

Cowboy Firms Rope-In Mineral Rights With \$1 Billion Funding

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Tuesday, March 14, 2017 - 11:23am



Hart Energy

Mineral rights companies are making the rounds in shale plays with increasing frequency as they look to buy into hot drilling areas that offer investors deals with less risk than sinking money into stocks or other ownership alternatives.

Luxe Minerals LLC is the latest, saying March 13 it raised about \$254 million of equity commitments from NGP through NGP Natural Resources XI LP and the Luxe Minerals management team. Luxe Minerals will leverage the technical expertise of Luxe Energy, a company that successfully turned a 2.5x return on investment in 2016 by selling its Delaware Basin assets to Diamondback Energy Inc. (NASDAQ: [FANG](#)) just months after entering the play.

Luxe Minerals is one of several mineral companies that have started to become active recently, tapping into mineral rights in shale plays, some keen to use their basin expertise to pick up acres.

Luxe Minerals co-founders A. Lance Langford and Jeff Larson also were backed by a \$524 million equity commitment from NGP in October.

Luxe Minerals' strategy is to acquire mineral and royalty interests in oil- and liquids-rich basins throughout the U.S. and to leverage the technical expertise and large-scale data analytics of Luxe Energy's management team. Luxe Minerals will focus on growing and emerging opportunities in the following oily basins: Midland, Delaware, Stack/Scoop/Merge, Eagle Ford, Bakken and the Powder River and Denver-Julesburg (D-J) basins..

Other companies are already on the same track. In 2016, LongPoint Minerals LLC told Hart Energy that founder George Solich and his management team viewed the mineral business as a low-tech, undercapitalized and somewhat neglected industry as they were developing their Cordillera Energy companies several years ago. In October 2013, Solich formed FourPoint Energy in Denver and two years later created LongPoint.

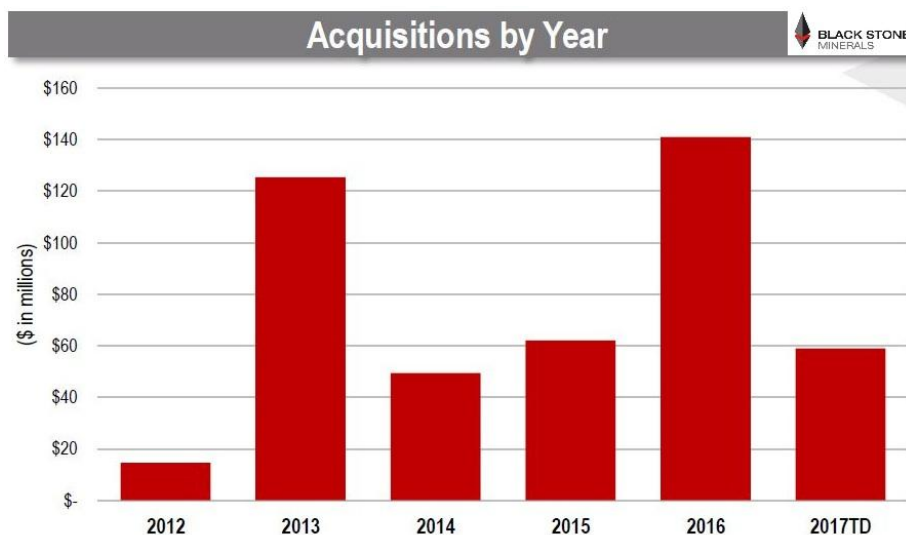
The company goes through the same due diligence an E&P normally reserves for acquisitions, said Will Cullen, FourPoint's vice president of business development as well as LongPoint Minerals.

The team works to evaluate reserves, operators, regulatory environment, permitting, spacing and what's happening on the surface.

LongPoint started actively making moves in May 2016, acquiring its initial footprint in the Permian and Scoop/Stack. By July, the company raised \$632 million from investors, with a lead equity commitment of \$450 million from the Canada Pension Plan Investment Board.

To date, LongPoint has acquired more than 40,000 net mineral acres in the two top plays in North America. For now, the company is focused on the Midcontinent, Permian and D-J basins.

Black Stone Minerals LP (NYSE: [BSM](#)) is also off to a strong start in 2017, adding acreage in the Delaware Basin, the Haynesville and East Texas.



Overall, the company holds 18 million mineral and royalty acres with interests in more than 40 states and 60 producing basins.

The company's philosophy is to gain upstream oil and gas exposure without associated capex.

Through late February, Black Stone has completed several transactions in 2017 totaling \$58 million. That includes \$43 million in the Delaware and \$15 million in the Haynesville/Bossier plays.

The partnership closed acquisitions totaling \$141.1 million in 2016, and since its May 2015 IPO has executed \$260 million in acquisitions.

Larger companies also routinely purchase mineral rights. In February, Energen Corp. (NYSE: [EGN](#)) bought 640 net mineral acres in the Delaware Basin for \$18 million. Energen also bought 1,400 net bolt-on acres for \$380 million. The acquired acreage is located in Reeves and Loving counties, Texas.

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