

SOME FACTORS AFFECTING THE DISTRIBUTION OF SUBSURFACE
MINERAL RIGHTS IN WESTERN OKLAHOMA

By

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CHAPTER	CONTENTS	PAGE
I	INTRODUCTION	1
	Scope of the Survey	2
II	METHOD OF PROCEDURE	5
	Analysis of Data	7
	Method of Projecting Analysis Into Counties Not Sampled	11
III	DISTRIBUTION OF OWNERSHIP OF MINERAL RIGHTS	15
	Sub-Area I	18
	Sub-Area II	20
	Sub-Area III	20
	Sub-Area IV	21
	Sub-Area V	22
	Sub-Area VI	23
	Western Oklahoma	23
IV	DISTRIBUTION OF LEASE INCOME	25
	Method of Determining Distribution of Lease Income	25
	Sub-Area I	28
	Sub-Area II	29
	Sub-Area III	29
	Sub-Area IV	31
	Sub-Area V	32
	Sub-Area VI	32
	Western Oklahoma	33
V	THE EFFECT OF MINERAL SEPARATION ON FARM MORTGAGES	34
	Sub-Area I	35
	Sub-Area II	35
	Sub-Area III	36
	Sub-Area IV	37
	Sub-Area V	37
	Sub-Area VI	38
	Western Oklahoma	38
VI	TAXATION OF SEPARATED SUBSURFACE RIGHTS.	40
VII	SUMMARY	45
	BIBLIOGRAPHY	47

LIST OF TABLES

NUMBER		PAGE
I	Separation of Mineral Rights, by Counties and Sub-Areas in Western Oklahoma	10, 11
II	The Percentage of Tracts Sampled Showing Separation of Mineral Rights and Number of Farms With Some Separation by Sub-Areas and for Western Oklahoma	13
III	The Proportion and Number of Farms with Half or More of the Mineral Rights Separated From the Surface	14
IV	The Percentage of Farms Owner-Operated; The Percentage of Mineral Rights, Owned by All Landowners and Acres of Mineral Rights Owned by Farm Operators	26, 27
V	Distribution of Oil and Gas Lease Income Among Various Holders of Subsurface Rights.	30
VI	A Comparison of Revenues From a Tax Assessed at \$10.00 an Acre and a Tax Based on the Estimated Income Value of Separated Mineral Rights	43

NUMBER	LIST OF FIGURES	PAGE
1	Area Studied and Boundaries of the Natural Sub-Regions of the Area	4
2	Counties Sampled.	6
3	Location and Townships of Tracts Sampled	8
4	Sub-Divisions of the Sample Area	19

CHAPTER I
INTRODUCTION

Numerous studies have been made on various phases of the relationships existing between the oil and gas industry and the agricultural economy. These studies have been complete in themselves but because of limited time and funds available to the investigator only segments of the relationships have been examined. As each of these studies was made and completed, it generally has been found to be lacking information that might be useful to students in the field of subsurface land economics. That is, as each researcher found the answers to his questions to the best of his ability, he nearly always found that his answers brought out new questions. It is because of this, that research is constantly carried on in many fields, but in the field of subsurface land economics, particularly, new questions are constantly presenting themselves as research in the field continues.

It has long been known that there is considerable separation of subsurface mineral rights from surface properties in Oklahoma. Little is known, however, how this division affects certain other factors. For instance, certain important lending agencies are not inclined to, or may even refuse, to make loans on land having less than 50 percent of the mineral rights intact. Little is known about the amount of land falling into this category. This study will attempt to determine the amount of land and the proportion of tracts that might be considered as poor security for a loan.

In addition there have been legislative proposals to place a tax on separated holdings of mineral rights in Oklahoma but little data are available to guide law makers as to the feasibility of such a tax. An examination will be made of the fiscal possibilities of a tax on separated subsurface rights in the portion of the state studied.

In a previous study an estimate was made of the income to undeveloped mineral rights in one area of the state.¹ This study will examine the distribution of this income between actual farmers and non-farmers.

Scope of the Survey

This study seems to be a logical sequel to an earlier study, therefore, the same area is used here as was used in that study.² There were some changes made, however, in the counties sampled in an effort to improve the sample and thus make a more comprehensive survey of the area. The area studied consists of the major part of Western Oklahoma (Figure 1).

The area, generally, follows the eastern border of the Central Prairies and the Low Rolling Plains. It is bordered on the west by the Texas line and extends into the panhandle of Oklahoma six miles beyond the western limits of Harper County. Oil prospecting was carried on in Western Oklahoma at only a few scattered points until a comparatively recent date, but has been more widespread during the past few years. Oil and gas leasing also

¹ Loris A. Parcher, Ten Years of Income to Land From Undeveloped Mineral Rights in Western Oklahoma. Masters Thesis, Oklahoma Agricultural and Mechanical College, 1949.

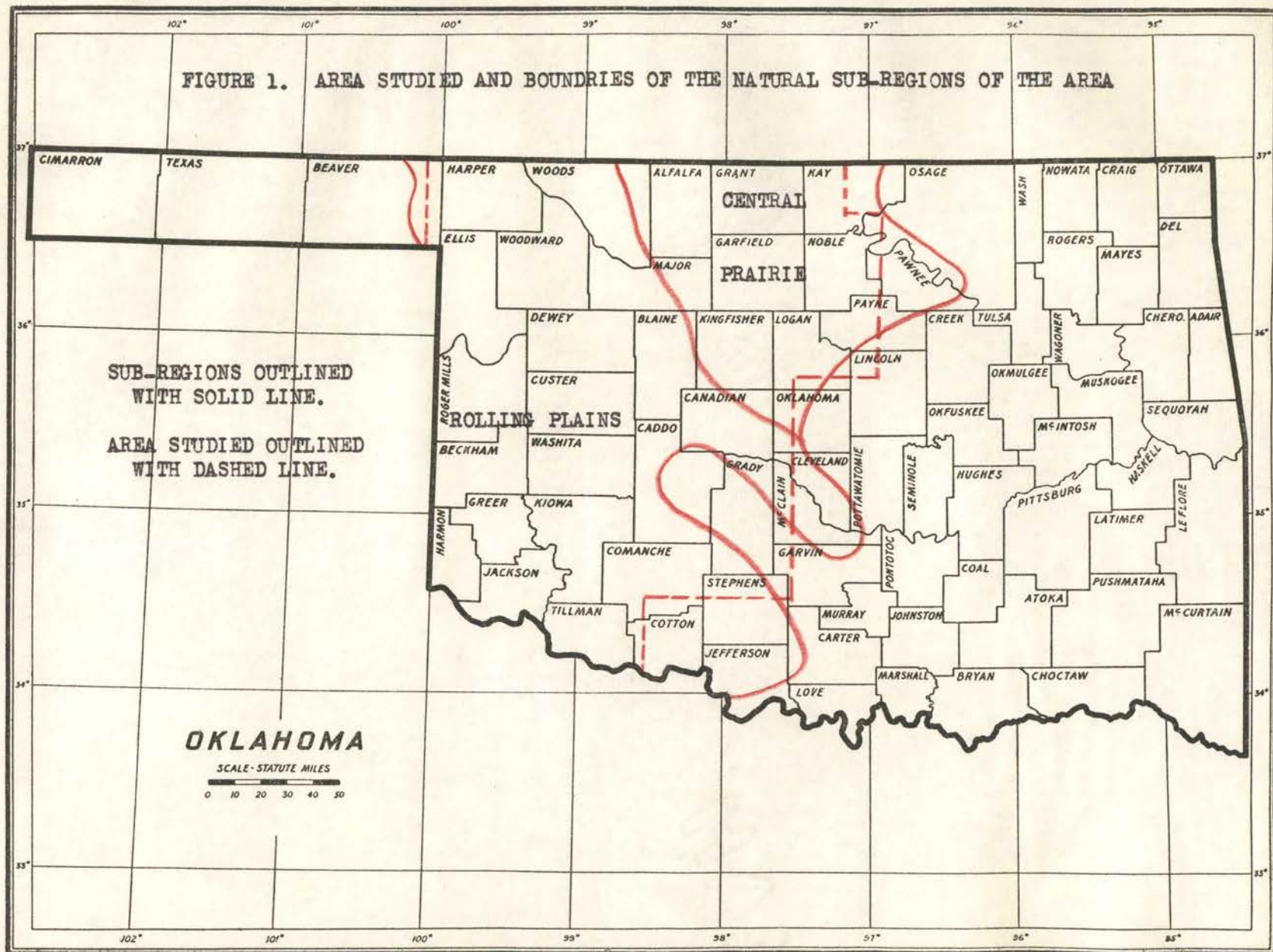
² Ibid.

was relatively inactive until the middle 1940's. Parcher's study shows a great upward trend in leasing in the area beginning about 1943.

At the present time there is no information available as to the relationship between the separation of surface and subsurface rights and leasing. However, the prevalence of leasing in the area for the past several years has made landowners and the public generally aware of the possibilities of mineral development. It is likely, therefore, that in the part of the State under study there has been activity from the standpoint of mineral transactions for at least five or six years. That is to say, extensive activity from the standpoint of leasing is at least notification that the area is considered a potential production area and, therefore, it seems probable that landowners have had opportunities to sell mineral rights.

It is believed that this study which shows the extent of separation of subsurface and surface rights in the latter part of 1949 will give an indication of the relative importance of such separation in various areas in the western part of the State.

FIGURE 1. AREA STUDIED AND BOUNDRIES OF THE NATURAL SUB-REGIONS OF THE AREA



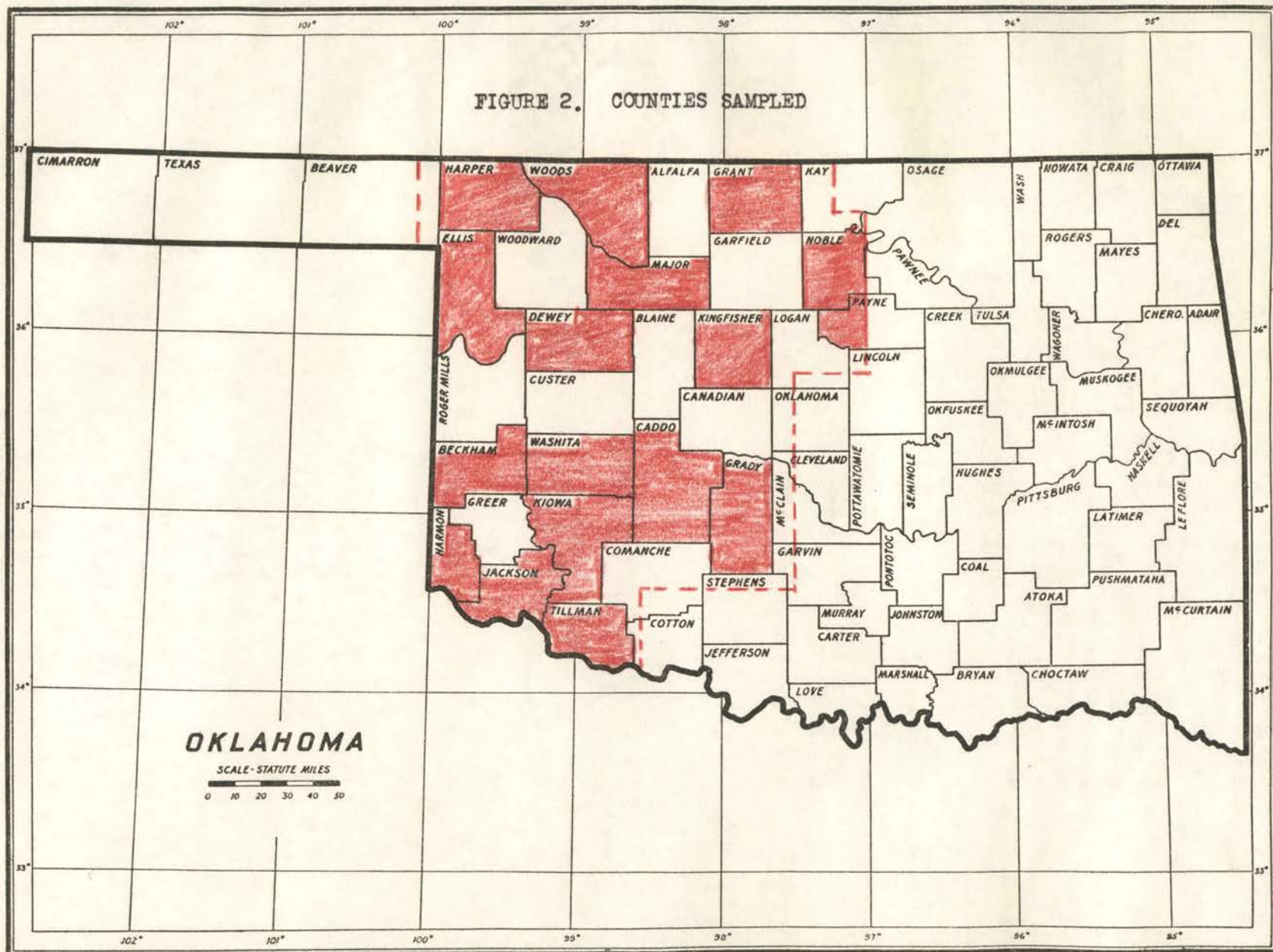
CHAPTER II

METHOD OF PROCEDURE

As it is obviously impossible to study each individual farm in an area as large as the study area, some method of sampling had to be chosen. Random selection of tracts within pre-selected townships was given some consideration. This method was not used because previous knowledge of certain areas might possibly cause bias in selecting the sample townships. For instance, knowing the location of an oil producing area perhaps would influence the sampler. That is, one might either attempt to avoid such an area, for fear that it would skew his sample, or he might choose such an area thinking it would give a more adequate picture.

The previous study made of this area indicated that a geographic distribution probably is necessary to gain adequate knowledge of the universe. As the same area was to be studied, the final selection of sample counties was made by using Parcher's¹ sample as a guide and adding Ellis, Dewey, Beckham, Washita, Caddo and Jackson counties (Figure 2). Four of the counties used in Parcher's study were then dropped from the sample for this study. These sample counties were selected in order to attempt to completely surround non-sampled counties with counties which had been sampled. It was thought that with the surrounding counties completely sampled, the figures from

¹ Ibid.



the sample counties could be projected into the non-sampled counties with more accuracy.

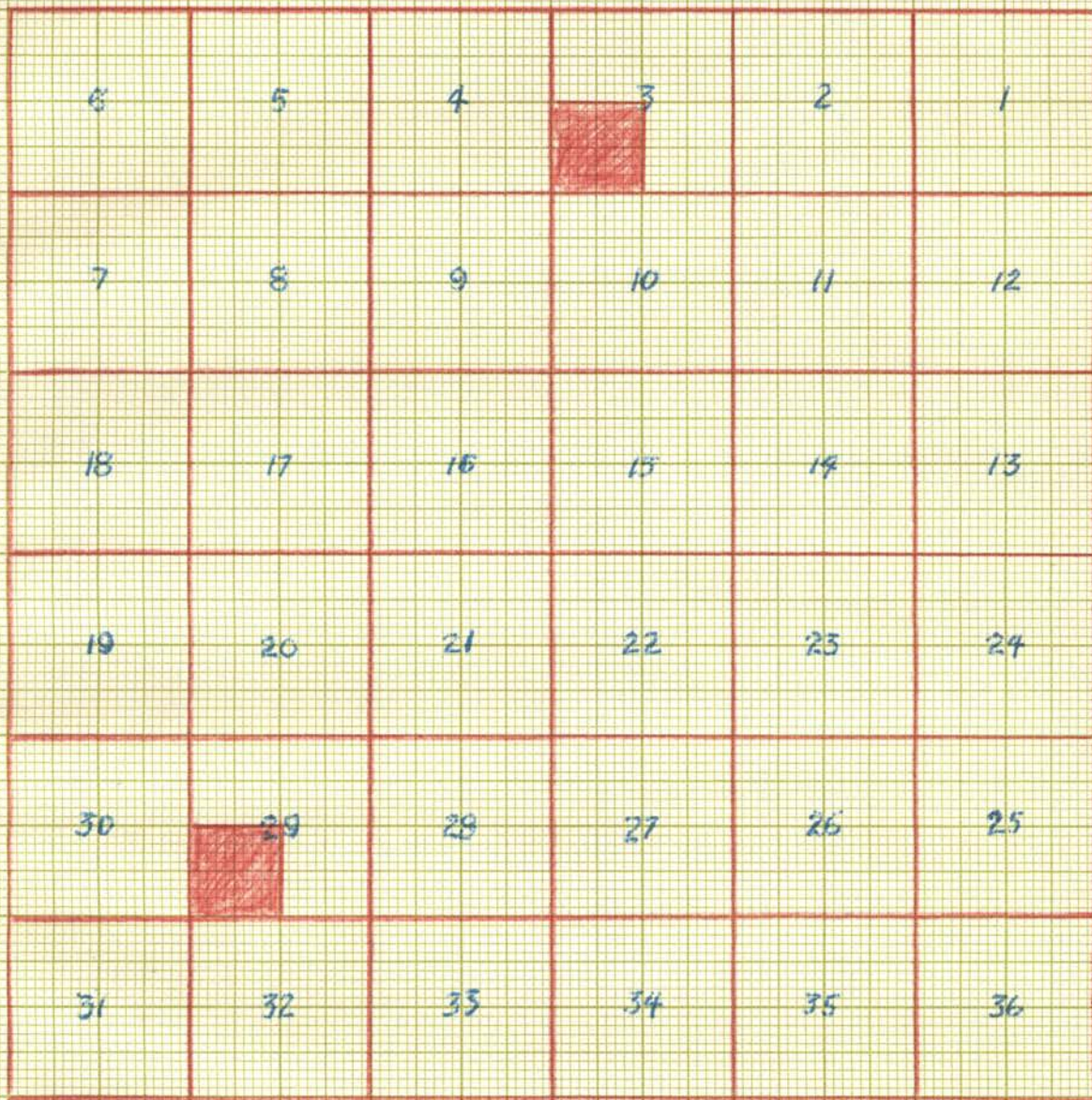
The sample consists of two preselected quarter-section tracts taken for tabulation from each township in each of the sample counties. It is believed that this will give a better geographic distribution than Parcher had for his study. The quarter sections were taken from opposite sides of the townships, the SW $\frac{1}{4}$ Sec. 3 and the SW $\frac{1}{4}$ Sec. 29 (Figure 3). Alternative quarters were preselected to sample in case some unforeseen circumstance, such as a river or a town being in the sample section should cause it to be unfavorable for sampling. It seems reasonable to believe that by adding the townships in two additional counties and by having a more adequate distribution of the counties that the sampling of only two quarters from each of 600 townships in the western part of the state would be as adequate as 3 quarters from about 400 townships.²

Analysis of Data

The information pertaining to royalty sales in each sample tract was taken from county records in the sample counties. The total number of acres sampled in each county was determined by multiplying the number of quarters sampled by 160, the number of acres in a quarter. The number of acres of oil royalty sold from each tract was added to arrive at a total for a county. The total number of acres sampled in each county was then di-

² This was the design of the sample Parcher used.

FIGURE 3. LOCATION AND TOWNSHIP
OF TRACTS SAMPLED.



vided into the number of acres of oil royalty sold, to give the percentage of oil royalty sold. This percentage figure was then applied to all land in farms in the county. The same procedure was carried out for each county and added to give sub-area totals.³ The totals for the sub-areas were finally added to give the totals of the various columns for the whole area. These columns show the number of acres of oil royalty sold from each sub-area, the number of acres sampled, the acres intact, and the total number of acres of farm land. The number of acres sampled was then divided into the number of acres separated to get the percentage of acres separated from the sample area as a whole. The figure for the percentage of acres separated was then applied to the total number of acres of farmland in the sub-area as calculated from census figures to get the total number of acres of mineral rights owned separately from the surface in each sub-area (Table I).

In order to arrive at a figure showing mineral rights owned by farmers, the number of acres in farms and the number of acres owner-operated⁴ in each county were used to find the percentage of land owner-operated. This percentage figure was then applied to the acreage of mineral rights still owned by landowners, the assumption being that owner-operated land had the same amount of separation as other land.⁵ Sub-area totals were arrived at by

³ The sample area was sub-divided into 6 areas in order to group together various counties with similar characteristics. This also facilitated computation and analysis (Figure 4).

⁴ United States Census of Agriculture, 1945, Vol. 1, Pt. 25.

⁵ This assumption is subject to criticism as there is a likelihood that a greater degree of separation will be found on non-owner-operated land, particularly land bought in the first place for speculative purposes.

Table I. Separation of Mineral Rights, by Counties and Sub-Areas
in Western Oklahoma

Counties	: Acres in : Sample	: Acres : Separated	: Acres : Intact	: Percentage : Separated	: Total : Acres of : Farmland	: Total : Acres : Separated	: Total : Acres : Intact
Sub-Area I							
Beaver**	1,440	170	1,270	11.8	226,000	26,668	199,332
Harper	9,760	1,311.6	8,448.4	13.4	573,000	76,782	496,218
Woods	10,080	1,080	9,000	10.7	766,000	81,962	684,038
Major	8,480	1,200	7,280	14.1	537,000	75,717	461,283
Woodward	7,520	1,105	6,415	14.7	706,000	103,782	602,218
Ellis	11,200	1,607.4	9,592.6	14.3	748,000	106,964	641,036
Dewey	7,040	1,370	5,670	19.5	602,000	117,390	484,610
Blaine	5,120	733	4,387	14.3	558,000	79,794	478,206
Sub-Area I Total	50,640	8,577	52,063	14.1	4,717,000*	665,097*	4,051,903*
Sub-Area II							
Roger Mills	4,480	1,161.5	3,318.5	26.0	730,000	189,800	540,200
Custer	5,120	420	4,700	8.2	644,000	52,808	591,192
Beckham	7,680	1,176.4	6,503.6	15.3	536,000	82,008	453,992
Sub-Area II Total	17,280	2,758	14,522	16.0	1,910,000*	305,600*	1,604,400*
Sub-Area III							
Commanche**	4,480	815	3,665	18.2	325,000	59,150	265,850
Cotton	960	160	800	16.6	81,000	13,460	67,540
Tillman	8,200	880	7,320	9.3	545,000	50,685	494,315
Jackson	7,480	360	7,120	4.8	484,000	23,232	460,768
Kiowa	9,120	460	8,660	5.04	621,000	31,298	589,702
Greer	5,440	175	5,265	3.22	386,000	12,429	373,571
Harmon	5,120	240	4,880	4.7	320,000	15,040	304,960
Sub-Area III Total	40,800	3,090	37,710	7.5	2,762,000*	207,150*	2,554,850*

Table I. (Continued)

Counties	Acres in Sample	Acres Separated	Acres Intact	Percentage Separated	Total Acres of Farmland	Total Acres Separated	Total Acres Intact
Sub-Area IV							
Grady	8,960	4,924	4,036	54.9	666,000	365,634	300,366
Caddo	11,360	2,432.6	8,927.4	21.4	818,000	175,052	642,948
Stephens**	1,280	280	1,000	21.8	94,000	20,492	73,508
Washita	8,960	856.7	8,103.3	9.5	638,000	60,610	577,390
McClain**	1,600	1,000	600	62.5	110,000	68,750	41,250
Garvin	640	258	382	40.3	42,000	16,926	25,074
Sub-Area IV Total	32,800	9,751.3	23,048.7	29.7	2,368,000*	703,296*	1,664,704*
Sub-Area V							
Alfalfa	4,160	520	3,640	8.	502,000	40,160	461,836
Garfield	5,920	890	5,030	15.1	655,000	98,905	556,095
Kingfisher	8,000	1,047.9	6,952	13	564,000	73,320	490,660
Canadian	4,160	720	3,440	17.3	553,000	95,669	457,331
Logan**	3,200	915	2,285	28.6	320,000	91,520	228,480
Oklahoma**				22.9	59,000	13,511	45,489
Sub-Area V Total	25,440	4,092.9	21,347.1	16.1	2,653,000*	427,713*	2,225,287*
Sub-Area VI							
Grant	8,640	600	8,040	7.	606,000	4,242	601,758
Key**	2,880	240	2,640	8.33	165,000	13,744	151,256
Noble**	6,080	900.5	5,179.5	14.8	347,000	51,356	295,644
Payne**	3,120	1,165	1,955	37.4	130,000	48,620	81,380
Lincoln**				33.0	29,000	9,570	19,430
Sub-Area VI Total	20,720	2,905.5	17,814.5	14.0	1,277,000*	178,780*	1,098,220*
Total of All Sub-Areas							
	197,680	31,174.7	166,505.3	15.7	15,687,000*	2,462,859*	13,224,141*

* Totals are not additive due to rounding off figures.

** Only part of the county was studied.

adding the county figures. Area totals are the summation of sub-area totals.

The next step was to determine the proportion of all tracts in the area having less than all the mineral rights intact. The tracts sampled in each sub-area were counted as were the tracts showing a sale⁶ of mineral rights. The number of tracts sampled was divided into the number of tracts showing sales of mineral rights, giving the percentage of tracts having some royalty sold (Table II). This percentage figure was then applied to the number of farms in each sub-area and the area.⁷

Table III shows primarily the percentage of farms having 50 percent or more of the minerals sold. The number of farms in the area is shown by sub-areas in this table. The number of farms with 50 percent or more of the mineral rights sold were counted from the original samples; the total number of farms for each sub-area was divided into this number to give the percentage of farms having 50 percent or more of the minerals owned separately.

Method of Projecting Analysis into Counties not Sampled

To arrive at an average for counties not sampled, the townships immediately surrounding, or adjoining these non-sampled counties were analyzed. If the townships along the border of

⁶ The size of the sale or number of acres sold was not considered here.

⁷ The assumption being that each farm contains one or more 160 acre tracts, and therefore, will show at least as frequent separation as shown for the tracts. Actually there are about $1\frac{1}{2}$ times as many tracts as there are farms in the area.

a non-sample county were studied and the percentage figures determined, it would seem reasonable to assume that the non-sampled county would have similar characteristics. The figures for the percentage of minerals separated, and other pertinent figures were determined for the townships completely surrounding each non-sample county and ⁸ were applied to that non-sample county.

The percentage figures for non-sampled counties would be subject to some degree of error just as any other projected figure would be. However, as oil pools do not end at county and township lines, neither do related subsurface activities end at these lines.

Also, it should be pointed out that county figures, in themselves, are of little value because of the smallness of the county sample. However, on a sub-area basis, it is believed that the sample will reflect fairly accurately the true picture.

⁸ Percentage of minerals separated, owner-operators, minerals owned by land owner and all of the data such as was gathered in a sample county (i.e. Table IV).

Table II. The Percentage of Tracts Sampled Showing Separation of Mineral Rights and Number of Farms with Some Separation by Sub-Areas and for Western Oklahoma

	: : Number : of Tracts : Sampled	: : Number of : Tracts W/ : of Oil : Royalty	: : Percentage of : Tracts Sampled : Having Sales : of Mineral Rights	: : Number of : Farms Showing : Some Sales : of Mineral Rights*
Sub-Area I	384	144	36.8	4,173
Sub-Area II	111	42	38.7	2,284
Sub-Area III	255	56	21.5	2,187
Sub-Area IV	205	101	55.9	10,387
Sub-Area V	162	47	31.6	4,746
Sub-Area VI	131	48	43.2	2,109
Total of Areas	1,248	438	35.1	23,130

* Percentage figure applied to total number of farms as shown in Table III.

Table III. The Proportion and Number of Farms with
Half or More of the Mineral Rights
Separated from the Surface

	: : Number : of : Tracts : Sampled	: : No. of Sample : Tracts W/50% : or More or : Minerals : Separated	:Percentage: :of Tracts :W/50% or :More of :Minerals :Separated	:Total :Number :of Farms :in Area	:Total Number :of Farms W/ :50% or More :of Minerals : Separated : in Area
Sub-Area I	384	71	18.5	11,341	2,098
Sub-Area II	111	20	18.0	5,903	1,062
Sub-Area III	255	21	8.23	10,174	837
Sub-Area IV	205	69	33.65	18,581	6,252
Sub-Area V	162	32	19.75	15,019	2,966
Sub-Area VI	131	31	23.66	4,881	1,154
Area Total	1,248	244	21.8	65,899	14,369

CHAPTER III

DISTRIBUTION OF OWNERSHIP OF MINERAL RIGHTS

Little has been known about the distribution of mineral rights in various parts of the State but, as was stated earlier, it is known that such separation occurs. In this chapter, the extent of separation among various types of owners will be discussed. There are many ways in which such information can be useful. For instance, previous studies¹ have shown that separation of subsurface from surface properties may increase abstracting costs and title clearance problems. A study of the separation of mineral rights will indicate how income from undeveloped subsurface rights as well as income from oil production will be distributed. Moreover, a study of separation will give an indication of the amount of land subject to a possible tax on subsurface rights. In certain areas of the State, particularly where land is of higher quality, farms having less than all of the subsurface rights intact usually do not move readily in the land market except at a sharply reduced price.²

In this chapter, the extent of separation by type of ownership in Western Oklahoma will be described. While all of the problems associated with the separation will not be discussed in this thesis, the effect of the separation shown here on income,

¹ E. D. Davidson and L. A. Parcher, The Influence of Mineral Rights on Transfers of Farm Real Estate in Oklahoma, Okla. Agri. Expt. Station, Bul. No. B-278, February 1944.

² Ibid., p. 15.

farm loans, and taxation will be discussed in subsequent chapters.

There are two types of instruments used to convey mineral rights from one person to another. The first type is the mineral deed, which severs completely, all or a portion of the subsurface from the surface rights when it is legally drawn. A mineral deed gives the right to prospect for and take full possession of a share of the minerals discovered.³ The other type is called a royalty conveyance, which merely transfers a stipulated interest in mineral production. This instrument gives the owner no operating rights and is usually called a non-participating conveyance. Complete ownership of the mineral rights with no restrictions is the primary concern of this study consequently, non-participating conveyances were not considered.

For the purposes of this study, all owners of mineral rights are placed in one of two categories, landowners or speculators. All subsurface rights not owned with the land are presumed to be owned by speculators. A speculator would be one who buys or holds subsurface mineral rights, hoping for an increase in value in order to resell or to reap the benefits of oil production. It is recognized that a number of the landowners are technically speculators; some of them are owners of the surface rights merely because the surface could be purchased along with the subsurface rights at little or no extra cost.

In addition, there are a number of former owners, also classed here as speculators, who have retained a portion of the mineral rights after selling their land. These people in many

³ The amount of this share is stipulated in the instrument of conveyance.

cases retained a portion of the mineral rights perhaps with little or no reduction in the selling value of their farm. In this manner, they may participate in any future oil production on the property they formerly owned. These retained rights are held in varying degrees of tenure. Some are called "Life Estates" in which the former owner participates in income from the subsurface during his lifetime and then these mineral rights revert back to the current owner of the land. In other transfers, the minerals are retained for a period of years stipulated in the contract. For example, the former owner may participate in a share, if oil is discovered, for the life of the production. If no oil is discovered in 20 years, the minerals revert to the present landowner. The contract may be set up for any period of years. A large share of the reservations, of course, are perpetual. In this study, there is no distinction made between these people and bona fide speculators; here any owner of separated mineral rights is considered a speculator.

Theoretically, the landowner is interested only in those subsurface rights which are a part of his own land. It is not his business to buy and sell mineral rights. He speculates only to the extent of selling a part of all of his mineral rights when convinced in his own mind that he can make more by selling his mineral rights than by holding them and receiving lease income, or holding them on the possibility that minerals will be found under his land.

There is a wide variation in the distribution of ownership of mineral rights in the different sub-areas. It appears that

there might be a relationship between the amount of separation and the amount of oil development or the length of time the sub-area has had mineral activity of some kind. Figures used in the following analysis are taken from Tables I, II, and III.

Sub-Areas

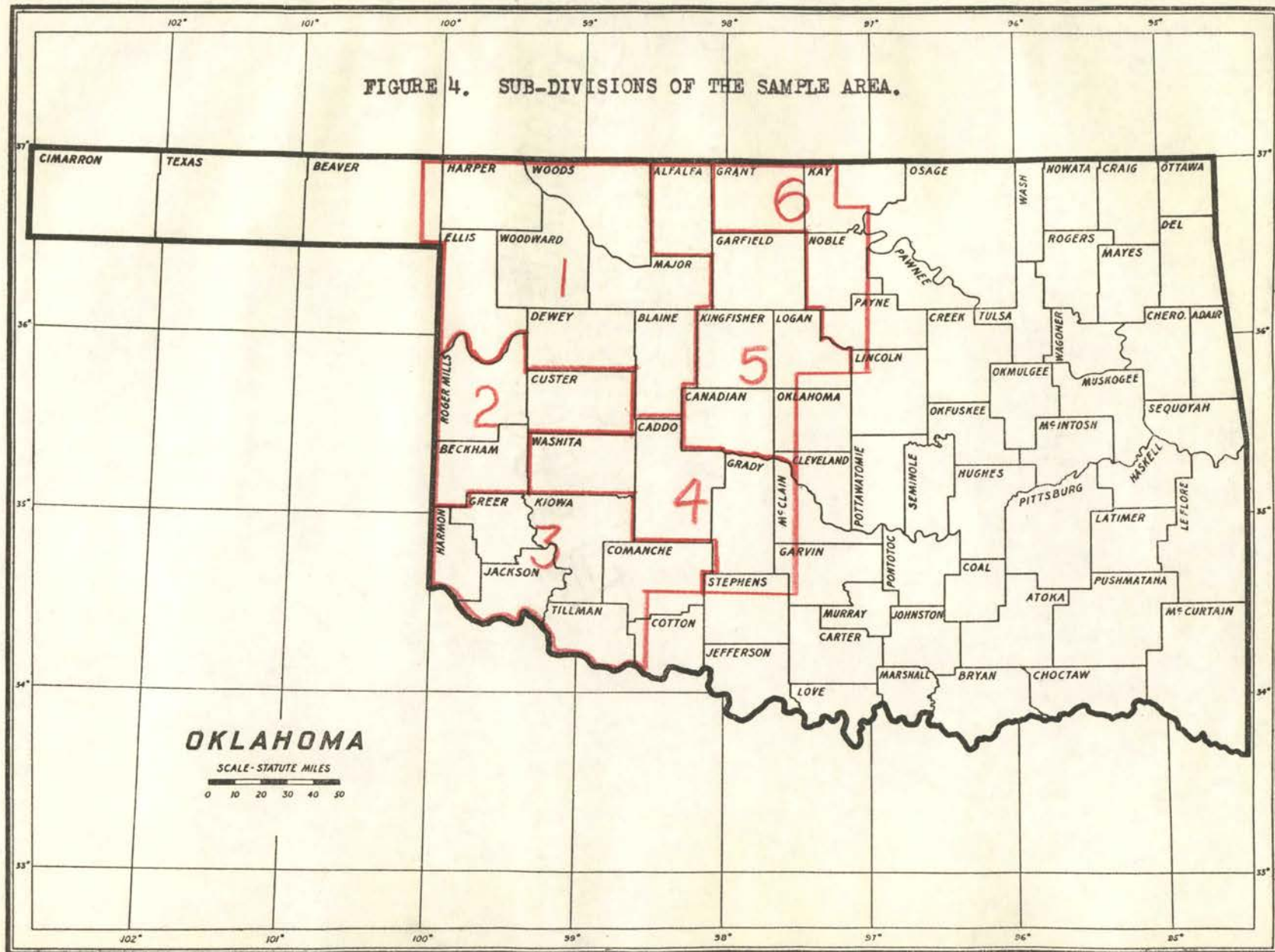
Sub-Area I.

Sub-area I consisting of seven counties in the northwestern part of the area is much larger than any of the other sub-areas, consisting of approximately 4,785,000 acres (Figure 4). The spread in the percentages of separately owned mineral rights by counties, ranges from 10.7 percent in Woods County, to 19.5 percent in Dewey County⁴ (Table I). Aside from these two counties the sub-area is relatively uniform in its percentage of separation by counties. The average separation for the whole sub-area is 14.1 percent. This sub-area has about 11,000 farms of which 4,000 show some separation of mineral rights and 18.5 percent of the farms have one-half or more of the mineral separated.

This sub-area had shown relatively little activity in the buying and selling of mineral rights prior to 1943. At the present time, there is some increase in mineral activity, but it is not as great as it is in some other sub-areas. Potential buyers of mineral rights probably are present, but possibly due to the high level of income from farming, landowners have no particular

⁴ Only sub-area figures are assumed to be reliable. Individual county figures are quoted only to show the relationship within a sub-area.

FIGURE 4. SUB-DIVISIONS OF THE SAMPLE AREA.



incentive to sell their minerals.⁵

Sub-Area II.

Sub-Area II consists of Roger Mills, Custer, and Beckham counties. This sub-area has approximately 1,828,000 acres of land, and is next to the smallest of the six sub-areas in total acres.

In Sub-Area II, 15.9 percent of the mineral rights are owned separately from the surface interest. This means that about 292,000 acres of mineral rights are owned by speculators (Table I). In this sub-area, 38.7 percent of the tracts or about 2,000 farms show some separation of mineral rights (Table III). Eighteen percent of the tracts have half or more of the mineral rights under separate ownership.

Sub-Area III.

There are 2,827,000 acres in Sub-Area III, the second largest of the sub-areas. It is composed of the complete counties of Harmon, Greer, Jackson, Kiowa, and Tillman, the major portion of Comanche County, and 81,000 acres of Cotton County. This sub-area has the smallest proportion of mineral separation in the whole area. There is a total of 7.5 percent of the minerals separated in this sub-area which amounts to about 215,000 acres. The two counties in this sub-area with the highest proportion of separated mineral rights are Comanche with 18.2 percent and Cotton County with 16.6 percent (Table I). It was expected that these two counties would have a larger proportion of mineral right

⁵ Several royalty dealers stated that royalty is hard to buy when agricultural income is high.

separation because of their location. That is, they are situated in the eastern part of the sub-area and not only are in closer proximity to the established oil fields of south-central Oklahoma, but have producing fields themselves.

This sub-area shows that 21.5 percent of the tracts have some mineral rights sold; the lowest figure for the whole area (Table III). Therefore, this sub-area not only has the highest proportion of mineral rights remaining with the land, but only 2,000 of the 10,000 farms in this area are affected by mineral transactions. Only 8.2 percent of the farms have half or more of the minerals owned separately from the surface.

Sub-Area IV.

Sub-Area IV is comprised of three complete counties, Washita, Caddo, and Grady, 115,000 acres of McClain County, and 46,000 acres of Garvin County. There are 2,339,000 acres of farm land in this sub-area (Table I).

The percentages of mineral rights separated in this area ranges from 62.5 percent separated in McClain to a low of 9.5 percent separated in Washita County. These two counties are located at opposite ends of this sub-area; McClain is situated near and contains established oil fields, whereas Washita County is out in what is possibly regarded as poor oil country.⁶

It appears that through years of prospecting in Washita County, oil operators have drawn their own conclusions about the location of oil pools. On this premise it would seem plaus-

⁶ Assumption based on interviews made during this study.

ible to assume that a large portion of land in this county is considered unfavorable as oil producing territory. Unless some "wildcat"⁷ driller should discover oil in this territory, it seems likely that oil activity there will remain low in much of Washita County.

This sub-area shows 30 percent of the minerals separated which is the highest separation figure for the entire sample area (Table II). Of the 18,581 farms in the area, 10,000 show some separation of mineral rights. Thirty-four percent of the farms in this area have one-half or more of the minerals separated. The high figure for separated mineral rights here probably is due to the presence of several large producing oil fields.

Sub-Area V.

Sub-Area V is located in the northcentral part of the sample area. It is composed of the complete counties of Alfalfa, Garfield, Kingfisher, and Canadian, 349,000 acres of Logan County, and 80,640 acres of Oklahoma County. This whole sub-area has 2,649,640 acres of farm land, of which 16 percent or 426,000 acres of mineral rights have been separated (Table I).

The amount of subsurface separation ranges from a low of 8 percent in Alfalfa County, to a high of 28.6 percent in the portion of Logan County sampled (Table I). Out of 162 tracts sampled in this sub-area, 31.6 percent showed some sale of mineral rights

⁷ Independent driller who may sometimes drill in a territory regarded as unprofitable by large oil companies.

(Table II). About 5,000 farms showed some sales and 19.7 percent of the farms have one-half or more of the minerals separated (Table III).

Sub-Area VI.

Sub-Area VI is located in the northeastern part of the sample area. It is the smallest of the six sub-areas, consisting of 1,365,000 acres. It is made up of land in five counties; the whole of Grant and parts of Kay, Noble, Payne and Lincoln counties.

The minerals separated in this sub-area, range from a low of 7 percent in Grant County to a high of 37.4 percent in the portion of Payne County sampled; the sub-area as a whole shows only 14 percent of the acres separated from the surface (Table I). In this sub-area out of 131 tracts sampled, 43 percent showed some separation of mineral rights (Table II). Therefore about 2,000 farms show some sales of mineral rights. Calculations show 23.6 percent of the farms have one-half or more of the minerals sold.

There are some parts of sub-area VI that have active oil operation; certain localities in Payne and Lincoln counties are productive as well as certain areas in Noble County. The fields in this sub-area generally are not large in area or production of oil and most of these fields are at least ten years old.

Western Oklahoma.

In the total study area, which consists of the six sub-areas previously described, 15.7 percent of the mineral rights are separated from the surface. The area consists of about 16,000,000 acres of which 2,500,000 acres of mineral rights are owned by speculators and 13,500,000 acres are still retained with the land (Table I).

In the whole area there are 65,899 farms of which an estimated 23,000 have some separation of mineral rights (Table II). Of these 23,000 farms, nearly two-thirds (62.5 percent) have one-half or more of the mineral rights owned separately from the surface.

CHAPTER IV
DISTRIBUTION OF LEASE INCOME

One of the purposes of this study is to determine the distribution of ownership of mineral rights and consequently the distribution of lease income. Considerable information is available as to the amount of the income from oil and gas leases but little is known about the distribution of that income. It is assumed in this study that income from oil and gas leasing is apportioned to landowners and speculators on the basis of ownership of mineral rights, that is, a person receives lease income in proportion to the amount of mineral rights he owns. Such an assumption is not strictly true because of the fact that some mineral deeds are non-participating, that is, the owner does not participate in lease income. However, non-participating deeds are relatively few in number and will not appreciably affect the validity of the study.

Method of Determining Distribution of Lease Income

The percentage of farms operated by owners and the percentage of minerals owned by all landowners is shown in Table IV. The percentage of farms owner-operated was multiplied by the percentage of minerals owned by all landowners to get the percentage of minerals owned by owner-operators only. This procedure was followed for each sub-area and for the entire sample area.¹

The percentage of mineral rights owned by absentee landowners

¹ Example: $55.1 \times 85.9 = 47.3$ percent of minerals owned by owner-operators in Sub-area I.

Table IV. The Percentage of Farms Owner-Operated; The Percentage of Mineral Rights Owned by All Landowners; and Acres of Mineral Rights Owned by Farm Operators.

Counties	: Acres in : Farms : 1945	: Acres : Owner- : Operated	: Percent : Owner- : Operated	: Percent of : Min. Rights : Owned : by L. O.	: Acres of : Min. Rights : Owned by : Operators
Sub-Area I					
Beaver**	226,000	146,000	64.5	88.2	129,000
Harper	573,000	326,000	59.9	86.6	282,000
Woods	766,000	416,000	54.3	89.3	371,000
Major	537,000	306,000	57.0	85.9	263,000
Woodward	706,000	436,000	61.75	85.3	372,000
Ellis	748,000	415,000	55.5	85.7	356,000
Dewey	602,000	301,000	49.9	80.5	242,000
Blaine	558,000	256,000	45.9	85.7	219,000
Sub-Area I Total	4,717,000	2,602,000	55.1	85.9	2,235,000
Sub-Area II					
Roger Mills	730,000	432,000	59.1	74.0	320,000
Custer	644,000	296,000	45.96	91.8	272,000
Beckham	536,000	300,000	55.97	84.7	254,000
Sub-Area II Total	1,910,000	1,028,000	53.8	84.0	864,000
Sub-Area III					
Comanche**	325,000	153,000	47.0	81.8	125,000
Cotton	81,000	34,000	41.97	83.4	28,000
Tillman	545,000	269,000	49.35	90.7	217,000
Jackson	484,000	248,000	51.23	95.2	236,000
Kiowa	621,000	291,000	46.85	94.6	275,000
Greer	386,000	207,000	53.6	96.8	200,000
Harmon	320,000	181,000	56.56	95.3	172,000
Sub-Area III Total	2,762,000	1,383,000	50.0	92.5	1,279,000
Sub-Area IV					
Grady	666,000	268,000	40.24	45.1	121,000
Caddo	818,000	291,000	35.6	78.6	229,000
Stephens**	94,000	33,182	35.3	78.2	26,000
Washita	638,000	326,000	51.1	90.5	295,000
McClain**	110,000	45,606	41.46	37.5	17,000
Garvin	42,000	17,850	42.5	59.7	11,000
Sub-Area IV Total	2,368,000	981,638	41.4	70.3	690,000

Table IV. (Continued)

Counties	: Acres in : Farms : 1945	: Acres : Owner- : Operated	: Percent : Owner- : Operated	: Percent of : Min. Rights : Owned : by L. O.	: Acres of : Min. Rights : Owned by : Operators
Sub-Area V					
Alfalfa	502,000	259,000	51.6	92.0	238,000
Garfield	655,000	284,000	43.35	84.9	241,000
Kingfisher	564,000	256,000	45.39	87.0	223,000
Canadian	553,000	266,000	48.1	82.7	220,000
Logan**	320,000	123,520	38.6	71.4	88,000
Oklahoma**	59,000	34,869	59.1	77.1	14,000
Sub-Area V Total	2,653,000	1,223,389	46.1	83.9	1,026,000
Sub-Area VI					
Grant	606,000	243,000	40.1	93.0	226,000
Kay**	165,000	71,775	43.5	91.7	66,000
Noble**	347,000	108,958	31.4	85.2	93,000
Payne**	130,000	62,530	48.1	62.6	39,000
Lincoln**	29,000	12,180	42.0	67.0	8,000
Sub-Area VI Total	1,277,000	498,443	39.0	86.0	429,000
Complete Total of all Sub-Areas	15,687,000	7,716,470	49.2	84.3	6,523,000

** Only part of the county was studied.

was obtained by subtracting the percentage of mineral rights owned by owner-operators from the percentage owned by all landowners.² The percentage of minerals owned by speculators was taken from Table I. The total income from oil and gas leases in 1947 was taken from Parcher's³ study, the most recent available estimate.

The actual income to owner-operators, income to speculators, and income to absentee landowners in 1947, was arrived at by multiplying the percentage owned in each case by the total income from oil and gas leasing in 1947.⁴ This procedure was followed in each sub-area and in the totals for the complete sample area.

Sub-Area I

During the year 1947, the total income from oil and gas leasing in Sub-Area I amounted to \$3,339,362 (Table V). In this sub-area, 55.1 percent of the farms are owner-operated and these operators own 47.3 percent of all mineral rights in the sub-area. The

² Example: $85.9 - 47.3 = 38.6$ percent of minerals owned by absentee landowner.

³ Op. cit.

⁴ Example: $47.3 \times \$3,339,362 = \$1,579,000$, income to actual owner-operators in 1947 for Sub-Area I.

$14.1 \times \$3,339,362 = \$471,000$, income to speculators in 1947 for Sub-Area I.

$38.6 \times \$3,339,362 = \$1,289,000$, income to absentee landowners in 1947 for Sub-Area I.

income to owner-operators from leasing their mineral rights in 1947 amounted to \$1,579,000. Speculators own 14.1 percent of the mineral rights in this area and their income from leasing was \$471,000. Absentee landowners in this area own 38.6 percent of the mineral rights in this area and their income from this source amounted to \$1,289,000 in 1947 (Table V).

Actual farmers, therefore, receive more than half of the total income from oil and gas leases in this sub-area. Absentee landowners get a substantial proportion of the remainder; speculators get only a little more than one-tenth of the total income.

Sub-Area II

The total income from oil and gas leasing in Sub-Area II in 1947 amounted to \$1,182,937 (Table V). In this sub-area, 53.8 percent of the farms are owner-operated and owner-operators own 45.2 percent of the mineral rights. The income to owner-operators from leasing these rights in 1947 amounted to \$535,000, which is more than half the total lease income that year. Speculators own about 16 percent of the mineral rights and in 1947 received about \$189,000 from leasing their mineral rights (Table V). Absentee landowners received the balance of the total income from leasing and in 1947, this amounted to 38.8 percent or roughly \$459,000.

Sub-Area III

Sub-Area III shows a total income of \$864,393 for 1947 derived from leasing oil and gas rights. In this sub-area, 50.0 percent of the farms are owner-operated. This group owns 46.2 percent of the mineral rights and the income from leasing these

Table V. Distribution of Oil and Gas Lease Income
Among Various Holders Of Subsurface Rights.

	: :Percent :of Farms :Owned by :Owner- :Operated	:Percent of: :Minerals :Owned by :All Land- :owners	:Percent of: :Minerals :Owned by :Owner- :Operators	:Percent of: :Minerals :Owned by :Specu- :lators	:Percent of: :Minerals :Owned by :Absentee :Owners	:Total Income : from : Oil and Gas : Leases : in 1947	:Income to : Actual : Owner- : Operators : 1947	: Income : to : Specu- : lators : 1947	: Income to : Absentee : Land- : owners : 1947
I	55.1	85.9	47.3	14.1	38.6	\$ 3,339,362	\$ 1,579,000*	\$ 471,000*	\$ 1,289,000*
II	53.8	84.0	45.2	16.0	38.8	1,182,937	535,000	189,000	459,000
III	50.0	92.5	46.2	7.5	46.3	864,393	400,000	65,000	400,000
IV	41.4	70.3	29.1	29.7	41.2	2,155,673	627,000	640,000	888,000
V	46.1	83.9	38.6	16.1	45.3	2,381,922	919,000	384,000	1,079,000
VI	39.0	86.0	33.5	14.0	52.5	803,990	269,000	113,000	422,000
Area- Total	49.2	84.3	41.5	15.7	42.8	10,728,277	4,452,000	1,684,000	4,592,000

* Figures in these columns are rounded off to the nearest thousand to prevent cumulative errors.

rights was \$400,000 in 1947. This amount is a little less than half the total income received from leasing in the area. Speculators in this area own only 7.5 percent of the mineral rights and received \$65,000 for their interest (Table V). Absentee landowners received the balance, about \$400,000, the same amount as received by owner-operators.

Sub-Area IV

The total income to owners of mineral rights in Sub-Area IV was \$2,155,673 from oil and gas leases in 1947. In this area 41.4 percent of the farms are owner-operated, but these operators own only 29 percent of the mineral rights. Their income from leasing these rights in 1947 was \$627,000. Absentee landowners in this area own about 40 percent of the mineral rights and had an income of \$888,000 from leasing their mineral rights in 1947. Speculators own 30 percent of the subsurface rights in this area and received \$640,000 for their share of oil and gas leasing in 1947 (Table V).

Owner-operators received less than a third of the total income from oil and gas leasing in this area. Their share was actually the smallest of the three groups, and the lowest proportion of total income in any sub-area. The high proportion of mineral rights owned by speculators shows that they have been very active in this territory. Moreover, the fact that absentee landowners own the largest share of the subsurface rights, and received the largest income from that source, is a strong indication that some of them are speculating in min-

eral rights.⁵

Sub-Area V

During 1947, the total income from oil and gas leasing in this area amounted to \$2,381,922. In this sub-area, 46.1 percent of the farms are owner-operated and these operators own about 39 percent of the subsurface mineral rights. Income to actual farmers from leasing their mineral rights in 1947 amounted to \$919,000. Speculators own 16.1 percent of the mineral rights in this area and their income from leasing was \$384,000 in 1947. Absentee landowners own about 45 percent of the mineral rights and their income was \$1,079,000 in 1947 (Table V).

In this sub-area, owner-operators received less than half of the income from oil and gas leasing. The largest share of the lease income went to absentee landowners with approximately \$100,000 more income from leasing than any of the others listed (Table V).

Sub-Area VI

Sub-Area VI shows the smallest income derived from oil and gas leasing of any of the areas sampled, \$803,990 in 1947. This sub-area also has the smallest proportion of the land being farmed by owner-operators in any of the sub-areas, only 39 percent. These owner-operators still own 33 percent of the subsurface rights; the income to them in 1947 from leasing these rights amounted to \$269,000. Absentee landowners in this sub-area possess the largest share of subsurface rights found in any area, owning about 52 percent. Income accruing to absentee landowners

⁵ This study does not class actual landowners as speculators.

in this area amounted to \$422,000 in 1947. Speculators in this area own only 14.0 percent of the mineral rights and received an income of \$113,000 from leasing these rights in 1947 (Table V).

Western Oklahoma

The total of the six sub-areas, that is, Western Oklahoma as a whole, shows that about 49 percent of the land is farmed by owner-operators and that they own 41.5 percent of all mineral rights. The total income from leasing subsurface rights in the sample area was \$10,728,277 in 1947. Of this amount owner-operators received \$4,452,000 for their share of the income derived from leases and bonuses that year. Absentee landowners own the largest share of all mineral rights and consequently derive the largest income from their leasing activities. They own 42.8 percent of the mineral rights and received \$4,592,000 from their oil and gas leases in 1947. Speculators own 15.7 percent of the mineral rights and received \$1,684,000 for their share of oil and gas lease benefits in 1947 (Table V).

In Western Oklahoma then, income to landowners was fairly evenly divided between farmers and absentee landowners in 1947. This distribution is more likely to shift with changes in the percentage of owner-operatorship rather than because of a change in the percentage of speculative holdings. While it is likely that speculative holdings will increase, the increase is likely to come only over a relatively long period of time. When speculators buy separated mineral rights, they usually buy only fractional shares and the acreage involved is relatively small.

CHAPTER V

THE EFFECT OF MINERAL SEPARATION ON FARM MORTGAGES

Most farm loan agencies pay careful attention to the proportion of the mineral rights still intact before making a loan on a farm. Some organizations hesitate to lend money on land having more than 50 percent of the mineral rights separated from the surface. Others are more concerned with being sure that a large enough share of the mineral rights are intact so that the loan will be adequately protected if oil should be discovered. At the present time, there are so many sources of mortgage loans that the presence or absence of the mineral rights has little effect on the availability of mortgage money in the area. There is a possibility, however, that agencies which now require a half, or at least a substantial proportion, of the mineral rights be intact will be the ones which will be most active in the farm credit field even during a period of farm depression. Other sources of mortgage money are likely to disappear in depression conditions as they did in the 1930's.

It will be the purpose of this chapter to show the amount of land and the number of farms which might have difficulty in qualifying for a mortgage in times of farm distress if the less conservative lenders withdraw from the farm credit business. It is realized that in most instances the proportion of minerals required will vary with individual circumstances such as the size of the loan, the type of farm, the likelihood of oil discovery during the life of the loan, and other things. Separate owner-

ship of mineral rights occurs from an undivided fractional acre interest in a tract to a whole interest. However, it is likely that concern need be felt only for farms where one-half or more of the mineral rights are held under separate ownership. The discussion which follows will be confined, largely, to the number of farms in the various sub-areas having a half or more of the mineral rights alienated and which might in the future be classed as poor security for a maximum loan.

Sub-Area I

In Sub-Area I, there were 384 tracts sampled of which 144 or 37 percent showed some separation of minerals (Table II). However, only about 18 percent of all farms had one-half or more of the mineral rights separated from the surface (Table V). This means that about 18 farms out of every 100 in this area might be considered as unsatisfactory security. Since there are 11,341 farms in the sub-area, the position of slightly more than 2000 farms as mortgage security might be considered dubious particularly by those lending agencies generally considered to be more conservative and more permanent (Table III).

Sub-Area II

In Sub-Area II, there were 111 tracts sampled of which 42 showed sales of mineral rights. This indicates that about 38 percent of the tracts in the area had some separation of mineral rights (Table II). Like Sub-Area I, the data indicate that in this area 18 percent of all farms have had one-half or more of the mineral rights separated from the land (Table III). This makes about one out of every five or six farms possibly unsatis-

factory as collateral to some lending agencies. Since Sub-Area II has a total of 5,903 farms, about 1000 farms in the area might have difficulty in qualifying for a mortgage loan from the more conservative agencies.

Sub-Area III

In Sub-Area III, 255 tracts were sampled of which 56 or 21 percent showed some sale of mineral rights (Table II). It was also found that 8 percent of the farms in this sub-area had a half or more of the minerals separated from the land (Table III). Therefore, in this area only about 8 farms out of every 100 would be of doubtful acceptability for mortgage credit by some lending agencies. Out of a total, then, of 10,000 farms in this sub-area, there are only 800 which are of a doubtful status for loan purposes (Table III).

This sub-area has the smallest proportion of farms having 50 percent or more of the mineral rights sold. Sub-Areas I and II are the next lowest, with 18 percent, both of which, relatively, have more than twice the number of farms ineligible for loans as found in this area (Table III).

The question arose as to why this sub-area showed such a low percentage of mineral rights separation. The answer probably lies in the fact that it is not only a good agricultural area but has relatively little oil activity as compared to other areas in this study. It is likely, therefore, that the opportunity to sell mineral rights has not been as great here as in other areas. Parcher's study¹ shows the area to be inactive so far as leasing

¹ Op. cit.

is concerned.

Sub-Area IV

In Sub-Area IV, 205 tracts were sampled of which 69 tracts or 33 percent were found to have one-half or more of the minerals separated from the surface (Table III). This means that about one out of every three farms in this sub-area might have difficulty in meeting the requirements of those loan agencies requiring that a substantial proportion of the mineral rights be intact before a farm is considered adequate loan security. About 56 percent of all farms in the sub-area showed mineral sales of some sort (Table II).

Considering the fact that there are about 18,500 farms in this sub-area, the owners of the 6000 farms which may not meet the requirements of the more conservative lending agencies, might, in a period of farm distress, find their position precarious because of inability to find favorable mortgage credit (Table III).

Sub-Area V

In Sub-Area V, 162 tracts were sampled; of these tracts, 47, or 31 percent showed some separation of mineral rights (Table III). In this sub-area, 32 tracts, or about 20 percent, showed that a half or more of the mineral rights were held under separate ownership (Table III). This indicates that about 20 farms out of every 100 in this sub-area would be subjected to very careful scrutiny before being accepted as security on a mortgage loan by some lending agencies.

In Sub-Area V there are 15,000 farms, 3,000 of which are of doubtful status for meeting the requirements of some of the more conservative lending agencies (Table III).

Sub-Area VI

In Sub-Area VI, 131 tracts were sampled; 48 of these tracts, or 43 percent, showed some sales of mineral rights (Table II). Of the tracts sampled, 31, or 23 percent, had sold a half or more of the mineral rights (Table III). It appears, therefore, that the more cautious farm loan agencies might not be interested in taking a mortgage on about one farm in every four in this sub-area.

There are 5,000 farms in this sub-area and, therefore, about 1,250 of them might have difficulty in meeting the requirements of lending agencies requiring that a substantial part of the mineral rights be intact before making a loan (Table V).

Western Oklahoma

In all of Western Oklahoma, 1,248 tracts were sampled, of which 438, or 35 percent, showed some sales of mineral rights (Table II). Of all the tracts sampled, 244, or 22 percent, showed half or more of the mineral rights owned by someone other than the landowner (Table III). Therefore, those farm loan agencies who mortgage land only when a substantial proportion of the mineral rights are intact might hesitate to make a loan on about 22 farms out of every 100 in this area (Table III).

Since there are about 66,000 farms in the entire sample area, the data would indicate that in the study area alone, which contains about two-fifths of all the farms in the State, there are about 14,500 farms which possibly could be considered unsuitable as security for a mortgage loan by some of the more conservative farm loan agencies. It must be remembered, of course, that the size of the loan and other considerations would influence whether the more

conservative agencies would make a loan. The fact remains, however, that some 14,000 or 15,000 farms in the area are in the position of being questionable security for a mortgage loan if mortgage money should become scarce.

CHAPTER VI
TAXATION OF SEPARATED SUBSURFACE RIGHTS

At least three proposals have been made to the Oklahoma legislature within the past 10 years to tax separate holdings of mineral rights. The most recent proposal was to levy an excise tax on the privilege of holding these speculative mineral rights. The assessed valuation was to be a minimum of \$10.00 per acre and taxed at the rate of 15 mills per dollar. The purpose of the tax was not specifically stated in the bills, but presumably they were revenue measures. However, one of the authors of the most recent bill stated in a committee hearing that such a tax would do much to clear land titles in Oklahoma and by implication this would be one of the purposes of such a tax. He pointed out at the hearing that in many instances the separated mineral rights were owned by people who had no further interest in the mineral possibilities of the tract, or were not aware of the fact that they still owned the minerals. The mineral rights might be without value, but still cast a cloud on land titles that could not be cleared without court action.

The proposed tax would do one of two things, either the owners of separate mineral rights would take enough interest in these rights to pay a tax, or their share of the mineral rights would be sold to the highest bidder at a tax sale. In the latest proposal the present surface owner would have the option of buying these mineral rights at the highest bid. One of the earlier proposals would allow the separated rights automatically to be vested in the current surface owner in case of non-payment of taxes.

At the hearing on this bill no attempt was made to estimate the income from such a tax. It appears that a study of the fiscal feasibility of a tax on separated mineral rights would be useful to the law-making body of the state.

In this study an estimate will be made of the revenue from such a tax, using the minimum assessed valuation of \$10.00 per acre and a rate of 15 mills which is in line with the most recent proposal.

Following this an estimate and analysis will be made of the probable tax income if the tax were based on the income value of the mineral rights. Also the probable tax income will be shown where the tax is at the same rate as on other property and assessed on an advalorem basis. For purposes of comparison, income taxes paid by farmers in the same area in 1949 will be shown (Table VI).¹

The amount of tax income from separately owned mineral rights varies, of course, with the methods and rates of valuation and taxation. By sub-areas, however, considering all approaches together tax income from separated mineral rights calculated by any of the proposed methods, exceeds income from income tax paid by farmers in a majority of instances.

In Table VI, column 5, the tax yield under the proposed law is shown for the study area. This figure, \$369,429, is only about \$25,000 less than income taxes paid by farmers in the area in 1949. In three of the sub-areas, however, the income tax yield exceeded that of the estimated yield from separated mineral rights.

¹ All references to columns and figures in this Chapter will be shown in Table VI.

Much of the criticism leveled at the proposed law was to the effect that a \$10.00 minimum valuation was too high. In column 6, is shown what the tax yield would have been if separated mineral rights had been assessed at the income value as estimated in Par-cher's thesis.² This value, \$19,000,000, taxed at the proposed rate would have yielded, \$285,568. This figure is roughly \$85,000 below the estimated income under the proposed tax and about three-fourths as much as the yield from farm income taxes in the same area. In only one sub-area, Number IV, would separated mineral rights have yielded more than income taxes (columns 6 and 8). In this sub-area, not only do we find a great amount of separation, but the highest income value for mineral rights.

If the purpose of the tax is to aid in clearing titles, then it seems that a lower assessment would be as successful as a higher one in those cases where present owners of separated mineral royalty are no longer interested in it. At the same time a tax based on some value more nearly in line with the earning capacity would not penalize the owners of low value holdings. Moreover, it would remove one of the objections to such a tax, that a \$10.00 per acre minimum is too high.

As an alternative method of taxation, which would increase the tax income to counties and also help clear titles, separated mineral rights might be taxed in the same manner as other personal property. That is, assess the separated mineral rights at an equitable value and tax them at the going tax rate. It appears that the income value would be equitable but going sales prices

² Op. Cit.

Table VI. A Comparison of Revenues From a Tax Assessed at \$10.00 An Acre and A Tax Based on the Estimated Income Value of Separated Mineral Rights.

Sub-Area	: Values of Separated Mineral Rights at \$10. Per Acre : (1)	: Estimated Income Value of Separated Min. Rights ¹ : (2)	: Rate of Taxation:		: Tax Income:		: Income Tax Paid by Farmers in Study Area in 1949 ³ : (8)	
			: Under Proposed Law : (3)	: At 1947 Rate ² : (4)	: Under Proposed Rate : If Valued At \$10. Per Acre : (5)	: At Income Value : (6)		: Under 1947 Rate : At Income Value : (7)
I	\$ 6,650,970	\$ 3,857,562	.015	.036	\$ 99,765	\$ 57,863	\$138,872	\$ 96,945
II	3,056,000	977,920	.015	.041	45,840	14,668	40,094	22,614
III	2,071,570	911,460	.015	.040	31,072	13,671	36,458	69,671
IV	7,032,960	7,595,596	.015	.040	105,494	113,933	303,823	48,600
V	4,277,130	5,902,439	.015	.037	64,157	88,536	218,390	115,424
VI	1,787,800	1,501,752	.015	.036	26,817	22,526	54,063	41,340
Total*	\$24,628,590	\$19,037,900	.015	.038	\$369,429	\$285,568	\$723,440	\$394,594

* Totals are not additive due to rounding off figures.

Explanation of table: Column 1 x 3 = column 5; column 2 x 3 = column 6; column 2 x 4 = column 7

¹ Parcher, L. A., The Years of Income to Land From Undeveloped Mineral Rights in Western Oklahoma, Master's Thesis, Oklahoma A. & M. College, 1949.

² Oklahoma Tax Commission Research Division, Statistics of Local Units of Government, Average Tax Levies, 1947.

³ These figures for the amount of income tax paid by farmers in this area in 1949 was taken from Oklahoma Tax Commission Research Division, State Income Tax, 1949 Returns, #10, 11, and 12.

could easily be determined by the local assessor.

(The tax income from this method of taxation is estimated at \$723,440 where separated mineral rights are valued at their estimated income value.) In only one instance, in Sub-Area III, is this tax return less than the amount paid in income taxes (columns 8 & 8). The total tax income from this method would be nearly twice the amount paid in income taxes and apparently would not penalize owners of the lower priced mineral rights.

There are only two of the six areas studied which have an income value of as much as \$10.00 an acre for mineral rights. The average value of all six of the sub-areas is only \$7.73 per acre and this average is weighted heavily by the two areas having a high per acre value.

In conclusion it seems that one would be safe in saying that \$10.00 an acre is too high to value the mineral rights in this portion of the State. In the area studied estimated income values range from \$3.20 an acre up to a high of \$13.80 an acre. It would hardly seem fair to tax the owners of the lowest priced mineral rights on the basis of a minimum valuation of \$10.00 since there probably would be a strong tendency to tax all separately owned rights at the minimum. This would penalize owners of low valued rights and favor owners of the more valuable holdings. It does appear, however, that a tax based on an estimated income value would not be too difficult for an assessor to estimate and would be fair to all concerned.

CHAPTER VII

SUMMARY

A summarization of calculations for all 6 sub-areas, shows that:

1. A total of 15.7 percent of the mineral rights in the study area are separated or owned by someone other than the landowner. This amount varies when each sub-area is examined individually. The percentages of mineral rights separated in these sub-areas range from a low of 7.5 percent in Sub-Area III, to a high of 29.7 percent in Sub-Area IV.

2. In the whole study area 35.1 percent of the farms have some portion of the mineral rights owned separately from the surface.

3. There are about 66,000 farms in the study area of which approximately 14,500 or 21.8 percent have one-half or more of the subsurface rights separated from the land.

4. In the study area, 49.2 percent of the farms are owner-operated and those operators own 41.5 percent of all mineral rights. All landowners, which includes absentee landowners, own 84.3 percent of the mineral rights. Absentee landowners own 42.8 percent of the mineral rights. Outright speculators own only 15.7 percent of the total mineral rights. Although it is recognized that absentee landowners do frequently speculate in mineral rights, this study does not class them as speculators.

The total income from oil and gas leasing in 1947 in the study area was about \$11,000,000 which was divided as follows:

Income to owner-operators - - - - -	\$4,452,000
Income to speculators - - - - -	\$1,684,000
Income to absentee landowners - - - - -	\$4,592,000

5. Because some farm loan agencies hesitate to make loans on farms where more than 50 percent of the mineral rights are owned separately and many of the other lending agencies exercise caution in making loans under these circumstances an analysis was made of the proportion of farms falling into this category.

The data show that of about 66,000 farms in the entire study area, 21.8 percent, or about 14,500 farms are of questionable security as collateral.

6. Proposals to tax separated mineral rights in Oklahoma were examined in view of the findings of this study. If the separated mineral rights in the study area were assessed at \$10.00 an acre, the taxable value would be about \$24,628,590 which if taxed at 15 mills, as proposed, would yield about \$369,000 in taxes.

However, the income from this proposed tax was calculated by several other methods. The lowest tax yield occurred when the mineral rights were assessed at the estimated income value and taxed at 15 mills per dollar. The proposed law would have yielded about \$85,000 more than if the mineral rights were taxed on the basis of their income value. Both methods would serve to clear titles if taxes were unpaid.

However, an alternative method is suggested in which the estimated income value of separated mineral rights is taxed on the same basis as other personal property. Such a method would not penalize the owners of mineral rights possessing less value but would serve the function of helping to clear titles and also yield an income of about \$723,000 annually.

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