

INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

P.O. Box 19529 Boulder, Colorado 80308

NEWSLETTER

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IN THIS ISSUE

2022 IIMA Fall Conference
Fall Conference Sponsors
7-Hour USPAP Course
Fall Conference Technical Sessions
Continuing Education Hours
2022 SLC Meeting Recap
Fair Market Rental Value
2022 Fall Conference Details

2022 IIMA Fall CONFERENCE IN CANONSBURG, PA!

Greetings, IIMA members! I hope your summer has been both exciting and productive. This year marks a special occasion for IIMA with our second ever Fall Conference occurring in Canonsburg, PA. This conference is sure to please with a full slate of technical session speakers and even a USPAP refresher course. Many thanks to **Betsy Suppes**, **Kimberly Ayers**, and others from IIMA who have carefully planned this event to be one that is not worth missing.

Location

Southpointe Golf Course,
360 Southpointe Blvd, Canonsburg, PA 15317

Events

October 11: 7-hr. USPAP Refresher Course

Time: 8:30 am–4:30 pm. Happy hour 5–7pm.

October 12: Mineral Appraisal Technical Sessions

Time: 9 am–4 pm. Eight presentations!

Make your accommodations soon - the hotel block has filled rapidly. Registration for the USPAP refresher class (Tuesday, Oct. 11) may be completed through the Appraisal Institute website. Registration

for the Fall Conference (Wednesday, Oct. 12) is done separately by referencing the attached flyer ([linked here!](#)), sending your payment, and emailing Betsy Suppes at bsuppes@atlanticbb.net.

THANK YOU Fall CONFERENCE SPONSORS

Friendships, partnerships, and the ability to learn from one another are just a few amazing benefits within our IIMA community. Thank you to our conference sponsors. This event is made possible not only through registration fees, but also through the kind contributions of our own IIMA members.

Gold Reception Sponsors

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*Earthtech Inc.
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Howard Engineering, Inc.*

Conference Arrangements

By Ayers Petroleum

7-HR USPAP COURSE

This course will occur on Tuesday, October 11, and will cover recent changes to USPAP requirements for ethical behavior and competent performance. The course clarifies commonly misunderstood aspects of USPAP and will assist appraisers in navigating this standard within their area of appraisal practice. This course will benefit anyone seeking updated proficiency with USPAP, including those needing a refresher course for state license boards or other professional organizations, client groups, or employers.

FALL CONFERENCE TECHNICAL SESSIONS

With so many presentations provided through IIMA, we regularly receive real “in-the-trench” experience and knowledge from our own membership and other industry experts. This lineup of presentations is **no exception!** Many thanks to our presenters for making these sessions possible:

Comparability – One of the Most Misused Concepts in Appraising Mineral Properties

Alan Stagg

Stagg Resource Consultants, Inc.

Mineral Appraisal in Financial Reporting: Fair Value and an Overview of the Excess Earnings Method

Darwin Werthessen

PwC

Musings Over Four Decades of Mineral Valuation

Ronald Lewis

John T. Boyd Company

Other Considerations when Appraising Unconventional Oil and Natural Gas Assets

Paul Dudenas

Paul Dudenas, LLC

The Role of Marketing Studies in Mineral Property Appraisals

Dennis Noll

Earthtech, Inc.

Estimating Phosphate Property Value by Sales Comparison Approach

Elliott Mallard

The Principle of Substitution in Minerals

Appraisal

Evan Mudd

Rock Associates, Ltd.

Conservation Easements - What the IRS and Courts will Accept and Not Accept - A review of some mineral/mining claims accept and denied

Jeff Kern

Resource Technologies Corp.

Continuing Education Hours

Evan Mudd

It's a familiar scene—An assignment requires mineral interests to be valued for estate, government, acquisition, or perhaps a lending purpose. A minerals appraiser is contacted alongside an array of commercial real estate appraisers, managerial consultants, investment bankers, and others.

One firm is retained for the job. But to no avail, it was not our own.

Time marches on. The phone rings.

It's baaaaaack! Enter Act 2.

But two questions quickly come to mind: Why the boomerang, and are we *prepared* to help?

Continuing education is vital to minerals appraisers because this is...honestly tough work. And it's especially challenging to appraise minerals consistent with our numerous industry standards, including USPAP - *credibly* and *reliably*.

To bolster public trust, in 2011, by membership vote, IIMA began requiring Certified members to have earned 30 hours of continuing education over the most recent 3-year period. Essentially, this is an average of 10 hours per year.

The goal: *To certify the qualifications of individual Member appraisers to the public. (IIMA Bylaws Article 1.2)*

IIMA members are part of a select group having the dual training and experience to connect real geologic context to the value of mineral assets. Naturally, setting our standards high enhances trust—and leads to many of those repeat phone calls along the way.

So, remember to seek out excellent CE opportunities and track your instructional hours. IIMA operates on a 3-year education cycle for Certified members.

2022 SLC Meeting Recap

In February of 2022, IIMA members from across the US and Canada attended the SME/IIMA Conference in Salt Lake City. Emerging from what seemed to be either an era or epoch of COVID-19, what a terrific occasion it was to meet in person again. This was truly a special reunion that also capped off IIMA's 25th year as an organization.

Many of the technical valuation sessions were attended not only by IIMA members but also by numerous guests from the larger SME population. IIMA retained special accommodations for this 25th year anniversary in the Hilton Salt Lake City Conference Center Diamond Suite.

Many thanks to all who made it possible to attend this event through your contributions of time, expertise, and charitable donations. Minutes from our annual luncheon meeting are attached to this newsletter.

FAIR MARKET RENTAL VALUE

Excerpt from the Archives
John B. Gustavson, 1998

Our members may have to deal with the concept of Fair Market Rental Value. It comes up when appraising leaseholds and other mineral rights which have been subject to “taking” by the Government and subsequently released back to the property owner. Compensation may be justified.

The legal standard for measuring compensation in temporary takings cases is the Fair Market Rental Value of the occupied or taken premises for the term specified. The methodology is reasonable, as discussed below; all standards of the appraisal profession must be followed such as USPAP and UASFLA.

When the Government acquires an interest through the mechanism of a temporary taking, the condemnor in question (the Government) will be obligated to pay the fair market rental value due at the beginning of the rental period as just compensation. Thus, any estimated periodic market rent must be adjusted for time value of money into one single payment to be assumed to be paid in advance on the date of the onset of the temporary taking.

Comparable Sales Approach

The Fair Market Rental Value can be estimated by researching the current market rental value of comparable properties. This value is demonstrated in market transactions, such as advance minimum royalties, bonuses, acreage rentals, options, and similar monetary considerations. These rentals or “sales” can then be adjusted to the subject following standard practices.

Estimates of rental value must first be separated into two distinct phases. These can be related to the highest and best use of the property. The first phase is the exploration and evaluation period during which the mineral rights owner allows an operator (or himself) to explore and evaluate the property and its potential market. For allowing this under a typical contract (lease, rental, option, a.o.) the mine operator pays the mineral rights owner considerations such as bonuses, delay rentals, option payments, advance royalties, and other considerations. These considerations are economic rents. During this period the property is not available to others or to the mineral rights owner himself for competing purposes. It is under contract or, in other words, it is “taken” by the mine operator for the contractual period.

During this first phase practically no minerals are removed from the property. The minerals are still in the ground even when this phase ends. This temporary period may terminate with the expiration of the contract or with the onset of the second phase at the operator's option, the production period. Any temporary taking by the Government during this first period, or extensions or repeats thereof, can therefore be handled for the mineral rights owner in complete parallel with a mine operator's rental of the property. The rental market will yield data about comparable rentals and adjustments may be made as required.

In the second situation, namely, during the production phase, the activity involves removal and sale of minerals such as oil, gas, coal, gold, or other commodities. Therefore, the mineral deposit is being depleted. For allowing the mine operator to remove and sell the owner's minerals, the mineral rights owner receives a consideration such as a royalty payment, a net smelter return, a net profits interest or similar considerations. If the Government interrupts this production phase, once commenced, then the mineral rights owner suffers the immediate loss of royalty income. This can be estimated by discounted cash flow methods, but it is partially offset by the fact that the minerals have not been depleted while under a temporary taking. This can also be estimated.

Market Rental Approach

Another method is based on considering the property as a capital asset the use of which is temporarily tied up. Even while unused, the "parked" capital still costs the owner money (his cost of capital) during the temporary taking. Now, there are conventional ways to estimate the value of the asset (its Fair Market Value) as well as the monthly cost of capital (the "interest") in the particular industry sector. Therefore, simple multiplication of the value by the interest and further by the number of months provides another approach to the Fair Market Rental Value.

While we are discussing minerals, federal land appraisal standards suggest utilizing "an

appropriate interest rate on the land value if rental data is lacking." Still when rental data is available, it is of course the most powerful market approach. The "tied-up" capital approach is mainly of interest because it can provide a reality check on the results of the former approach.

The weighted average cost of capital is considered a fair approximation of the interest rate for a no-risk (no cash flow risk) delay in the use of capital. It costs the mineral rights owner money to have his capital tied up by the Government. This may also be the hurdle rate that companies would seek on any given investment.

Reconciliation of FMRV

This Appraiser considers the Comparable Sales Approach to be the most reliable for estimating FMRV because it is based on actual market data. In addition, the interest applied to the tied-up mineral rights value can serve as a reality check to further guide the FMRV.



INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

(A Colorado Nonprofit Corporation, aka American Institute of Minerals Appraisers)

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Continuing Education Committee Report

For inclusion in the newsletter

The Executive Committee resolved at the most recent quarterly meeting the current inquiries and business regarding Continuing Education, our current CE requirements, and other similar points of interest.

The most recent guidance (IIMA Bylaws 2.5.3 Continuing Education Requirement) announced May 31, 2011 established that the continuing education requirement shall be no less than an average of 10 hours per year over the most recent three-year period. At least one of the hours every year must be Ethics-related, a USPAP Refresher course is suggested (required for state-licensed appraisers) every two years, and surplus hours may be rolled forward to a future period. Certified Members are responsible for tracking their own continuing education and confirm annually they are compliant when renewing their membership.

The amount of CE claimed for any period is determined by the appraiser. General guidelines regarding time credit are provided below:

Valuation Sessions:

Presenting – 3 hours

Chairing a Session – 2 hours

Attending – 3 morning/3 afternoon

Independent Study

Review of presentations made during the Mineral Valuation Sessions of previous SME and IIMA Annual Meetings.
½ hour per session viewed

Online courses:

Time credit for online courses through third-party vendors may be counted at the same rate, i.e., Appraisal Institute courses, American Society of Appraisers courses, EduMine courses, etc. can be counted for the number of hours in the course or a suitable fraction as the appraiser deems directly applicable to valuation of mineral property”.



INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

P.O. Box 19529, Boulder, Colorado, USA 80308, U.S.A. Web site: www.mineralsappraisers.org

2-Day IIMA Fall Conference

Venue: Southpointe Golf Course—360 Southpointe Blvd, Canonsburg, PA 15317
- courtesy Kimberly Ayers, Ayers Petroleum Consulting, LLC

October 11, 2022 — 7-hour USPAP Refresher Course — 8:30 am—4:30 pm

- **Mark Smeltzer—Instructor the Appraisal Institute**

- **Course Description:**

The course covers recent changes to USPAP requirements for ethical behavior and competent performance. The course clarifies commonly misunderstood aspects of USPAP, assists appraisers in areas of appraisal practice seeking updated competency in USPAP, including state licensing, certification, and CE requirements required by professional organizations, client groups, or employers.

- **Cost:** The discount code is: NCMT521028 for IIMA and AI members
 - \$265 General Admission (non IIMA members)
 - \$250 IIMA Members (Affiliate, Associate, and Certified)
 - Continental Breakfast, Lunch, & online access to course materials included

- **Registration link:**

https://ai.appraisalinstitute.org/eweb/DynamicPage.aspx?webcode=EventInfo&Reg_evt_key=2293DD0C-AF61-4B78-9000-7FCCFBD91515&goback=0

October 12, 2022 — Mineral Appraisal Workshop — 9 am—4 pm

- **Eight presentations on the challenges of mineral appraisals (hydrocarbons, coal, aggregates, and ores)**

- **Cost:**

- \$125 General Admission (non IIMA members)
- \$100 IIMA Members (Affiliate, Associate, and Certified)
- Continental Breakfast, Lunch, & jump drive with presentations

- **Registration link:**

<https://www.mineralsappraisers.org/uploads/events/2022-IIMA-FallConference.pdf>

OR

Step 1. Advise Betsy Suppes by Email of your intention to participate: bsuppes@atlanticbb.net

Step 2. Mail your check to IIMA, P.O. Box 19529, Boulder, Colorado, USA 80308

Housing:

A block of rooms will be held for the attendees of this conference at:

**The Hilton Garden Inn, Southpointe,
1000 Corporate Dr, Canonsburg, PA 15317**

Oct. 11 & 12, 2022

IIMA Fall 2022 Conference

The NEWSLETTER is published by the International Institute of Minerals Appraisers, PO Box 19529 Boulder, Colorado, 80308 USA: Phone: (303) 443-2209; Fax (303) 443-3156

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Special thanks to the contributions made. The strength of the IIMA organization is through the commitment, education, and contributions of its members. We are always looking for

articles to enhance our profession, and we welcome any material that members may provide.

All articles are contributed on a volunteer basis. The views and opinions expressed in any and all articles are those of the authors and do not necessarily reflect those of IIMA or your Newsletter Editor. If any IIMA member would like to professionally add-on to, rebut, or clarify any articles, I will feature such articles in the following newsletter. Thank you!
