



INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

(A Non-Profit Professional Organization)

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 comparable sales 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 business valuation, appraisal of surface real estate and of 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 (Paul Fly, Chuck Melbye, Don Warnken and myself) in 1991 formed an institute for minerals appraisers. We have membership requirements and by-laws and 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. A Code of Ethics has been approved by our Membership and must be accepted by every applicant.

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.

Minerals appraisers preferably should have technical education and experience in oil and/or minerals and they should have a working knowledge of appraisal principles and techniques through education and/or experience. The 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 such as having a baccalaureate in geology or mining or petroleum engineering) become minerals appraisers overnight, because they do not have the building blocks of technical experience and education. They need continuing education courses 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 as is offered through our Mentoring Program.

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; but unless they fully understand the nature of these interests and how they relate to the value of the whole mineral estate, they will most likely evaluate/appraise the various parts separately, which will have little relationship to the whole.

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 IIMA is limited, and there are some advantages to certification:

1. It will satisfy the U.S. Government procurement agencies and most state and local governments as well as some stock exchanges.
2. It will increase your credibility when working as an expert in court cases.
3. It will educate surface appraisers to the fact that they are working beyond their level of competence when they perform minerals appraisals.
4. It will be a source of business for members of the Institute.
5. It will, to some degree, put the world on notice that minerals appraisal is a specialty area, separate and apart from engineering and geology.
6. It will provide the necessary appraisal education and keep you current through our Continuing Education program.
7. As more states and countries take up the regulation of the appraisal profession, the appraisal of minerals will be protected and recognized as a specialized field.

We invite you to submit your application for certification.

Very truly yours,

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, Vice President
INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS