
WORKSHEET 7—VALUING PRODUCING MINERAL AND ROYALTY INTERESTS

Estate of _____

Royalty payor (7.97) _____

Division order number (7.100) _____

Field (7.101) _____

Unit name and description (7.102) _____

Determining D's Average Monthly Royalty

Royalty Received	Amount
During month of D's death	
One month before D's death	
Two months before D's death	
Three months before D's death	
Four months before D's death	
Five months before D's death	
Six months before D's death	
Seven months before D's death	
Eight months before D's death	
Nine months before D's death	
Ten months before D's death	
Eleven months before D's death	
Total (complete Item 7.104 of MIL)	
Monthly average (total divided by 12)	

Determining Preliminary Value

An appraisal by a petroleum engineer is probably the best evidence of value. For smaller interests, the fair market value determined by the county appraisal district is frequently used.

The estimated value also may be determined by capitalizing earnings. A “thirty-six month or three-year payout” (monthly average multiplied by 36) is the rule of thumb for a capitalization rate. If production is declining, there has been trouble with the well(s), or there are other adverse factors, the capitalization rate can be reduced. You must determine the proper capitalization rate for each property and multiply the monthly average by the number of months of your capitalization rate.

Number of months in capitalization rate	
Multiply monthly average by number of months in capitalization rate and enter here (this is the capitalized value)	