

# AMERICAN INSTITUTE OF MINERALS APPRAISERS

(A Colorado Non-Profit Corporation)

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Subject: American Institute of Minerals Appraisers -- Membership Material

Dear Friend and Colleague:

We have heard of your interest in the field of *appraisal* of minerals. I have been active in that field, myself, for many years, including oil and gas, coal and other energy minerals, precious and base metals, industrial minerals, and most other commodities. I have experienced the limitations of the use of the income approach as you are increasing the distance or time from the producing stage, and I have been frustrated by the lack of sales comparison data.

Throughout my career, I have learned to have respect for appraisers of other types of properties, be they real estate or personal property. I have learned a lot from such other appraisal professionals, and in particular I have learned of the substantial differences between real estate and mineral properties. I have also battled with other appraisers in court, when the opponent is unaware of the limitations of real estate appraisals as applied to minerals.

As mineral appraisers, we have many additional problems to face, including state and federal legislation which may require a *minerals appraisal* to be signed off by a *real estate appraiser*. It was for this reason, among others, that a small group of us in 1991 formed an institute for minerals appraisers. We have membership requirements, By-laws, a Code of Ethics and procedures for handling complaints. The Code of Ethics must be read and adopted by every candidate. We are incorporated as a non-profit organization in the State of Colorado. We have laid out a program to provide representation, education and certification for our profession.

Many of us have had considerable experience in *evaluation* of producing oil or mineral properties early in our careers. At some point we found that we knew less about *valuation* or *appraisal*. We also found that many of our peers were engineers and geologists who would supply their clients with an *evaluation* of a prospect, based mostly on potential income; discounted cash flow methods were over-used, even for wildcat acreage or for unpatented claims.

Minerals appraisers should of course have *technical* education and experience in oil and/or minerals, but they should also have a working knowledge of *appraisal principles* and techniques through education and experience. An AIMA-certified minerals appraiser is thus basing his or her work on a combination of knowledge of the technical minerals field and the appraisal profession.

Surface appraisers cannot (with maybe a few exceptions) become minerals appraisers overnight, because they do not have the building blocks of technical experience and education. They need continuing education courses "for the non-professionals", and years of working relationship with a technical appraiser. On the other hand, geologists and engineers with their technical education and experience can, if open and willing, acquire the basic principles and techniques of the appraisal profession by studying and taking continuing education courses of which there are many.

Then there is a highly legal aspect of some minerals appraisals. For example, to do an apportionment one must fully understand the nature of the many and varied different ownerships that have been carved out of the minerals estate. That is a tough task for many engineers and geologists; and unless they fully understand the nature of these interests (the "sticks") and how they relate to the value of the whole estate (the "bundle"), they will most likely evaluate and appraise the various parts separately and violate important standards.

We try to make a distinction between *surface* appraisers and *minerals* appraisers. We try to make the additional distinction between people educated and experienced in the technical aspects of the minerals industries and minerals *appraisers*.

Certification by the AIMA is limited; however, there are some advantages to certification:

1. It will satisfy the U.S. Government procurement agencies and most state and local governments.
2. It will educate surface appraisers to the fact that they are working beyond their level of competence when they perform minerals appraisals.
3. It will be a source of business for members of the Institute.
4. It will, to some degree, put the world on notice that minerals appraisal is a specialty area, separate and apart from engineering and geology.
5. It will provide the necessary appraisal education.
6. As more states take up the regulation of the appraisal profession, the minerals appraisers will be protected and recognized as a specialized field.

We appreciate your interest in joining and enclose a packet of application material. You will find:

- Initial Requirements for Certification as a Minerals Appraiser

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- Certification Procedures
- Application Form for Certification as a Minerals Appraiser
- Sponsor Recommendation Forms (3)
- By-Laws
- Code of Ethics
- Sample of Periodic Newsletter of the AIMA

We invite you to submit your application for certification. Additionally, please enclose a check for \$60 for the application fee upon submittal of your application (see 2.4.1 Applications in the Bylaws). We also encourage you to visit our website at [www.mineralsappraisers.org](http://www.mineralsappraisers.org).

Very truly yours,

AMERICAN INSTITUTE OF MINERALS APPRAISERS

A handwritten signature in black ink, appearing to read "John B. Gustavson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John B. Gustavson  
Secretary

enclosures