

# MINERAL, ROYALTY & SURFACE OWNERS (MRSO) CLASS DESCRIPTIONS

## **OVERVIEW OF THE ENERGY INDUSTRY / OIL & GAS LAW FOR ROYALTY OWNERS**

In this class, we consider the history of the oil and gas business and key aspects of oil and gas law and regulatory issues impacting the industry and those who own the minerals and surface. To be most effective, you, and those who advise you, must understand where the industry has been and where it is heading and this involves understanding various regulatory bodies that have great power over such matters as pooling and unitization, zoning, right of ways, pipeline and trucking issues, eminent domain, condemnation proceedings and taxes. You must understand the role of documents of title and recording systems, the types of mineral interests, the Rule of Capture and the Doctrine of Correlative Rights. We will also discuss mineral conveyances, types of title, title issues and why it makes sense to keep good records. What it means to claim there is dominance of the mineral estate over the surface estate is critical to understanding surface use and damages. We will discuss the basic tenants of energy law, conveyance of minerals, types of mineral interests, title issues, and the importance of a good filing and records system.

## **LEASING & SURFACE USE AGREEMENTS**

Mineral owners, and their advisors, are typically at a disadvantage when negotiating a lease. In this class, we discuss savings, termination and administrative clauses in the lease and provide examples of how lease clauses matter and how they can be interpreted and negotiated. We deal with executive rights, who can sign a lease, powers of attorney, the rights of minors, implied covenants of the lease, the role of pooling and unitization and "forced pooling." We will also discuss modifications to the lease and the use of surface use agreements and concepts like "reasonable and necessary" and "reasonable accommodation" as we learn about limitations on surface use and damages. Students will negotiate leases and surface use agreements and settle damage claims.

## **UNDERSTANDING ROYALTY CALCULATIONS AND DIVISION AND TRANSFER ORDERS**

In this class, we cover the critical royalty clause and its various alternative wording and meaning. We also cover the Shut-In Royalty and Delay Rental clauses and cover all of the formulas for working interest, overriding royalty interest and royalty interest calculations. We discuss the reasons and formulas for calculating net mineral acres, net leasehold acres derived from net mineral acres, gross WI and net revenue interest for participants in a well, and the impact of the Proportionate Reduction clause and the Pooling clause. We also discuss how to read and interpret Division Orders and Transfer Orders/Letters and what to do if you, or your advisors, suspect something is wrong. We will review production reports and various other reports filed by the oil companies and how they can be accessed and used by mineral owners. We also discuss the role of online sources of information including the role of the state conservation commissions. Students should bring a simple calculator to class along with copies of Division Orders and check stubs.

## **TAXATION & ESTATE PLANNING / ROLE OF MINERAL INTERESTS IN FINANCIAL PLANNING**

Mineral owners, and their advisors, need to plan effectively for wealth management and wealth transfer success. Knowledge of various options can be important for not only succession planning but also for pre and post marital planning. Additionally, we discuss how to effectively use all possible income tax planning strategies to minimize unnecessary state and federal income taxes. In this class we discuss the role of record keeping and the role of property, estate and gift taxes. Estate planning includes engaging in the kind of planning necessary to protect your mineral interests and make sure they pass to your heirs and devisees in the most effective way. If such planning is not performed, inheritance taxes can destroy the value of your estate. We evaluate the use of gifts and conveyances, including the creation of life estates, term deeds, various kinds of trusts, investing in working interests and the use of LLCs and other vehicles used to reduce risk and tax exposure.