

OIL AND GAS ROYALTY MANAGEMENT

Issues in managing your oil and gas royalties

Several million Americans own oil and gas royalty interests, also known as producing mineral interests, oil royalty, or gas royalty. For a variety of reasons, sometimes these interests can become cumbersome to own and manage. Let's look at some of the issues regarding oil and gas royalty management

Succession Planning

As families plan toward passing assets (and the management thereof) to the next generation, due consideration should be given to the handling of oil and gas royalties. Does the next generation know how to manage them? Does it make sense to split the royalty interests 2,3,4 or more times? Generally, the smaller the royalty interest becomes, its value is disproportionately reduced. Do the math... Mineral interests have continually become more and more fragmented through the generations. Is $\frac{3}{16}$ of $\frac{1}{2}$ of $\frac{1}{32}$ in 40 acres worth the trouble? Tens of thousands of royalty owners have a decimal interest starting with .00000xxx.

Estate Cleanup

Tidying up an estate is an excellent way to reduce the burden of managing oil and gas royalties. Estates often contain an oil or gas interest that is the "odd man out" type of asset requiring a disproportionate amount of administrative oversight.

Oil and Gas Royalties Become Too Complex to Manage

Regardless of whether you own an interest in 1 or 100 wells, you're a party to a monthly transaction involving money. As such it's simply prudent to stay on top of things. Depositing the revenue, accounting for it, and paying taxes on the royalty income are all part of the deal. At times there comes a point when the hassle factor simply outweighs the benefit of owning the oil or gas royalty