period of time."

However, looking at the public minerals space from a long-term perspective, he said the business is still there.

"These are assets that are owned into perpetuity," he said. "The oil, natural gas and NGL under the ground are still there, but the royalty payments will be pushed to the right as E&Ps shut in production and curb activity in the current environment."

Advantage, minerals

Even in the current state of uncertainty, minerals still have the same advantages over working interests in terms of being noncost bearing, according to Andrew Dittmar, senior M&A analyst for market research at Enverus.

"Mineral interests are likely to continue to receive a premium over working interests," Dittmar said, given that the nature of mineral ownership allows the ability to generate cash flow while maintaining less development/expenditure risk.

"More often than not, [when] we hear from investors, they want to see more publicly traded mineral companies rather than fewer."

—KYLE MAY
Capital One Securities Inc.

Fitzpatrick added that the ability to not have a capex is "absolutely huge," because it gives public minerals companies the ability to be free-cash-flow positive. That is, unless a company has debt to deal with.

"They're safer because you don't have a lot of the associated costs of being an E&P, but you can offset all of that safety pretty quickly if you lever up," he said.


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May said the business model for many mineral companies is to acquire or buy assets each quarter, which requires capital. Though, the highly volatile market and challenges of working during the shutdown have brought dealmaking to a virtual standstill.

"If you consider a world where the mineral companies were not continually acquiring royalty acreage, their existing cost structure is significantly lower," he said.

With minimal general and administrative expense and a limited number of employees, mineral companies should be able to recognize revenue from production without spending substantial capital on a go-forward basis.

"How quickly deals return as we come out of the shutdown is an open question at this point."

—ANDREW DITTMAR
Enverus

"However, that's in stark contrast to the E&P companies that have to pay for the lease operating expenses and have capex to drill the wells," he said.

Still, May described the approach to debt by minerals companies as conservative. In terms of debt maturities, he said the group is generally in a comfortable place as most rely on a revolver or credit facility to cover the cost of A&D instead of secured notes.

As for dealmaking, "How quickly deals return as we come out of the shutdown is an open question at this point," Dittmar said, adding there will almost certainly be opportunities across the space on both the mineral and working interest side.

During first-quarter earnings season, many public minerals companies discussed pulling back on A&D. However, management teams said they anticipate deploying mineral acquisition capital later this year depending on whether mineral sellers adjust pricing expectations.

"Opportunities remain for the publicly traded mineral companies to consolidate assets and expand their footprint," May said.

But unlike E&Ps, he doesn't see a need for consolidation among the publicly traded companies.

"Actually, more often than not, we hear from investors that they want to see more publicly traded mineral companies rather than fewer," he said.

Broadly speaking, May said mineral ownership is still fragmented.

Further, he sees the opportunity for some "larger, chunkier deals" with private-equity funds potentially in late 2020 as he expects acquisition prices for minerals to begin softening.

"You're probably not going to see the acquisition price of mineral assets hit bottom until maybe the middle of or later on in this year," he said. "Because when you think about it from the [perspective of the] individual mineral owner, they're getting their royalty checks on a delay, so that actually comes a couple of months after that production flows."

Top picks

May noted that because Brigham Minerals has zero debt, cash on the balance sheet plus a completely undrawn revolver, the company is in a prime position to take advantage of A&D opportunities.

"When you look at Brigham, they've got a lot of dry powder where they can go out and acquire new assets," he said. "They can continue to build up their portfolio and add new transactions."

May said Capital One considers both Brigham Minerals and Viper Energy Partners as top picks in the public minerals space.

"These are two very compelling stories and have some unique attributes that set them apart from the rest of the group," he said.

Viper, in particular, is unique among the publicly traded mineral companies in being linked to a particular E&P, May said, in addition to its position in the Permian Basin.

"Their relationship with Diamondback creates visibility that sets them apart from all the other publicly traded mineral companies," he said. "Again, when you're trying to think about visibility and understanding what the potential production profile and revenue stream looks like, Viper is definitely in a league of its own."

Brigham Minerals is also considered a top pick by SunTrust, Fitzpatrick said, citing the company's balance sheet.

Another advantage—the company's diversified portfolio.

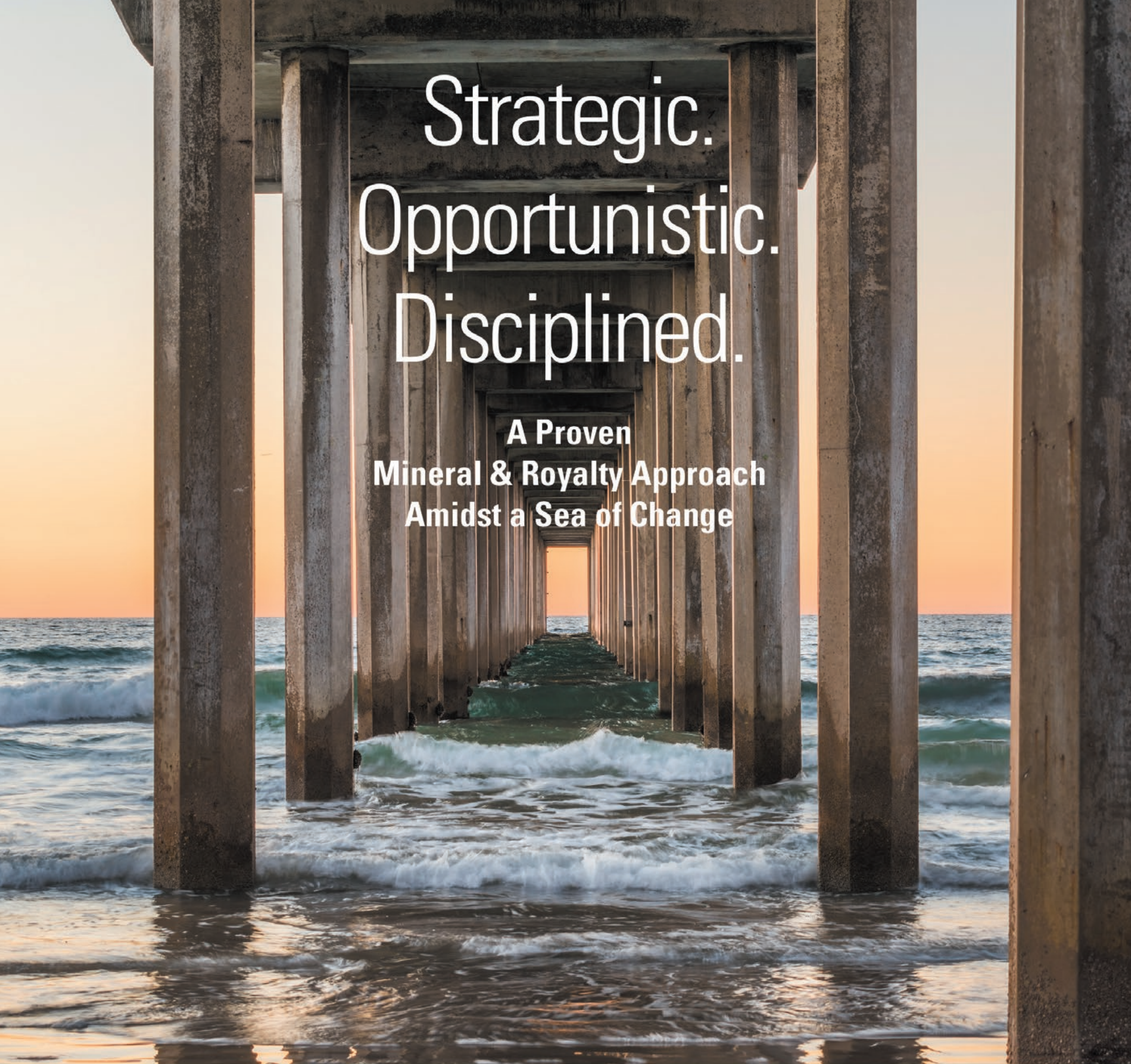
Brigham Minerals has assets located in the Permian Basin, the SCOOP/STACK plays in the Anadarko Basin, the D-J Basin and Williston Basin. The portfolio also includes a diverse group of operators, which May added is helpful in the current environment as some operators may end up potentially financially stressed in addition to imposing production curtailments.

Brigham's diversification, Fitzpatrick said, protects it from differential blowouts.

"While you're certainly going to get hit with the rig downturn, it's a little bit more spread out," he said. "You have a little bit more surety of what you're getting."

Fitzpatrick said SunTrust also has a Buy on Falcon Minerals, which he attributed to the company's portfolio being concentrated under ConocoPhillips Co.'s Eagle Ford position.

"Obviously having that larger balance sheet and active program in the Eagle Ford is really helpful," he said. ■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Amidst a Sea of Change

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A New Approach to Minerals Valuations

Today's minerals valuations require greater sophistication, with particular consideration being given to risk as the sector evolves.

By Derek Detring, Detring Energy Advisors

The U.S. mineral and royalty market has evolved substantially over the past three to four years as mineral buyers have taken a new approach to valuation and substantial capital has been allocated to the sector. As additional sophistication has entered the space, valuations have trended toward a discounted cash flow approach, which more accurately ascribes value to both producing and undeveloped reserves, versus the more traditional method where buyers bid a multiple of annual or monthly cash flow generated by the assets.

While cash flow multiples and cash yield are still important factors in buyers' ability to pay in the current market environment, the deciding factor in valuation has transformed into the inherent risked value of future production and associated revenues, i.e., a discounted cash flow analysis.

Similar to the approach employed by working interest acquirors for decades, mineral and royalty buyers are now focused on detailed technical work as they form views on potential future cash flows and ultimately risked net present value. Mineral/royalty cash flow is now projected—and value is determined—by well/location and reserve category, with riskier reserve classifications discounted at increasingly higher discount rates.

Proved developed producing (PDP) cash flow, the lowest risk reserves, are forecast per well based on historical production data, while the remaining, riskier (non-PDP) value is based on type curves generated by reservoir engineers with higher discount rates applied.

Due to minerals and royalties having no associated costs of production (capital or operating costs), buyers typically utilize lower discount rates than those for a similar working interest position due to the former having zero cost risk—an extremely attractive proposition, especially in highly capital intensive, rapidly growing basins.

Key valuation factors

Commodity pricing is the largest driver of market value for mineral/royalty assets due to its impact not only on mineral revenue but also on operators' returns and willingness to spend capital developing the mineral position—and thus the development pace of the mineral resources.

Similar to a nonoperated working interest package or a midstream position, mineral owners lack operational control, and development pace is a primary focus of buyers. Valuation underwriting is typically based on historical average pace held constant going forward; however, with proper rationale and justification, increasing development pace can also be utilized during bid formulation.

Another important facet of minerals valuation is type curve generation, with the resulting per-well reserve estimates utilized to project production and cash flow from future non-PDP wells and locations. Similar to an increase in commodity price, a commensurate increase in type curves leads to a similar increase in the value of the mineral position. Engineers must take care when selecting offsetting wells for use in type curve analysis, taking into account well vintage, lateral length and completion techniques, among other parameters.

Multiple horizons often exist across a sales package, and type curves must be generated for each zone with typically multiple type curves for each horizon, e.g., three Wolfcamp A type curves, two Wolfcamp B type curves and four Lower Spraberry type curves for a Midland Basin minerals package. While a concentrated package contained in a handful of adjacent units may require a single type curve for valuation, a more typical, diversified mineral package across multiple townships (or even counties) may require dozens of type curves per zone.

The third key variable in determining mineral value is development pace, i.e., when future wells come online and commence production. For drilled but uncompleted wells (DUCs), timing is typically based on each well's spud date, while the start dates for permitted locations are typically based on the granted date of the permit.

The length of time between spud date and completion date (DUCs) and between permit date and completion date (permits) is usually based on the historical average for similar wells and permits within the basin.

The final delay, which is unique to mineral and royalty owners, is the length of time required from completion to receipt of cash flow/revenue checks, which is typically based on historical averages, e.g., three to six months post-completion. (Figure 1)

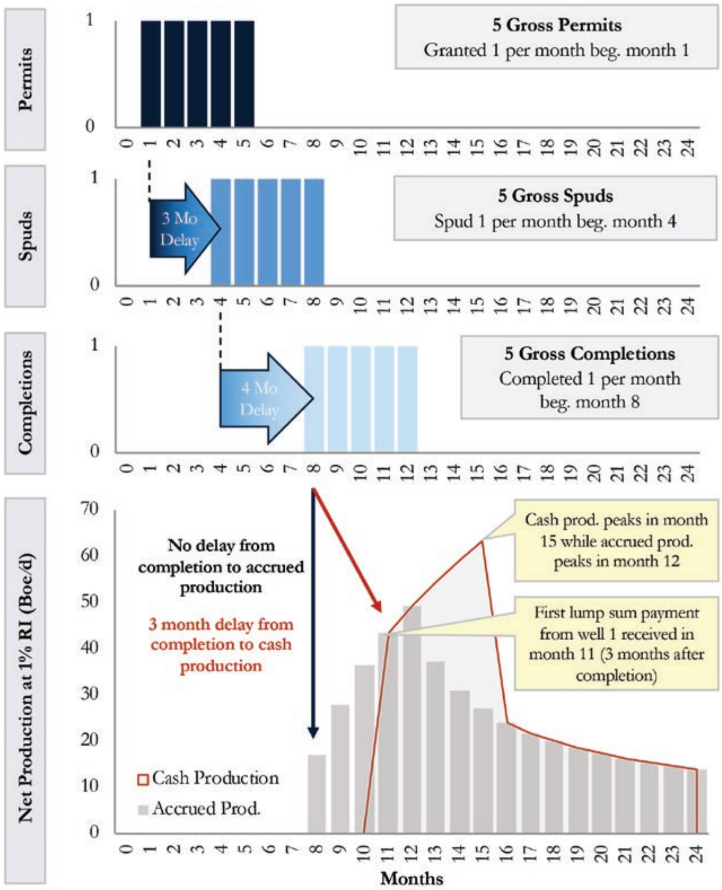


Figure 1. This timeline example depicts from permit to cash flow for a mineral and royalty owner. (Source: Detring Energy Advisors)

Undeveloped inventory

While forecasting cash flow from PDP, DUCs and permits is relatively straightforward, the most complicated reserve classifications to be valued are those containing undeveloped inventory—locations which have not yet been drilled or permitted.

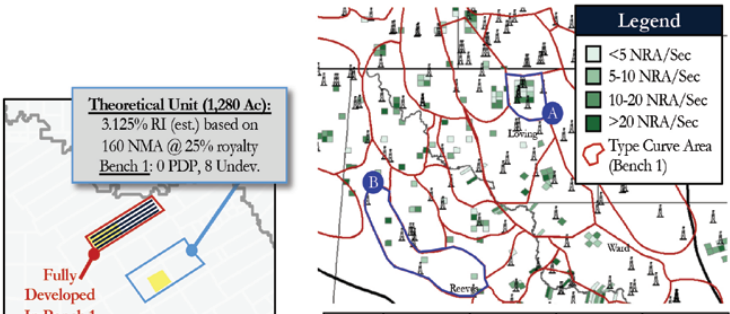
There are two main approaches here: first, the spacing unit model, where drilling spacing units (DSU) are drawn across the acreage position and discrete remaining inventory is assigned for only these units along with actual owned royalty interest (RI) per well; and second, the super unit model, where broader development areas are drawn, capturing acreage both on and off the mineral position, with an artificially low RI per well.

The former approach is best used for packages with a smaller footprint and/or a limited number of operators where the buyer can reasonably estimate development timing on the mineral and royalty lands, while the latter is typically best used for a diversified package providing statistical exposure to the basin and where it is more reasonable to forecast basin-wide activity versus on-mineral activity.

For example, in the super unit example (Figure 2), Area A would be more valuable than Area B due to higher net royalty acres (NRA), lower gross acres and higher rig count (ignoring any variances in type curves).

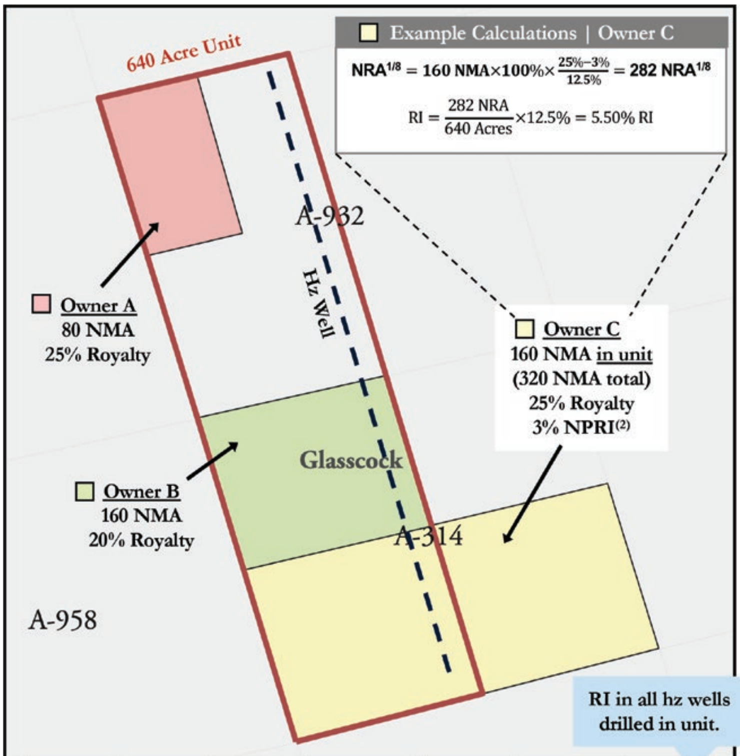
For either approach above to valuing undeveloped resource, a buyer first needs to estimate working interest economics—including drilling and completion capital, lease operating expenses, production taxes and royalties—for each type curve.

For those areas that generate adequate working interest returns in the current environment, inventory is included in the minerals development program and valuation. This remaining economic inventory—beyond PDP, DUCs, and permits—is based on well spacing by type curve area



Area	Gross Acres	$NRA^{1/8}$	$RI^{(2)}$	Rigs
A	19,200	138	0.090%	5
B	61,440	63	0.013%	3

Figure 2. In reviewing the spacing unit method (left) versus the super unit method (right), the former relies on actual and hypothetical spacing units across the concentrated mineral position (yellow), while the latter takes a broader basin-wide approach to development pace. **Artificially low RI is assigned to all inventory in the subarea, regardless of the inventory's location on or off the actual mineral acreage. (Source: Detring Energy Advisors)



Owner	NMA	Royalty	Burdens	$NRA^{1/8}$	NRA^{VIPER}	RI
A	80	25.00%	None	160.0	20.0	3.125%
B	160	20.00%	None	256.0	32.0	5.000%
C	160	25.00%	3% NPRI(2)	281.6	35.2	5.500%
Total	400	NA	NA	697.6	87.2	NA

Figure 3. This example depicts conversion of various theoretical mineral owners' NRA and RI within a drilling unit. (Source: Detring Energy Advisors)

by bench, which is estimated based on geologic interpretation of in-place oil and gas volumes along with regional down-spacing tests.

Finally, the inventory is assigned to specific reserve categories by level of risk, e.g., proved, probable, possible, resource, and a development schedule is applied to estimate the pace at which future inventory is brought online by operators.

Types of mineral and royalty assets

Beyond the technical merits of a mineral and/or royalty position, it is also important to understand the different types of mineral and royalty assets, with two primary categories: mineral interests and overriding royalty interests.

Minerals are traditionally considered more valuable as they include perpetual ownership of the oil and gas hydrocarbons contained within the position, whereas overriding royalties are carved out of a working interest and can expire along with the lease.

Varying rights also exist within the broader minerals category, with full mineral interest including rights to negotiate leases and collect lease bonus and royalty payments with and from operators (highest value), followed by nonexecutive mineral interests, which include the same rights as mineral interest owners except the right to negotiate the lease, and finally nonparticipating royalties, which also exclude the ability to collect lease bonus and delay rental payments (lowest value).

An important parameter to understand when evaluating mineral and royalty assets, and analyzing valuation comparables, is the definition of net mineral acres (NMA) and net royalty acres (NRA). While net mineral acres represent the surface lands under which you own a right to receive a royalty, NRA normalize NMA for the royalty rate being paid to the mineral/royalty owner.

This technique must be utilized as 100 NMA leased at 25%, for example, is worth 25 times the same NMA position with a 1% overriding royalty; value has a direct correlation with the royalty rate received.

The two most common techniques to normalize NMA to NRA are (i) NRA normalized to $\frac{1}{8}^{th}$ royalty, with $NRA_{1/8}$ equal to NMA multiplied by royalty rate and divided by $\frac{1}{8}^{th}$; and (ii) NRA simply normalized to the royalty being received, with NRA_{net} equal to NMA multiplied by royalty rate.

For example, if a seller owns 100 net mineral acres leased at a 25% royalty, this equates to 200 $NRA_{1/8}$ (100 NMA x 25% / 12.5%) or 25 NRA_{net} (100 NMA x 25%). Thus, an offer of \$2 million for these 100 NMA implies \$10,000/$NRA_{1/8}$ or \$80,000/NRA_{net}—a substantial difference.

Care must be taken to ensure "apples to apples" comparisons are made in trading and transaction comparables analysis. (Figure 3)

Minerals A&D

Over the past few years, mineral and royalty acquisitions have increased from less than 5% of sub-\$1 billion A&D

activity to approximately 35% year-to-date 2020, as three main buyer classes have allocated substantial capital to the sector: public mineral companies, private-equity mineral companies (and sponsors), and nontraditional public companies. (Figure 4)

Public mineral E&Ps peaked at approximately $12 billion in market capitalization in 2019 as Viper Energy Partners LP, Black Stone Minerals LP, Kimbell Royalty Partners LP, Falcon Minerals Corp. and Brigham Minerals Inc. went public on U.S. exchanges from 2014 to 2019.

However, these companies' collective valuation has pulled back by over 50% due to the degradation of two of the main drivers of mineral value: commodity pricing (due to oversupply and drops in demand for both crude oil and natural gas) and development pace (as operators pull back horizontal activity throughout the country in response to the low-price environment).

Most energy-focused private-equity sponsors have established mineral acquisition efforts either at the sponsor level or within their portfolio of funded companies. Several successful private-equity companies have been built and achieved exits throughout highly economic and active basins, most notably the Permian.

Finally, two nontraditional public companies have also been active in the space: Franco-Nevada Corp., a Toronto-based company primarily focused on precious metals royalties, and Alliance Resource Partners LP, a legacy coal producer with a large footprint of existing minerals throughout the U.S. Both Franco-Nevada and Alliance have large balance sheets and a lower cost of capital than public- and private-equity mineral companies, allowing these entities to be highly competitive in sales processes.

The Permian Basin has accounted for the majority of acquisition activity over the past three years (~35%) as mineral buyers paid a premium to enter the most economic and active basin in the Lower 48, followed by Appalachia (driven by Range Resources Corp.'s Marcellus overriding royalty sales) and the Midcontinent (led by Franco-Nevada's $500-plus million joint venture with Continental Resources Inc.).

Minerals in the current environment

Due to the recent drop in commodity pricing, rig activity and asset values, mineral owners have been hesitant to market for sale larger assets following the COVID-19 lockdowns and OPEC+ supply glut. On-the-ground activity for smaller transactions, however, has remained relatively constant as cash-strapped owners (typically families or individuals) need to raise capital in the economic downturn.

As with any asset class tied to the upstream sector, minerals and royalties sellers' willingness to transact is severely impacted by commodity price volatility. The second quarter of 2020 was the most volatile quarter over the past decade, and recent transaction activity is down substantially in the mineral and royalty sector. However, we anticipate sellers to begin considering divestitures as volatility decreases and hopefully as commodity prices recover.

The middle market traditionally recovers more quickly than the market for larger assets, a divergence we expect to be especially pronounced over the next 12 to 18 months as capital remains scarce for the industry as Wall Street (and now blue chip private equity) reevaluate risk and returns in the broader oil and gas industry.

In conclusion, minerals and royalties are an exciting subsector of oil and gas that has experienced tremendous growth over the past three to four years as well-capitalized public and private acquirors allocate large sums of capital to the space. Valuing minerals and royalties requires the same approach as evaluating working interest properties—forecasting PDP and nonproducing future cash flow based on detailed technical diligence, with increasing discount rates applied to higher risk reserve classifications—albeit with no capital or operating costs.

The mineral and royalty sector continues to offer an incredibly attractive investment opportunity due to the exposure provided to the U.S. leading position as a producer. While production levels have fallen off in recent months due to supply and demand considerations, the innovation and expertise of our country's oil industry will undoubtedly unlock more value for decades to come. ■

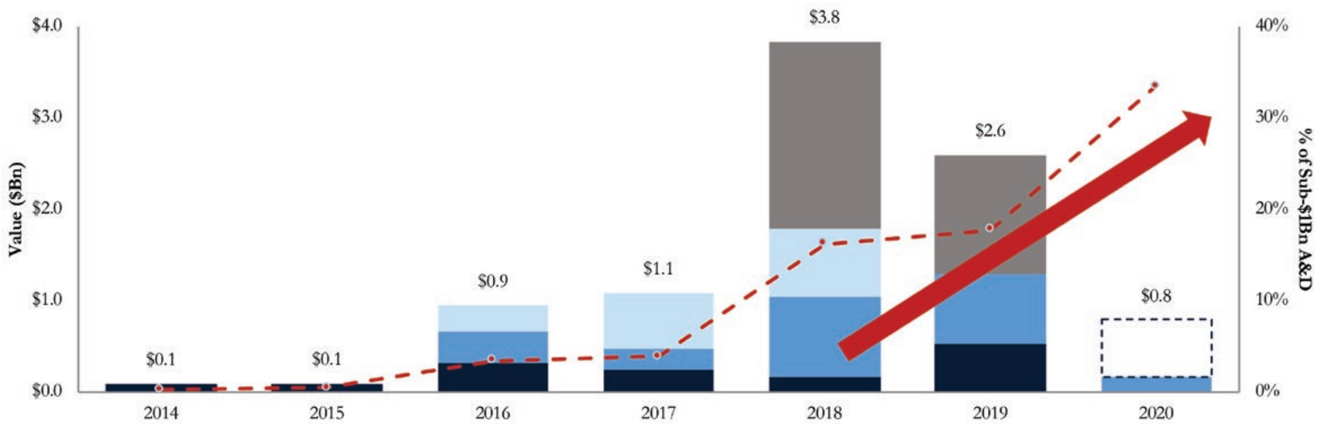


Figure 5. Mineral and royalty transaction volume is depicted by year, including percentage of total U.S. sub-$1 billion market. (Source: Detring Energy Advisors)

Mesa Minerals Partners

Led by former Haymaker Minerals executives and boasting a strategic partnership with one of the top producers in the Haynesville Shale Play, Mesa Minerals is in a prime position for success

When it comes to A&D these days, two things are paramount for buyers in this environment: proved-developed-producing (PDP) fields and cash flowing assets. It's true whether you're an E&P or a mineral and royalty company. But it doesn't end there. Deal-making these days takes a keen eye for detail and a little experience goes a long way.

Now imagine you're a technically driven mineral and royalty company run by experienced executives with a proven track record. Add in a portfolio of assets with a NTM cash flow profile of over $20 million (at today's strip pricing), and you have a perfect fit for the current oil and gas A&D market.

That company is Mesa Minerals Partners LLC ("Mesa"), a Houston-based private company that has purpose-built a concentrated mineral and royalty portfolio in the core of the East Texas ("ETX") Haynesville shale play, specifically in Harrison and Panola counties. The company is run by former executives of Haymaker Minerals & Royalties LLC, a Kayne Anderson and KKR-backed mineral entity who owned interests in more than 35,000 wells over 5 million gross acres before exiting to Kimbell Royalty Partners ("KRP") in 2018 for $445 million—to date, the largest mineral and royalty transaction in the history of the space.

Mesa is led by President, Darin Zanovich, who has more than 23 years of experience in the oil and gas space, including eight years in executive management roles at mineral and royalty companies. Following Haymaker's successful sale of the majority of its assets in 2018, Zanovich co-founded Mesa with an initial equity commitment from Quantum Energy Partners ("Quantum"), direct institutional investors and Mesa management.

He brought along key members of the Haymaker team to Mesa, including Mike Ferris and Josh Wiener. At Mesa, Wiener heads up land, business development and manages all aspects of land and land administration including acquisitions and all other contract negotiations. Prior to Mesa, Wiener served as Land Manager of Haymaker, where he managed a team of land professionals responsible for over 600 transactions throughout the Permian, Eagleford, SCOOP/STACK, Appalachia, Haynesville and Bakken plays. Ferris, who is an investor in Mesa, currently serves in an engineering and valuation advisory role with the company.

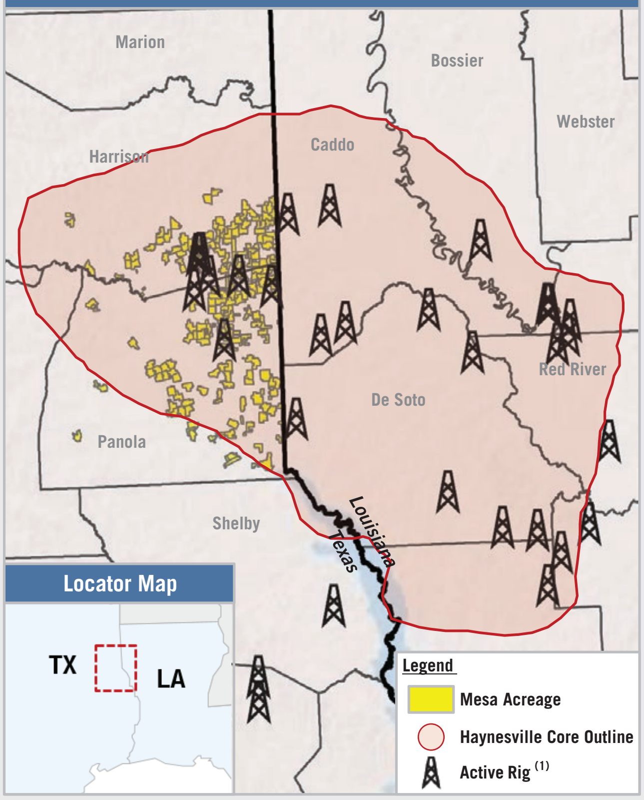
Earlier this year, Mesa added Greg Balash to serve as Vice President of Engineering. Balash is responsible for acquisition evaluation, finance, reserves, and portfolio management. Before joining Mesa, he co-founded and served as president of Hyridge Energy Partners with an initial $50 million equity commitment from Denham Capital to target non-operated E&P opportunities in the Anadarko and Permian basins. Prior to Hyridge, Balash was the Senior Acquisitions and Reservoir Engineer for Travis Peak Resources, an EnCap sponsored E&P company that deployed over $500 million in capital in the Anadarko and Appalachian Basins.

Mesa is in an enviable position given they have an already attractive asset and ability to access additional capital from its top-tier sponsor, Quantum, to continue building out its portfolio.

"Mesa is being built to generate significant and reliable cash flows which may prove attractive to other parties looking to expand their exposure to the asset class. An eventual buyer of our asset is going to step into a sizeable acreage position with substantial inventory and a strong cash flow stream and yield component on day one," Zanovich said.

Much of Mesa's cash flow growth benefits from its strategic partnership with Rockcliff Energy, another Quantum-backed E&P company. Rockcliff is a leading Haynesville operator and has been at the forefront of the development of the play as it has extended into ETX. While Mesa is a separate, standalone company, Rockcliff's CEO, Alan Smith, and CFO, Boyd Heath, along with other executives at Rockcliff are investors in Mesa. Smith and Heath also sit on the company's board of directors which further aligns the partnership.

MESA ACREAGE OVERVIEW



(1) As of June 11, 2020.

DARIN ZANOVICH
President

GREG BALASH
Vice President of Engineering

JOSH WIENER
Vice President of Land and Business Development

"We are a separate standalone company. We have separate but similar investors and board of directors," Zanovich said. "We do have a relationship with them that allows us to focus buying ahead of their development, which gives us a strategic advantage acquiring minerals in this area."

Prime Position

Of course, you're only as good as your assets, and Mesa has a core position in the ETX Haynesville. The ETX Haynesville has seen results that compare favorably or exceed results in the historic core of the Haynesville in North Louisiana. In particular, Rockcliff has shown well performance with increasing EURs consistent with their progressing completion generations.

Zanovich added that the ETX Haynesville is in full manufacturing development mode, so the area where Mesa is buying is well delineated and benefits from pad drilling.

"It's the type of area you really want to own minerals under with upside in the cotton valley and other zones making it a multi-zone opportunity" he said. "We believe we have built a first-class asset and will continue to monitor A&D conditions to determine the best opportunity to take the portfolio to market."

All-Gas Assets

As oil takes its hits these days, industry watchers are increasingly more positive on gas going forward, particularly the dry gas basins of the Haynesville and Appalachia. Mesa's assets have all of the characteristics that investors are looking for in the current environment.

"There are positive tailwinds for natural gas heading into this winter, and what we have built at Mesa is an all-gas asset," Zanovich said. "Although we were seen as contrarians when we got into the basin at the end of 2018, the market has turned around and the feedback we are hearing now from buyers is they want a sizeable PDP asset with meaningful cash flow, regardless of the underlying commodity. Given the recent downturn in crude prices, we are seeing many of the buyers who historically have been focused on the oilier basins shift gears to now needing natural gas assets to diversify their portfolios."

Another advantage Mesa enjoys is the ETX Haynesville's proximity to the Gulf Coast markets and LNG

MESA MINERALS AT A GLANCE

ASSET OVERVIEW
- 21,000 net royalty acres
- >$20 million NTM cash flow
- Over 700 core undeveloped locations averaging ~1% NRI per location
- More than 1,000 PDP wells

PROVEN LEADERSHIP
- Management team bought and sold more than $1.05 billion in minerals deals with aggregate returns more than 2.5x return on investment
- Former members of Haymaker management team where they sold the majority of Haymaker's assets in 2018 for $445 million to Kimbell Royalty Partners
- At Haymaker assembled portfolio with more than 35,000 wells and more than 5 million gross acres

ROCKCLIFF ENERGY HIGHLIGHTS
- Pad drilling with 4 rigs and 2.5 frac crews
- Rockcliff has 80% of their volumes hedged through the end of 2021 @ $2.50/mmbtu or greater
- Borrowing base has increased at every redetermination since inception, including this year which was oversubscribed

demand, which has translated into the lowest basis volatility of any major gas basin with basis differentials remaining under $0.30 cents/Mcf over the last five years.

There is also extensive existing pipeline infrastructure that is being further complemented with the buildout of robust gas infrastructure by Trace Midstream's joint venture with Rockcliff. The Rockcliff-Trace joint venture increases connectivity to regional industrial demand centers and future LNG export, which locks in premium pricing and limits differential blowouts seen in the Appalachia and other gas basins.

"Another reason we love this basin is the pipeline infrastructure and proximity to all of the future Gulf Coast LNG projects," Zanovich said. "Long-term holders of these mineral assets will benefit from these projects as this acreage will literally be "feedstock" for the projects as they come online in years to come." ■

MESA
MINERALS PARTNERS LLC

www.mesamineralsllc.com

Tower Rock

OIL & GAS

The Rights Resource

The "Lifer"

Oscar Torres has spent his entire career in the minerals space. Tim Pawul from the Oil and Gas Council spoke with him about Tower Rock's value-driven approach to acquisitions and how its team goes about sourcing opportunities.

Oscar Torres is the CEO and co-founder of Tower Rock Oil & Gas. After spending 13 years at Royalty Clearinghouse, Oscar started his own shop in 2013 to focus on a blended proved developed producing (PDP) and proved undeveloped resources (PUD) or nonproducing minerals acquisitions strategy.

Tim Pawul: You are one of the few who can say you are a "lifer" in the minerals and royalties space, having entered in late '99. Can you give a little personal background about where you grew up, where you went to school and then how you got into the minerals space?

Oscar Torres: Well, going way back: I was born in Guadalajara, Mexico, home of mariachis and tequila. My family immigrated to the U.S. in 1983, and I grew up in Houston until making my way over to UT Austin where I studied petroleum engineering. I graduated in December '99. So, including my education and a few internships with majors, I have been in the industry for about 25 years now.

When I graduated, the industry was in a downcycle and rather than going with Texaco, which made me a great offer to work out of West Texas, I decided to take a chance with an Austin startup: Royalty Clearinghouse (RC). Looking back, I have always gambled on myself whenever I could. This was no different. The company started in November of 1999. I started with them shortly after. Al Koehler and Shain McCaig built a fabulously successful mineral rights-buying machine, and I was glad and blessed to have been a part of it.

TP: Take us back, so 2000 … there was just a handful of folks buying minerals. What was it like in the early goings, and what was your M.O.?

"Tower Rock's approach is to seek a balance between existing cash flow and upside, all the while protecting our downside with great assets.

—OSCAR TORRES
CEO and Co-Founder

OT: Back in those days, like you said, there were not a lot of people in the space, and most of the players kept a low profile. As far as I know, we were one of a select few that generated tens of thousands of offers with actual engineering analyses tied to them. We tied our valuations to tax rolls and sent out offers based on those valuations. RC was privately funded by Al and Shain. We started with a $1 million-line of credit and an average deal size of $25,000, bought and sold along the way, and by the time I left in 2013, we built a portfolio worth over

$150,000,000. They are still successful today, and I am using a similar model at Tower Rock.

TP: The minerals space looks quite different than it did back then. When you started Tower Rock, you wanted to start looking at evaluating and buying nonproducing minerals, and that was a completely different ballgame. Tell me more about that.

OT: My entire career at RC was based on buying PDP. As unconventional drilling started to take off, we saw amazing returns stemming from assets we had purchased based solely on PDP value. I took what I learned from those experiences to develop valuation models for drilling potential beyond PDP value. Tower Rock's approach is to seek a balance between existing cash flow and upside, all the while protecting our downside with great assets. We are proud to have proven that approach to be quite successful for our investors.

TP: You've had to raise capital for your funds. What are some of the questions you commonly hear?

OT: One of the first questions is, "How is it protected downside when you're buying a depleting oil and gas asset?" The simple answer is that a sound minerals portfolio is composed of hard assets that are uncorrelated to the markets, require no capital expenditures and generate royalty cash flow that ranks as high as senior-secured-debt. Also, as is evident with the events we recently experienced, during a downturn your cash flow takes a hit when drilling activity comes to a halt and commodity prices drop. In our case, because we have always focused on both PDP and PUD opportunities, our portfolios have solid cash flow allowing us to ride out downturns instead of requiring new drilling activity. We have really made a big push to find that balance in our portfolios. All of those factors, collectively, are protecting your downside.

TP: Can you expand on "uncorrelated to the market?"

OT: Uncorrelated or noncorrelated simply means that the value of these assets is not tied to the larger fluctuations in the traditional markets, e.g., the stock or housing markets. As they relate to the actual oil and gas markets, our asset values are not tied one-to-one to commodity prices. A 50% drop in oil and gas prices, for example, does not mean that there is going to be a 50% drop in our asset value.

The other thing people have trouble grasping is the asymmetrical risk profile. If we invest $1 in any particular mineral tract in the areas we target, we are not risking the entire $1. While there might be exceptions, like title failure, generally, if we were to get the valuation wrong, there will still be some value in that hard asset. Maybe we can get back 50/75 cents on that dollar, for example, but on the flip side, that $1 can also earn you $10. So, the risk profile is very asymmetrical. Getting people to understand that has proven challenging at times.They see great returns and automatically associate that with great risk.

TP: Do you have a closing message?

OT: One of the mantras by which we try to live is: "How can we help?" Whether you are a mineral buyer, mineral seller or a mineral owner that just wants to get an idea about what your minerals are worth, let's start a dialog. How can we help you, and how can we work together towards whatever you are seeking to accomplish? Give us call, shoot us an email or go to our website. Let us know what we can do to help you. ■

www.towerrockoilandgas.com

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OneMap is a premier minerals acquisition group with backing from leading institutional and family office investors. Our multi-disciplined, highly expert team delivers strong offers that you can trust and our substantial financial backing provides confidence in timely closings.

OneMap™
Mineral Services LLC

www.onemapminerals.com

832.895.7030

info@onemapminerals.com

OneMap Has Become One of the Premier, Direct Mineral Buyers in the Permian Basin.

Houston-based OneMap Mineral Services continues to distinguish itself as a leader in direct mineral acquisition and aggregation within the Permian Basin. Backed by leading institutional and family office investors, OneMap has been acquiring minerals since 2012. CEO Mackie Cannon recently shared his thoughts on minerals investing.

> **"In disruptive times like this, we really appreciate the value preservation qualities of minerals as an asset class."**
>
> —MACKIE CANNON
> *CEO of OneMap*

OneMap has invested in minerals during varying economic and oil price environments. As you consider current events, what strategic elements do you think are critically important for mineral investors to get right?

Cannon: Without a doubt, recent global events have injected fear and volatility into the markets, both public and private. In disruptive times like this, we really appreciate the value preservation qualities of minerals as an asset class, especially with our emphasis on acquiring assets in one of the most economic areas in the U.S. To navigate what we anticipate being a disruptive global economy moving forward, we continue to emphasize the following in our royalty strategies:

- Focus on direct, asset-level exposure sourced directly from existing owners;
- Acquire assets without leverage; and
- Concentrate on the Midland and Delaware basins in the Permian, which contain highly economic acreage and a disproportionately favorable share of development activity in the U.S.

What common misconceptions do you encounter related to minerals?

Cannon: While there is a growing understanding and appreciation of the minerals asset class from investors, we find that minerals continue to be incorrectly lumped in with drilling programs and traditional upstream working interest investments by the investment community. In reality, minerals exhibit a very different risk profile from these other energy investments due in large part to several key attributes:

- Royalty interest payments are senior to the debt obligations of oil and gas operators (royalty payor);
- Once acquired, minerals don't require additional investment; and
- The mineral investor does not participate in the ongoing cost or liability associated with operations.

OneMap has acquired hundreds of millions in Permian minerals since 2017. Do you think you have exhausted the best opportunities?

Cannon: There is often an assumption that the quality opportunity set is somewhat niche and limited. The reality is that the opportunity is vast and exceeds the capital currently pursuing it. In our focus area alone, we estimate that the addressable market is in the neighborhood of $60 billion. We anticipate many years of successful acquisition and aggregation to come. ■

OneMap™
Mineral Services LLC

www.onemapminerals.com

MINERALS BUYERS

A DIRECTORY

The information included here is considered accurate to the best abilities of the editorial staff. To submit corrections or information, contact Steve Toon at stoon@hartenergy.com.

A

1836 Mineral Co.
James Floyd
Acquisitions Manager
719-800-5035
james@sanjacintominerals.com
9055 East Mineral Circle, Ste. 110
Centennial, CO 80112
1836mineralco.com
Focus: Delaware: Loving, northern Reeves counties
Preferred deal size: All

Accelerate Resources Holdings LLC
Daniel Schlatter
Business Development-Land Manager
913-226-9615
dschlatter@accelerate-llc.com
5949 Sherry Lane, Ste. 1060
Dallas, TX 75225
accelerate-resources.com
Focus: Midland, Delaware
Preferred deal size: $250,000-$50MM+

Airedale Royalty LLC
Mathis Fender
Partner
310-437-3711
mathis@airedaleroyalty.com
1021 East Southeast Loop 323, Ste. 110
Tyler, TX 75701
airedaleroyalty.com
Focus: Texas
Preferred deal size: Up to $100MM

American Mineral Partners
Amirald Gee IV
Managing Member
405-286-1589
amirald@amp-ok.com
P.O. Box 13647
Oklahoma City, OK 73113
americanmineralpartners.com
Focus: OK, TX, KS, CO, WY, NM, AR, LA

American Mineral Solutions
Daniel Spitznagel
President
724-256-1925
info@americanmineralsolutions.com
436 Butler St.
Pittsburgh, PA 15223
americanmineralsolutions.com

Amherst Oil & Gas LLC
Mike Taliaferro
President
817-682-3068
2329 Oak Alley, Ste. 2
Tyler, TX 75703
amherstoilandgas.com

Anadarko Minerals Inc.
405-235-6664
100 North Broadway, Ste. 2110
Oklahoma City, OK 73102
anadarkominerals.com
Focus: Anadarko Basin

Anevay Resources LLC
H. Amirald Gee IV
Owner
P.O. Box 13647
Oklahoma City, OK 73113
anevayresources.com

Anthem Oil & Gas Inc.
Wade Koehl
CEO
432-684-8200
info@anthemoil.com
601 West Texas Ave.
Midland, TX 79701
anthemoil.com
Focus: Permian

Apache Land & Royalty Co. LLC
Marcus McCloud
720-841-1465
mmccloud@ApacheLandandRoyalty.com
8200 Shaffer Parkway, Ste. 270183
Littleton, CO 80127
apachelandandroyalty.com
Focus: Permian, Denver-Julesburg, Bakken, Appalachia
Preferred deal size: $100,000-$6MM

Appalachian Mineral Partners
Ryan Strawn
President
214-534-8179
ryan@appminerals.com
225 Ross St., Ste. 301
Pittsburgh, PA 15219
appminerals.com
Focus: WV, PA, OH
Preferred deal size: $100,000-$100MM

Arbuckle Mineral Co.
Greg M. Johnson
President
405-600-9080
gjohnson@arbucklemineral.com
1900 Northwest Expressway, Ste. 590
Oklahoma City, OK 73118
arbucklemineral.com
Focus: SCOOP/STACK/Merge, Eagle Ford, Arkoma
Preferred deal size: $10,000-$10MM

Arete Acquisitions LLC
Justin Burgess
Managing Partner
833-332-7383
burgess@areteacq.com
3334 North Main St., Ste. 235
Norman, OK 73072
areteacq.com

Aristo Mineral Investments
Chris Phillips
CEO
318-744-4402
chris@aristominerals.com
7225 Fern Ave., Ste. 900
Shreveport, LA 71105
aristominerals.com

Aspen Grove Royalty Co. LLC
Weston Bruno
President
432-683-6100
wbruno@aspen-grove.com
608 North Main St.
Midland, TX 79701
aspen-grove.com
Focus: Lower 48
Preferred deal size: $10,000-$10MM


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Assured Royalties LLC
Marc Buffkin
Principal
512-422-4511
marc@assuredroyalties.com
3001 Ranch Road 620 S, Ste. 321
Austin, TX 78738
assuredroyalties.com
Focus: Eagle Ford

ATX Mineral Holdings LLC
817-952-8820
866-437-1289
info@atxminerals.com
605 West Harwood Road
Hurst, TX 76054
atxminerals.com
Focus: CO, NM, OK, TX, OH, WV, PA

B

Backcast Energy LLC
Andrew R. Webb
432-682-1118
andrew@backcastenergy.com
P.O. Box 1081
Midland, TX 79702

BCF Minerals LLC
Doyle Williams
Founder, Principal
918-518-6644
P.O. Box 702534
Tulsa, OK 74170
bcfminerals.com
Focus: SCOOP/STACK/Merge, Utica, Marcellus, Permian, Eagle Ford

BHCH Mineral Ltd.
Bruce Hill
President
210-828-6565
Marshall Porterfield, Acq. Mgr.
210-828-6565 Ext. 120
Marshall@oksaminerals.com
5111 Broadway
San Antonio, TX 78209
bhchmineral.com
Focus: TX, OK, LA, PA, WV, WY, ND, NM, CO
Preferred deal size: All

Bison Oil & Gas LLC
John Austin Akers
CEO
720-644-6997
518 17th St., Ste. 1800
Denver, CO 80202
bisonog.com
Focus: Denver-Julesburg, San Juan

Black Hawk Mineral Partners LLC
Josh Leffler
Owner
580-255-4555
info@blackhawkmp.com
7045 North Highway 81
Duncan, OK 73533
blackhawkmp.com
Focus: Midcontinent

Black Stone Minerals LP
Thomas Carter Jr.
713-658-0647
1001 Fannin St., Ste. 2020
Houston, TX 77002
blackstoneminerals.com

Blackriver LLC
Will Brinkerhoff Jr.
303-768-8100
inquiries@blackriverllc.com
8001 South Interport Blvd., Ste. 260
Englewood, CO 80112
Focus: All

Bluebird Energy Partners
James Floyd
Acquisitions Manager
719-800-5035
james@bluebirdep.com
9055 East Mineral Circle, Ste. 110
Centennial, CO 80112
bluebirdep.com
Focus: Denver-Julesburg core
Preferred deal size: All

Blue Flame Minerals
Glen Johnson
President
501-593-4653
glen@blueflameminerals.com
301 Main St., Ste. 7
Little Rock, AR 72201
blueflameminerals.com

Bounty Minerals
Jon Brumley
CEO
817-332-2700
777 Main St., Ste. 3400
Fort Worth, TX 71602
bountyminerals.com
Focus: OH, PA, WV
Preferred deal size: 10+ acres

Bradford Minerals
Willie Barron
CEO
918-809-4128
P.O. Box 613
Oologah, OK 74053
bradfordminerals.com
Focus: Permian

Brigham Minerals Inc.
Jordan Spearman
512-220-1217
jspearman@brighamminerals.com
5914 West Courtyard Dr., Ste. 100
Austin, TX 78730
brighamminerals.com
Focus: Permian, SCOOP/STACK, Williston, Denver-Julesburg
Preferred deal size: All

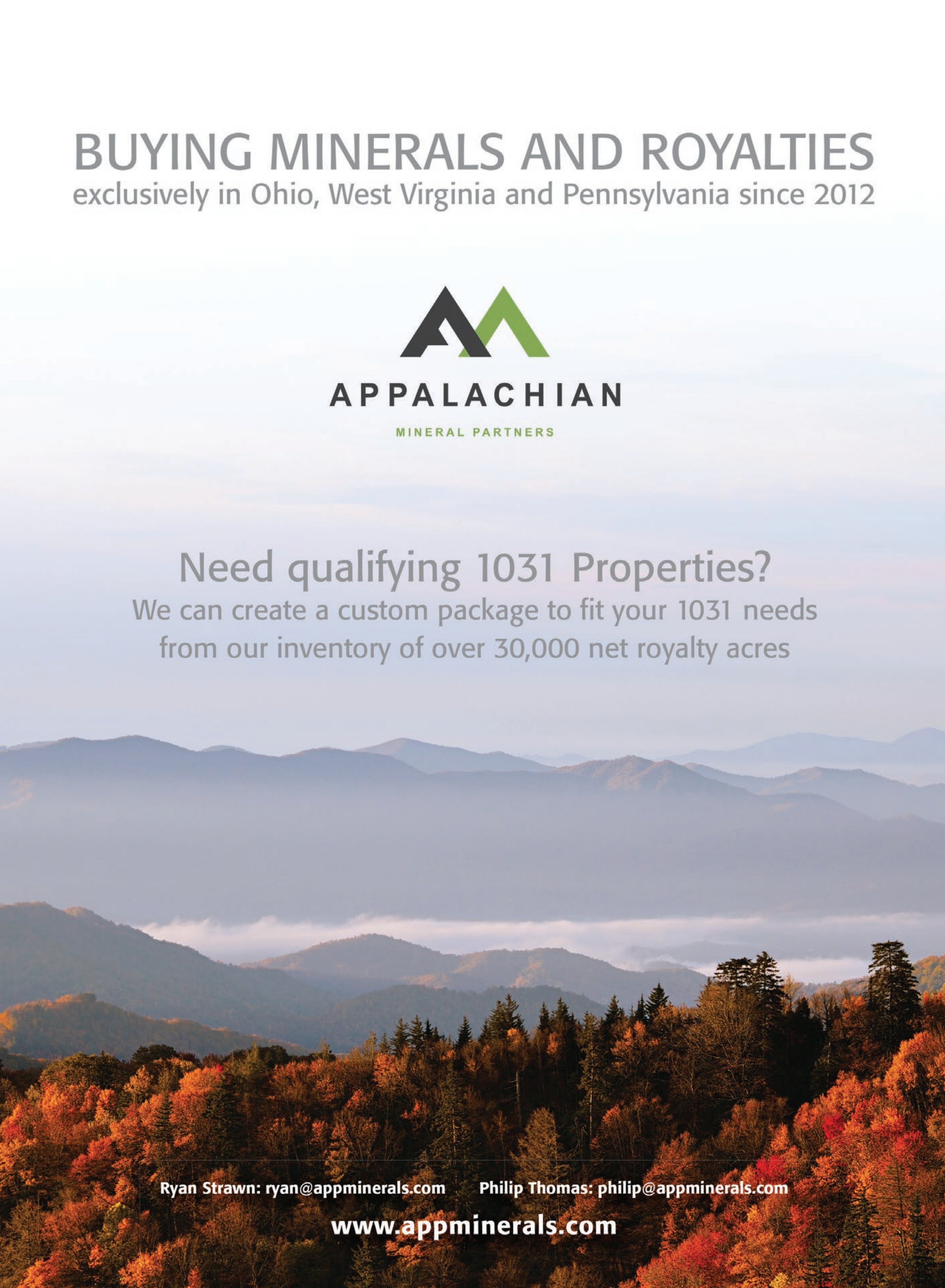
Broadmoor Land & Minerals
Chase Thompson
President
214-446-1675
ct@broadmoorminerals.com
P.O. Box 960
Ridgeland, MS 39158
broadmoorminerals.com
Focus: CO, WY, ND, NM, LA, KS, UT, AK, OK, TX, MS

Buckhorn Resources
Luke T. Moffett
Partner
281-930-6030
lmoffett@buckhornresources.com
1800 Bering Dr., Ste. 1075
Houston, TX 77057
buckhornresources.com
Focus: AK, CA, CO, KS, LA, NM, OH, OK, PA, TX, UT, WV, WY

Burk Royalty Co. Ltd.
David Kimbell Jr.
President
940-397-8600
inquiry@burkroyalty.com
P.O. Box 94903
Wichita Falls, KS 76308
burkroyalty.com
Focus: East Texas, South Texas, Panhandle, North Texas/Fort Worth Basin

C

Carrollton Mineral Partners
Martin Howard
Vice President, Operations
214-269-1054
martin@carres.com
5950 Berkshire Lane, Ste. 1125
Dallas, TX 75225
carres.com
Focus: Permian
Preferred deal size: $500,000-$5MM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**Case Energy Partners LLC/
CEP Minerals LLC**
Blake Harris
COO
214-247-7327
bharris@caseep.com
4849 Greenville Ave., Ste. 1265
Dallas, TX 75206
caseenergypartners.com
Focus: Permian, Bakken, Eaglebine, Eagle Ford, Haynesville and Fayetteville
Preferred deal size: $100,000-$10MM

Cavallo Mineral Partners LLC
Roland Keddie
COO
724-271-4023
rpk@cavallominerals.com
Plaza II 380 Southpointe Blvd., Ste. 115
Canonsburg, PA 15317
cavallominerals.com
Focus: Utica, Marcellus
Preferred deal size: $500,000+

Clear Fork Royalty
Joseph DeWoody
Partner
jpd@cfroyalty.com
John Moncrief
President
john@cfroyalty.com
Matt Autry
Partner
matt@cfroyalty.com
817-370-7540
6300 Ridgelea Place, Ste. 950
Fort Worth, TX 76116
clearforkroyalty.com
Focus: Permian, STACK/SCOOP,
East Texas,
Rockies, Powder River

Colorado Energy Minerals
Lucy Sauer
Landman
720-560-8266
land@ceminerals.net
P.O. Box 899
Denver, CO 80201
Focus: CO, Powder River Basin
Preferred deal size: Up to $1MM

Contender Energy Partners LP
Heather Betancur
214-295-4820
heather.rogers@contenderpetroleum.com
4851 LBJ Freeway, Ste. 325
Dallas, TX 75244
contenderenergy.com
Focus: Permian

Cortez Resources LLC
Michael Catrino
President & COO
Office: 214-628-9155
Cell: 214-763-1475
mcatrino@cortezoil.com
333 Wellborn St., Ste. 230
Dallas, TX 75219
cortezoil.com
Focus: Marcellus, Permian, Eagle Ford, Haynesville

CP Royalties LLC
888-694-9265
info@cproyalties.com
3225 South Macdill Ave., Ste. 129-210
Tampa, FL 33629
cproyalties.com
Focus: TX, NM, OK, WY, CO, ND, MT, UT, PA, WV, OH, LA, AR, MS, KS

D

Desert Royalty Co.
K.C. Stallings
President
432-684-4042
contact@desertroyalty.com
303 West Wall St., Ste. 2000
Midland, TX 79701
desertroyaltyco.com
Preferred deal size: $1MM-$25MM

Dorchester Minerals LP
Brad Ehrman
COO
214-559-0300
3838 Oak Lawn Ave., Ste. 300
Dallas, TX 75219
dmlp.net

DSD Energy Resources LLC
817-888-8533
wylie@dsdenergy.us
P.O. Box 229
Fort Worth, TX 76101
dsdenergy.us
Focus: Permian

E

**Eagle Mineral Co. and
The Mineral Auction**
Blake Bergstrom
512-698-2802
blake.bergstrom@gmail.com
4505 Spicewood Springs Road, Ste. 104
Austin, TX 78759
auctionmineralrights.com
Focus: Nationwide producing minerals

Echo Energy LLC
Christian Kanady
Founder, CEO
405-753-4232
120 Robert S Kerr Ave., Ste. 701
Oklahoma City, OK 73102
echoenergy.com
Focus: SCOOP/STACK, Midland/
Delaware

Endeavor Acquisitions
Rodney D. Summerville, II
President
817-717-1500
rodneys@endeavoracquisitions.com
515 Houston St., Ste. 500
Fort Worth, TX 76102
endeavoracquisitions.com
Focus: Permian, Eagle Ford, Bakken, Marcellus, Utica, Barnett, SCOOP/STACK, Fayetteville, Haynesville
Preferred deal size: Up to $50MM

Energy Deep Resources
Jeremy Hankins
Owner
205-229-6950
j.hankins@energydeep.com
850 Corporate Pkwy., Ste. 114
Birmingham, AL 35242
energydeepresources.com
Focus: Smackover, Niobrara, Haynesville, Bakken, Permian, Marcellus, Anadarko, Utica

Equitable Royalty Corp.
Dan Waring
President
405-232-9089
2601 Northwest Expressway, Ste. 301-E
Oklahoma City, OK 73112

Expro Minerals
Dustin Browning
Managing Director
800-817-6987
307 West 7th St., Ste. 810
Fort Worth, TX 76102
exprominerals.com
Focus: Anadarko, STACK/SCOOP

F

Falcon Minerals Corp.
Daniel Herz
President, CEO
215-506-5925
ir@falconminerals.com
510 Madison Ave., 8th Fl.
New York, NY 10022
falconminerals.com
Focus: Eagle Ford

Flatland Minerals
Barry Bradford
214-389-1905
bbradford@flatlandminerals.com
4925 Greenville Ave., Ste. 1100
Dallas, TX 75206
flatlandminerals.com
Focus: Permian, STACK/SCOOP, Haynesville, Denver-Julesburg
Preferred deal size: $5,000-$50MM

Fortis Minerals
Freddie Barela
EVP, Business Development and Land
844-936-7847
freddieb@fortisminerals.com
1111 Bagby St., Ste. 2150
Houston, TX 77002
fortisminerals.com

Foundation Minerals LLC
Michel Ketter Toon
Acquisitions Manager
817-929-1855
michel@foundationminerals.com
P.O. Box 470925
Fort Worth, TX 76147
foundationminerals.com
Focus: Delaware, Midland
Preferred deal size: All

G

Gallatin Natural Resources LLC
Blake Bowen, CPL
Managing Partner
817-675-9065
bbowen@gallatinnr.com
5646 Milton St., Ste. 401
Dallas, TX 75206
gallatinnr.com
Focus: Midland, Delaware

Greystone Energy & Minerals LLC
Ryan Mobley
Managing Partner
405-921-9485
ramobley@greystone-energy.com
2932 NW 122nd St., Ste. 5
Oklahoma City, OK 73120
greystone-energy.com

GRP Energy Capital
Bruce Morris
Vice President
214-378-3711
bmorris@grpenergycap.com
5956 Sherry Lane, Ste. 1221
Dallas, TX 75225
grpenergylp.com

Guardian Mineral Management
Diana S. Frazier
President
888-348-7318
P.O. Box 471489
Fort Worth, TX 76147
guardianmm.com

H

Harvey Ventures Group LLC
Harvey Royalty Partners
Harvey Mineral Partners
Michael John Harvey
Director
214-883-6644
mharvey@harveyventures.com
P.O. Box 4009
Telluride, CO 81435
Focus: Rocky Mountains/Inner West

Haymaker Minerals & Royalties LLC
Karl Brensike
Managing Partner
832-380-8240
kb@haymakerllc.com
1600 West Loop South, Ste. 1660
Houston, TX 77027
Focus: Diverse
Preferred deal size: Greater than $100MM

Hedberg Oil Co.
817-763-9500
info@hedbergoil.com
2825 Bledsoe St.
Fort Worth, TX 76107
hedbergoil.com

Hefner Energy Holdings LLC
Robert Hefner V
President & CEO
405-594-7567
hefnerv@hefnerenergy.com
309 NW 13th St.
Oklahoma City, OK 73103
hefnerenergy.com

Heritage Royalty
587-956-1500
general.inquiries@heritageroyalty.ca
710, 215–2nd St. SW
Calgary, AB T2P 1M4
heritageroyalty.ca

Hewitt Mineral Corp.
William Dolman
President
580-223-6565
hewitt@prodigy.net
10 West Main St., Ste. 503
Ardmore, OK 73401
hewittmineral.com

Hill Minerals Group
Walter Hill
Owner
Office: 972-407-1133
Cell: 214-502-1165
Walterhill09@tx.rr.com
5809 London Lane
Dallas, TX 75252
hillminerals.com

Horizon Resources LLC
Jason Dean
CEO
303-396-7273
info@horizonresourcesllc.com
2150 West 29th Ave, Ste. 500
Denver, CO 80211
horizonresourcesllc.com

I

Ilios Resources
Laura FitzGerald
CFO
318-219-2464
lfitzgerald@iliosresources.com
9467 Ellerbe Rd.
Shreveport, LA 71106
iliosresources.com
Focus: North Louisiana, East Texas,
Preferred deal size: $100,000-$50MM

Intrepid Minerals Oil & Gas Royalties
832-390-2570
info@intrepid-minerals.com
700 Louisiana St.
Houston, TX 77002
intrepid-minerals.com

J

Jase Minerals LLP
John Webb
President
432-682-1118
john@jaseminerals.com
550 W. Texas Ave., Ste. 1155
Midland, TX 79701
jaseminerals.com

Jetstream Oil and Gas Partners LP
Luke Pent
Co-Founder, Partner
Office: 817-332-4411
Cell: 817-829-3478
luke@jetstreamtx.com
101 Nursery Ln., Ste. 312
Fort Worth, TX 76114
jetstreamtx.com
Focus: Permian, Eagle Ford, Haynesville, Bakken, Barnett, STACK/SCOOP
Preferred deal size: $250,000+

K

Keystone Mineral Funding
Linda Roark
Owner
412-849-2857
sales@keystonemineralfunding.com
192 Fairway Landings Dr.
Canonsburg, PA 15317
keystonemineralfunding.com

Kimbell Royalty Partners LP
Robert Ravnaas
Chairman, CEO
817-945-9700
info@kimbellrp.com
777 Taylor St., Ste. 810
Fort Worth, TX 76102
kimbellrp.com
Focus: Lower 48
Preferred deal size: $50MM+

L

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

Legacy Royalty LLC
Drake Weeks
405-728-7288
5025 Gaillardia Corporate Place, Ste. D
Oklahoma City, OK 73142
legacyroyaltyllc.com

Levee Resources LLC
214-306-5119
info@leveeresources.com
2040 Farrington St.
Dallas, TX 75207
leveeresources.com

Live Oak Resource Partners LLC
Andrew Keene
President, CFO
832-982-0787
info@liveoakrp.com
4900 Woodway Dr., Ste. 825
Houston, TX 77056
liveoakrp.com

LongPoint Minerals
Will Cullen
Vice President of Business Development
303-290-0990
100 Saint Paul St., Ste. 400
Denver, CO 80206
longpointminerals.com
Focus: SCOOP/STACK/Merge, Anadarko, Midland/Delaware, Eagle Ford
Preferred deal size: Any

Luxe Minerals LLC
Ted Williams
President
512-640-3813
twilliams@luxeenergy.com
6500 River Place Blvd., Bldg. 5, Ste. 150
Austin, TX 78730
luxeminerals.com
Focus: Midland/Delaware, SCOOP/STACK/Merge, Eagle Ford, Bakken, Powder River, Denver-Julesburg

M

Magnolia Minerals Trust LLC
James Williams
Principal
303-628-5586
jcw@magnoliatrust.net
1616 17th St., Ste. 572
Denver, CO 80202
magnoliamineralstrust.com

Master Mineral Holdings Inc.
412-407-3304
info@mastermineral.net
1525 Park Manor Blvd., Ste. 371
Pittsburgh, PA 15205
mastermineral.net

Mavros Minerals II LLC
Brandon Black
Vice President
432-684-9696
bblack@bcoperating.com
4000 N. Big Spring, Ste. 310
Midland, TX 79705
Focus: Permian
Preferred deal size: $1MM-$50MM

Mekusukey Oil Co. LLC
Katy Alven
Landman
405-257-5431
katy@mekusukey.com
201 South Mekusukey Ave.
Wewoka, OK 74884
mekusukey.com
Focus: West of the Mississippi
Preferred deal size: $5,000-$5MM

Meredith Land and Minerals
Gill Cheesman
Principal
713-703-3609
info@meredithminerals.com
1001 McKinney St.
Houston, TX 77002
meredithminerals.com

Mesa Minerals Partners LLC
Darin. A. Zanovich
President & CEO
832-214-3151
dzanovich@mesamineralsllc.com
1301 McKinney Street, Ste. 2200
Houston, TX 77010
mesamineralsllc.com
Focus: Haynesville Shale
Preferred deal size: up to $200MM

MGX Minerals Inc.
Jared Lazerson
Chairman
604-681-7735
1040 Hamilton St., Ste. 303
Vancouver, BC
V6B 2R9
mgxminerals.com

Mineral Owner Mart
405-701-0605
info@mineralownermart.com
P.O. Box 720754
Norman, OK 73070
mineralownermart.com

Momentum Minerals LLC
Kevin Lorenzen
Co-CEO
832-834-7347
klorenzen@momentumminerals.com
750 Town & Country Blvd., Ste. 420
Houston, TX 77024
momentumminerals.com

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

N

National Royalty Co.
David Vandermeer
General Partner Manager
214-522-5505
purchase@nationalroyalty.com
3838 Oak Lawn Ave., Ste. 1600
Dallas, TX 75219
nationalroyalty.com
Focus: TX, OK, NM, UT, MS, ND, WY

Navigator Oil & Minerals Inc.
Spencer Blake
Vice President, Business Development
432-682-9585
sblake@navigatortx.com
P.O. Box 10184
Midland, TX 79702
navigatortx.com
Focus: KS, KY, MT, ND, TX, WV

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

Northwest Oil & Gas Exploration LLC
Kevin Burshears
Managing Member
817-484-4931
125 Park Ave., Ste. LL
Oklahoma City, OK 73102
northwestroyalty.com

Nueces Minerals Co.
Charles Munson
214-954-0260
cmunson@nuecesminerals.com
12221 Merit Dr., Ste. 930
Dallas, TX 75251
nuecesminerals.com

O

Oak Tree Minerals LLC
866-454-6107
info@oaktreeminerals.com
2601 Network Blvd., Ste. 404
Frisco, TX 75034
oaktreeminerals.com

Oklahoma Mineral Buyers LLC
405-657-6117
info@okmineralbuyers.com
2561 Kelly Ave.
Edmond, OK 73013
okmineralbuyers.com

Old River Royalty
James Floyd
Acquisitions Manager
719-800-5035
james@oldriverroyalty.com
9055 East Mineral Circle, Ste. 110
Centennial, CO 80112
oldriverroyalty.com
Focus: Eaglebine play; Burleson, Brazos, and Lee counties
Preferred deal size: All

OneMap Mineral Services LLC
Josh Fears
Acquisitions Manager
832-975-8815 ext. 224
jfears@onemapminerals.com
109 North Post Oak Lane, Ste. 405
Houston, TX 77024
onemapminerals.com
Focus: Delaware, Midland

P

Panhandle Oil and Gas
Ralph D'Amico
CFO
405-948-1560
rdamico@panhandleoilandgas.com
5400 N. Grand Blvd., Ste. 300
Oklahoma City, OK 73112
panhandleoilandgas.com
Focus: Midcontinent, Bakken
Preferred deal size: $5MM+

Pardee Resources Co.
Jeffrey A. Brown, CPG, CPL
Senior Vice President-Oil & Gas
Office: 304-760-7219
Cell: 304-545-9020
jeff.brown@pardee.com
135 Corporate Center Dr., Ste. 510
Scott Depot, WV 25560-0018
pardee.com

Patch Energy LLC
Christian Patry
Managing Partner
432-684-7995
cpatry@patchenergyllc.com
312 E. Illinois Ave., Ste. 1
Midland, TX 79701
patchenergyllc.com
Focus: TX, NM
Preferred deal size: Up to $5MM

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

PaydayMinerals.com
Minerals123.com
318-426-0909
P.O. Box 214
Plain Dealing, LA 71064
paydayminerals.com
Focus: East Texas, North Louisiana

PEC Minerals LP
Clark Thomas Hellier
Exploration Manager
972-392-6120
chellier@providence-energy.com
16400 N. Dallas Pkwy., Ste. 400
Dallas, TX 75248
providence-energy.com/pec-minerals

Pegasus Resources LLC
George M. Young Jr.
CEO
817-338-1118
info@pegasusresources.com
2821 West 7th St., Ste. 500
Fort Worth, TX 76107
pegasusresources.com
Focus: Permian

Pennsylvania Mineral Group LLC
Terri Farmer
Land Manager
972-392-6107
tfarmer@providence-energy.com
16400 N. Dallas Pkwy., Ste. 400
Dallas, TX 75248
providence-energy.com/somersetminerals-llc

Permico Royalties LLC
Benjamin Griffin
Owner
432-242-7337
info@permicoroyalties.com
508 W. Wall St., Ste. 1250
Midland, TX 79701
permicoroyalties.com

Perpetual Production LLC
Josh R. Camp
President & CEO
Office: 972-685-6016
Mobile: 314-853-9418
Josh.camp@perpetual-production.com
3625 Hall St., Ste. 700
Dallas, TX 75219
perpetual-production.com

Petroleo LLC
Perry Porterfield
Managing Partner, A&D
817-353-2070
perry@petroleo-llc.com
306 West 7th St., Ste. 702
Fort Worth, TX 76102
petroleo-llc.com
Focus: Delaware Basin
Preferred deal size: All

Pillar Energy, LLC
Casey Hunt
President
214-880-7110
chunt@petrohunt.com

Pledge Resources LLC
Austin D. Hunt
Vice President
214-880-7117
ahunt@petrohunt.com

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

Potomac Mineral Group LLC
412-344-1300
info@potomacmineralgroup.com
615 Washington Road, Ste. 400
Pittsburgh, PA 15228
potomacmineralgroup.com

Potomac Mineral Group Texas
Joseph Scaling
432-523-2416
joseph@potomacmineralgroup.com
203 NW First St.
Andrews, TX 79714
texas.potomacmineralgroup.com

Prairie Mineral Co. LLC
Tom L. Scott
Principal
817-980-9697
tlscott@prairiemineral.com
306 West 7th St., Ste. 710
Fort Worth, TX 76102
prairiemineral.com

Presta Petroleum
Jonny Brumley
President
817-796-9980
jsbrumley@prestapetro.com
4455 Camp Bowie Blvd., Suite 114 #49
Fort Worth, TX 76107
prestapetro.com
Focus: Texas and Oklahoma

Providence Minerals LLC
Karen Herbst
Land Manager
214-522-9131
kherbst@providence-energy.com
16400 Dallas Parkway, Ste. 400
Dallas, TX 75248
providence-energy.com/
providenceminerals-llc
Focus: Western Oklahoma, Permian, Powder River Basin
Preferred deal size: More than $10MM

Q-R

Rain Oil & Gas LP
Cas Atchison, CPL
Co-Founder/CEO
512-772-1226 x101
cas@rainoilandgas.com
3303 Northland Dr., Ste. 201
Austin, TX 78731
www.rainoilandgas.com
Focus: TX, western NM, Williston, eastern LA
Preferred deal size: All

Raisa Energy LLC
Babak Fadaiepour
Diretor of Business Development
303-854-9141 ext. 128
bfadaiepour@raisaenergy.com
1560 Broadway St., Ste. 2050
Denver, CO 80202
raisaenergy.com

Red Rock Minerals Oklahoma
214-272-6017
16803 N. Dallas Pkwy.
Addison, TX 75001
redrockmineralsok.com

Red Stone Resources LLC
Sanjit Bhattacharya
President
405-562-1195
info@redstoneresourcesllc.com
817 Irish Lane
Edmond, OK 73003
redstoneresourcesllc.com

Redhawk Investment Group
Jack Nichols
Managing Partner
844-952-7363
investorrelations@
redhawkinvestmentgroup.com
6060 N. Central Expressway, Ste. 725
Dallas, TX 75206
redhawkinvestmentgroup.com

Redtail Royalty LLC
Chad S. Cooksey
432-682-1118
chad@redtailroyalty.com
550 W. Texas Ave., Ste. 1155
Midland, TX 79701

Resource Minerals LLC
Gordon Deen
President, CEO
512-368-9429
gordon@resourceminerals.com
11412 Bee Caves Road, Ste. 301
Austin, TX 78738
resourceminerals.com

Revere Resources
Daniel Gehrig
SVP Research and Strategy
832-240-5373
info@reverecm.com
4203 Yoakum Blvd., Ste. 100
Houston, TX 77006
revereresources.com

Rivercrest Royalties LLC
R. Davis Ravnaas
CFO
817-945-9700
306 W. 7th St.
Fort Worth, TX 76102

Rock Ridge Royalty LLC
Garrett Kimbell
Vice President, Land & Business Development
817-475-5505
garrett.kimbell@rockridgeroyalty.com
4849 Greenville Ave., Ste. 1670
Dallas, TX 75206
rockridgeroyalty.com

Rock River Minerals LP
432-262-1478
info@rockriverlp.com
400 W. Illinois, Ste. 1070
Midland, TX 79701
rockriverminerals.com
Focus: Permian, Eagle Ford, Bakken, Niobrara

Royalty Clearinghouse
Marc Zimmerman
President, COO
512-458-4545
201 W. 5th St., Ste. 1350
Austin, TX 78701
royaltyclearinghouse.com

RRIG Energy
Jet Ellis
Acquisitions Manager
817-887-9371
contact@rrigenergy.com
105 Nursery Lane, Ste. 110
Fort Worth, TX 76114
rrigenergy.com


STONE HILL
MINERALS

S

San Jacinto Minerals LLC
Tiffany A. Culp
VP Legal & Land
724-300-8063
tiffany.culp@threeriversroyalty.com
9055 E. Mineral Circle, Ste. 110
Centennial, CO 80112
sanjacintominerals.com
Focus: Marcellus-SW Appalachia, Delaware Basin, Denver-Julesburg, Eaglebine
Preferred deal size: All

San Saba Royalty Co. LLC
Carson Coon
Acquisitions/Landman
972-388-7346
ccoon@sansabaroyalty.com
4925 Greenville Ave., Ste. 500
Dallas, TX 75206
sansabaroyalty.com
Focus: TX, LA, NM
Preferred deal size: All

Santa Elena Minerals LP
Landy Baxter
Delaware Basin
432-661-9355
lbaxter@santaelenalp.com
P.O. Box 2063
Midland, TX 79702
santaelenalp.com
Focus: Permian

Saxet Petroleum Inc.
Managing:
Royalty Interests Partnership LP
RIP3 LP
Saxet I Minerals LLC
Saxet II Minerals LLC
Saxet III Minerals LLC
Robert O'Brien
President
713-243-8400
robrien@saxetpetroleum.com
510 Bering Dr., Ste. 600
Houston, TX 77057
riplpsaxet.com
Focus: Permian, Williston, Anadarko

Shale Mineral Group Inc.
Brian Davis
President
972-835-4100
bdavis@shalemg.com
580 Decker Dr., Ste. 130
Irving, TX 75062
shalemineralgroup.com
Focus: TX, OH, PA, WV

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

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

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

Springbok Energy
Ryan Watts
President/Founder
rwatts@springbokenergy.com
888-216-9640
5950 Berkshire Lane, Ste. 1250
Dallas, TX 75225
springbokenergy.com

Stone Hill Minerals Holdings LLC
Andrew Schmid
Senior Vice President
724-766-5775
info@stonehillminerals.com
P.O. Box 470426
Fort Worth, TX 76147
stonehillminerals.com
Focus: Appalachian, Permian, Denver-Julesberg
Preferred deal size: All

Swallowtail Royalties
Lysle A. Witter
EVP Business Development
972-427-1751
l.witter@swallowtailroyalties.com
7750 N. MacArthur Blvd., Ste. 120-370
Irving, TX 75063
swallowtailroyalties.com
Focus: Midland Basin
Preferred deal size: $1MM-$100MM

T

Texas Royalty Corp.
Tom Schoonover
CEO, President
512-306-1717
tom@texasroyalty.com
500 N. Capital of Texas Hwy., Bldg. 4-200
Austin, TX 78746
texasroyalty.com
Focus: Austin Chalk, Permian, Delaware Basin, East Texas Conventional
Preferred deal size: Up to $25MM

Three Rivers Royalty
Tiffany A. Culp
VP Legal & Land
724-300-8063
tiffany.culp@threeriversroyalty.com
100 Adios Drive, Ste. 1110
Washington, PA 15301
threeriversroyalty.com
Focus: Marcellus-SW Appalachia
Preferred deal size: All

Tower Rock Oil & Gas
Brandon M. Guidry
Vice President, Business Development
512-524-0395 x106
bguidry@towerrockog.com
PO BOX 5746
Austin, TX 78763
towerrockoilandgas.com

Tregan Energy Partners LP
Reid Stein
Vice President, Director of Finance
214-220-2284
reid.stein@tregan.com
200 Crescent Court, Ste. 1040
Dallas, TX 75201
tregan.com
Focus: Permian, Eagle Ford, Haynesville, OK, Bakken

Triple Crown Energy LLC
Chase Williams
Principal/Manager
918-518-5422
2201 S. Utica Place, Ste. 100
Tulsa, OK 74114
triplecrownenergy.com
Focus: STACK/SCOOP/Merge, Western Anadarko, Permian, Eagle Ford, Marcellus, Utica

Tumbleweed Royalty
Grant Wright
Vice President of Land & Acquisitions
817-840-5430
gwright@tumbleweedroyalty.com
508 W. Wall, Ste. 1250
Midland, TX 79701
tumbleweedroyalty.com
Focus: Permian
Preferred deal size: up to $50MM

U

UNI Royalties Ltd.
Patrick Womack
President/Chairman
sellroyalties@gmail.com
720-663-1187
P.O. Box 1959
Parker, CO 80134
uniroyalties.com

Universal Royalty Co.
Ryan Miller
214-706-9933
ryan@universalroyaltyco.com
8235 Douglas Ave., Ste. 1030
Dallas, TX 75225
Focus: TX, NM
Preferred deal size: Any

V

Venable Royalty Ltd.
Patrick R. Van Ooteghem
Chief Acquisitions Officer
888-777-5028
patrick@venableroyalty.com
5910 N. Central Expressway, Ste. 1470
Dallas, TX 75206
venableroyalty.com
Focus: Marcellus, Eagle Ford, Permian, Haynesville
Preferred deal size: $250,000-$5MM

Vendera Resources
Wood Brookshire
Founder/CEO
abrookshire@venderaresources.com
469-248-3079
2626 Cole Ave., Ste. 750
Dallas, TX 75204
venderaresources.com
Focus: Haynesville
Preferred deal size: $1MM-$10MM

Ventana Exploration and Production
Heather Powell
President
405-754-5010
hpowell@ventanaep.com
13832 Wireless Way,
Oklahoma City, OK 73134
ventanaep.com
Focus: Onshore Non-op and Minerals

Vero Minerals LLC
David Vasquez
Managing Director
214-662-0431
david@verominerals.com
535 W. 20th St., Ste. 230
Houston, TX 77008
verominerals.com
Focus: PDP, undeveloped unconventional
Preferred deal size: $3MM+

Viking Minerals
Ran Oliver
CEO
Court Roueche
COO
405-606-7424
ransome@vikingminerals.com
101 N. Robinson, Ste. 940
Oklahoma City, OK 73102
vikingminerals.com
Focus: Permian, Eagle Ford, Midcontinent
Preferred deal size: $1MM+

Viper Energy Partners LP
Travis Stice
CEO
432-221-7430
500 W. Texas, Ste. 1200
Midland, TX 79701
viperenergy.com

W-Z

Warpaint Resources LLC
Robert Dow
Partner
214-423-9900
dow@warpaint.us
6175 Main St., Ste. 250
Frisco, TX 75034
warpaintresources.com
Focus: TX, OK, CO, LA, ND, NM, WY
Preferred deal size: $50,000-$5MM

West Bend Energy Partners
Charlie Scherer
817-996-8170
charlie@basenergyholdings.com
P.O. Box 472087
Fort Worth, TX 76147
westbendenergy.com
Focus: Permian

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

Wilco Properties Inc.
214-521-3222
info@wilcoproperties.com
4809 Cole Ave., Ste. 107
Dallas, TX 75205
wilcoproperties.com

Windswept Royalties LLC
Jesse Baldwin Kimball
Managing Member
214-267-1104
kimballj@windsweptenergy.com
3838 Oak Lawn Ave., Ste. 1414
Dallas, TX 75219
windsweptroyalties.com
Focus: OK, TX, PA
Preferred deal size: $50,000-$30MM

Wing Resources LLC
Nick Varel
214-389-1060
info@wingoilandgas.com
2100 McKinney Ave., Ste. 1540
Dallas, TX 75201
wingoilandgas.com
Focus: Permian
Preferred deal size: Any

Wolf Resources LLC
Kevin Conners
Manager
kconners@wolfresourcesllc.com
719-351-4414
621 17th St., Ste. 1601
Denver, CO 80293
wolfresourcesllc.com
Focus: Denver-Julesburg, Powder River, Bakken

Wynn-Crosby
972-380-5500
info@wynncrosby.com
1601 Bryan St., Ste. 4300
Dallas, TX 75201
wynncrosby.com


PUZZLING TIMES?
X M D A C X A Y O S A
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