



West Virginia Surface Owners' Rights Organization
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**Surface Owners' Rights Organization offers advice to mineral owners
approached about selling their rights**

Mineral owners should retain their rights, rather than letting others reap profits

(Charleston, WV) The WV Surface Owners' Rights Organization (WV-SORO) says that mineral owners contact them on a regular basis with questions because they have been approached by a company or individual that is offering to buy their mineral rights.

"Often the first question someone asks us is, 'How much should I sell for?' We think that is the wrong first question. The first question you should ask is, 'Should I sell at all?' And the answer is almost always, 'No!'" said David McMahon, an attorney and co-founder of WV-SORO. "If you have a dread disease or if you are way up in years, and if you have a bucket list of things you want to do that you may not otherwise be able to afford to do before it is too late, then maybe you should consider selling. Otherwise, it is a bad idea."

McMahon explained that companies or individuals looking to buy the mineral rights do so because they know they can turn around and sell it, or more likely, lease it to a gas company, for a profit – often a big profit.

"We have heard of land being sold, and within weeks the buyer leases it to a driller for a signing bonus of twice the cost per acre they paid to buy it, and the buyer keeps the right to receive a royalty that is more valuable than the up-front payment per acre," said McMahon. "That is a lot of money the landowner has given away."

One exception may be if your interest is very, very small. For example, if you and 25 second cousins twice removed jointly own a four-acre tract, your share or interest is 0.16 "net acres".

"If your interest is that small you may want to sell and be done with it. Or you might want to give it to the surface owner, or donate it to a charity," said McMahon. If mineral owners decide they want to give their interest to the surface owner, McMahon said SORO can help them find the person that owns the land above their mineral tract in order to reunite the surface and the minerals.

He added that some of these companies and individuals offering to buy minerals are thinking long term and may not sell or lease it for a few years. Those companies' activities are more widespread, and they usually offer very little for the minerals they try to purchase. Other companies and individuals have more immediate plans. Often they have researched drilling activity and know a driller is interested in a particular area. These buyers give more attention to and put more pressure on mineral owners. When mineral owners counter, and the potential buyer is quick raise their offer, the more likely it is imminent that a driller is going to approach you for a profitable lease – if that is what you want to do.

“For those interested in leasing, we recommend waiting until the driller comes to you,” said McMahon. “Contacting them first sends a bad message to the driller that you are anxious to sign a lease, so they will think they will not have to pay you as much as they would otherwise. Better to seem uninterested, hard to get, or even cynical.”

Those who really want to go looking for a driller to lease to, should get together with their neighbors and put together several hundred acres, and look and bargain together, he said. Drillers are much more interested in leasing large tracts of several hundred acres – up to 600 or 1200 acres. However, McMahon cautioned against forming groups that are too big (i.e.: thousands of acres). “It has been done successfully, but the interests and goals of that many people can be diverse and things can easily fall apart,” he said. People thinking that big should call us first.

For mineral owners who ultimately decide they want to sell, it is hard to advise how much they should get. Different counties and even different districts within a county have different markets due to the volume and quality of the gas bearing formations in the mineral tracts. Values change sometimes from month to month as discoveries become known or competition goes up and down. For those who own more than a small share, it is probably worth the money to hire a lawyer or land management company advise them.

McMahon says, think hard before selling and if you want to sell, think big. “Don’t think like a poor West Virginian, think like a rich Texan.”

For example, McMahon says SORO has seen estimates that in some areas the gas from the Marcellus Shale is sold as it is produced for \$85,000 an acre, not including the liquids that come up with the gas that can be sold separately, and which in some areas are worth as much as the gas. At an 18% royalty, that would be about \$15,000 an acre paid to the mineral owner just for the gas over the “life” of the wells or wells, which is probably 20 years or so. Other estimates predict that over that period of time wells from one pad can pay \$30,000 in royalty per acre in some places.

Minerals should be valued at what they are worth to the buyer not the seller. McMahon says do not sell for what the mineral interest was worth to you before they showed up, sell for what it will be worth to them. “We think people should ask for \$15,000 or \$20,000 an acre. Horizontal shale gas drilling generates lots of money – enough to do it right environmentally, enough to honor the rights of surface owners, and enough to pay mineral owners what mineral interests are worth to the drillers.”

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