

[Transcript] My First Million / #31 - The Wild Wild West of Mineral Real Estate

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

What my mentor said when he hired me on that 2011 was one of the best times in the history of the oil business to be in the oil business, he was right.

I grew up in a small town in Midland, Texas, which is actually the oil and gas capital of the world.

I started a company that buys oil and gas properties, the big fish aren't looking at, put them together in a package, and then sell them to the big fish.

Almost every other country in the world that has oil, the government owns the rights and gets paid for the revenues.

In the US, private citizens actually own the rights to the land, and they can be divided up over generations, so there might be hundreds of people that own a small piece of the mineral estate in a particular tract.

What we do is basically track those people down, make them lump some offers for the rights to the property in hopes that there might be future drilling in that area.

We were making millions of dollars, living a lifestyle that, to ride bikes every day and work out together and go to this office, also a clubhouse and spend a lot of time with my kids and my family.

We had an eight-figure exit, certainly probably could have had a nine-figure exit if not.

So we're going to listen to this and be like, this guy has the best fucking life.

Five million is not enough.

Ten million.

Fifteen million.

Twenty million dollars.

One or two people in a bedroom actually put threats to these like giant, multi-million dollar companies because you have creativity and you have nothing to lose.

Add another zero to that price, buddy.

Add two more zeroes.

Five million.

Every week we sit down with self-made millionaires and ask them, how did you do it?

I didn't start a podcast.

I started my own personal business school and the teachers are the successful entrepreneurs behind the biggest brands and businesses that we find today.

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I wanted to know the real stories with all the details like, how did you get your first hundred customers?
What did it feel like and shit hit the nail?
I ask them, how did you spend your money now that you're rich?
What would you do if you were starting over from scratch again today?
If you're like me and you want to own your own business, instead of living a nine to five job, this is the podcast for you.
The hustle presents my first million.
First, hello and welcome.
We have Mike Brown here.
We met like three days ago or something.
Right.
We just bumped into each other when at Sam's office when we were recording the million dollar brainstorm and I hit it off right away and I was excited to get you on and I was kind of begging you.
I was like, hey, how long are you in town for?
Let's get in the studio because I like that you're a couple of things, not a high tech business.
In fact, I think it's a boring business and it's a beautiful boring business.
Not traditional background.
So you're not like, you know, got my MBA, worked up the corporate ladder and then did this thing.
Totally different background.
Some other things to look forward to and this is really small company and big revenues and those are always excited to me.
So those are like three of the things that I'm like, people got to hear this.
Mike Brown, welcome to the podcast.
First, how are you feeling today?
Thanks.
Yeah, it's great to be here.
It's been a long morning on a mushroom farm.
So I think that's like, if you're not ready for the podcast, I don't know, I don't know.
What else I could do for you?
Yeah, definitely a nice relaxing piece of property down south.
So happy to be back in the city and back to business.
Okay, cool.
So I gave people the teaser, which is not a high tech business, small company, big profits.
What is it that you do?
My name is Mike Brown.
I grew up in a small town in Midland, Texas, which is actually the oil and gas capital of the world.
And I started a company that buys oil and gas properties and packages it up to private equity back funds.
So basically I'm an aggregator.

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I buy smaller properties that the big fish aren't looking at, put them together in a package and then sell them to the big fish.

The big fish.

Exactly.

Love it.

And your background is like I said, not traditional.

So you're not a, you didn't come from the corporate world.

You didn't come from sort of the Ivy League.

Where did you come from?

How did you get into this?

Right.

So from a very young age, I knew that I wanted to do two things.

I knew that I wanted to be in the Navy and I knew that I wanted to be an entrepreneur.

So why'd you want to be in the Navy?

I've always been afraid of that whole thing.

I was like, I got to avoid, you know, being courageous and brave and fighting for my country.

So why did you want to be in the Navy?

Was that a family thing?

No.

So actually in the third grade, I read Patriot Games and I basically decided that I was going to be Jack Ryan and Jack Ryan went to the Naval Academy.

So that's what I was going to do.

Is that Jack Ryan, the Jack Ryan of this TV show that's like big now?

Is that the same idea?

So I'm Clancy Jack Ryan, Naval Academy trained before he went to the CIA and becoming president and all the crazy things that he did.

That's what I wanted to do.

I knew that I wanted to go to the Naval Academy and like be in the military.

It was something I was always interested in, but I knew that I was going to get out as soon as I possibly could and start a company.

So why is that?

Why did you want to get in so bad and why'd you want to get out so bad?

That sounds counterintuitive to me.

It just seemed like a really great like service to our country was very important to me from a young age.

But I knew that I didn't want to be a career admiral kind of guy because I had more to do and entrepreneurship always seemed like a natural fit.

So I actually, I read Atlas Shrug when I was 16 and Hank Reardon was my hero and I was like, I'm going to start a company.

That's what I'm going to do with my life.

Gotcha.

And so you go to the Navy.

Went to the Naval Academy and graduated in 2003 and I actually took the John McCain route through the Naval Academy.

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So that means I marched a lot of tours with my rifle while my friends were out partying because I managed to get caught for everything that I did.

So I didn't have a lot of options available.

So I was actually selected to be a naval flight officer, which is a backseater.

So I went to flight school and was fortunate enough to get selected for the jet program.

And so I flew F 18s and from about 2005 through 2009 went to Operation Iraqi Freedom in 2007-2008

and did about 75 combat missions off the USS Truman.

And so you were in from training and actually being active.

How many years was that?

So I went to the Naval Academy in 99.

I got out in 2011.

Okay.

Wow.

And so you, during that time, was your mind still on business or you were fully immersed and, you know, you kind of put that aside?

Yeah.

So when I was in the squadron flying missions off the boat, I had a good friend and we were flying together and we realized that we worked really well together.

And so we would come back from combat missions and pour a tall glass of whiskey, which is super legal on the boat and cheers each other and be like, man, we should start a company someday.

And fast forward to 2011, I was getting out of the Navy and I was moving back to my hometown in Texas to kind of go see what was out there in the world.

And he called me up a couple months later and he asked how I was doing.

I was like, get here as fast as you can.

So he came the next day and got a job at the company I was working at at the time.

And then we left and found that our company about a year later.

And so you, you did go work for a company for a period of time.

Was that to pay the bills?

Was that you wanted to learn something specific?

What was the thought process there?

Cause I like sharing that because a lot of people right now are in a job and it's very easy to like write yourself off.

It's like, man, I listened to these interviews, they all just went for it, but I'm at a job.

Maybe we're different in some way.

So I like when people share the, Hey, I went and worked someplace for a little while before I did my business.

Yeah, totally.

So, you know, as I was, was getting out of the Navy, I was looking at a few different options, one kind of in the government contracting realm.

And then I had lunch with a mentor of mine growing up and he asked me what my plans were after getting out.

And I, and I told him, he said, no, that's not a great idea.

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Actually I'd like you to come work for me.

It's the best time in the history of the oil business to be in the oil business.

And when a, when a door like that opens, you just walk through it and, and, you know, this, this guy had been very successful and was basically offering me a chance to get the playbook. And so I went to work for him and, and, and learned a ton about the industry and the business and I'm very grateful for that mentorship.

And then about a year and a half in, we started to have some differences, depending with the firm and, and they basically said, Hey, you know, you guys are kind of taking a different tack than, than we are.

Why don't you go do it on your own?

So we took that and ran with it.

You're like, okay.

And so let's explain the mechanics of how this works.

So how do you do your job?

You said you buy pieces of land that have some value to the oil and gas industry or to what's under the surface.

So you buy pieces of land, you aggregate them together and then you sell them to investment firms once they are sort of proven out to be of value.

So walk us through, what does that mean?

How does this business work?

Yeah, so the United States is actually the only country on the planet with private mineral ownership in almost every other country in the world that has oil, the government owns the rights to that oil and gets paid for the revenues in the U S private citizens actually own the rights to the land and they can be divided up over generations.

So there might be, you know, hundreds of people that own a small piece of the mineral estate in a particular track.

What we do is basically track those people down, make them lump some offers or the rights to the property in hopes that there might be future drilling in that area.

Interesting.

So you said the U.S. is the only country really, the only major country at least that has this, you know, the citizens can own the land that has the good stuff underneath the earth and other countries are not doing that.

Why is it that the U.S. does it?

Is that just the way it was?

Is there a strategic reason why that's good?

How do you feel about that?

Well, it's created a tremendous amount of wealth in this country and private wealth, right?

And I mean, it depends on your stance regarding the way the government spends money, but you know, I'm of the belief that, you know, the private sector always is going to do a better job allocating resources than the government.

So we look at private mineral ownership as just a tremendous source of wealth creation in the U.S. and yeah, so, you know, to me, it's a big difference in what drives the innovation and ability to negotiate deals, you know, whereas the government's not really incentivized to let people come in and drill, if you're a private mineral owner and you only own a

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small piece, you may make a more favorable deal to the oil company looking to explore that property.

So it actually drove a lot of the innovation in the early part of last century that made the U.S. in powerhouse and energy.

And so you said there's a piece of land and it might have a hundred owners.

Is that like typical, is that the, you know, a lot of people own small pieces of that mineral estate?

And the way that works is because, you know, say in the late 1800s, you know, one individual might have been granted that homestead, they started to pass it down through the generations. And so if they had four kids, they had four kids, you know, it starts going up exponentially and gets divided up, you know, and they might have sold a piece off but retained another piece.

And so it just starts to get pretty complicated over the, you know, decades.

And so you guys go and you, do you know of, you know, there's a lot of oil underneath this?

Or are you just sort of speculating and saying there might be, there might not, we look at some geological studies, like how do you know that the assets are valuable?

Yeah.

So that's a great question.

And there's, there's a lot of different ways to go about that for us specifically.

We decided to focus on the Midland Basin, which is, which is a part of the Permian Basin that has proven up.

It's been around for a long time.

And with kind of the advent of new technology, you know, horizontal drilling basically opened up massive new deposits, creating basically the biggest oil deposit in the world bigger than the, the fields in Saudi Arabia.

So we stayed in the heart of the heart and, and just decided to niche down to the, to the very best properties in that area and go after those.

Gotcha.

And so you guys have been able to do what?

Give us a sense of how the business has evolved from where you guys started to where you guys are today.

Yeah.

So, you know, first of all, I mean, I think it bears saying that there is both a sense of, of luck and expertise applied, right?

So I wouldn't be where I am without getting to grow up in this, this oil rich town that most other places don't have having a mentor born on a gold mine in a way, totally born on a gold mine.

And it turned out then when my, what my mentor said when he hired me on that 2011 was one of the best times in the history of the oil business to be in the oil business.

He was right.

You know, we didn't hindsight in 2020, we didn't know at the time what was going to happen, but this was really on the precipice of this, this massive discovery that, that was unlocked by horizontal drilling.

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And so we just happened to be in the right place at the right time, but what we did really well was make good investment decisions and then find properties that we believed in and double and triple down and leverage ourselves to the hilt to make sure that we could keep as much as we possibly can.

And we built a portfolio over a lot of years that we just recently exited.

And so it worked out, but there was a tremendous amount of risk, there was a tremendous amount of leverage and there was a lot of sleepless nights along the way, you know, not knowing if this thing was going to work out.

Right.

And you self-funded this from the beginning.

Was it a lot of debt?

How did you guys even get started?

Yeah, completely bootstrapped.

We never took on money.

Basically what we would do is go out and find a property that we want to acquire, come into an agreement with the seller and then start making calls to find a buyer for that same property and then use basically other people's money to fund the acquisition.

In between flipping it basically.

Yeah, exactly.

Yeah.

And so you were holding a property for how long on average?

I mean, the ideal way to do it is actually to do a simultaneous close where one person funds in the morning and you fund the other person in the afternoon.

But as we started to grow and have a bankroll of our own, we were able to start building up a portfolio of properties.

And so we would hold something anywhere from a couple of months to a couple of years.

And so you guys bootstrapped this whole thing, you and your buddy from the Navy basically.

You exited recently, so are you out of the business?

Do you have no sort of day-to-day involvement?

No, so the company still exists and we're still buying and selling properties.

But I've basically handed off my duties and I'm focusing on other things now.

So I still check in with the team, but yeah, I'm not involved on a day-to-day basis.

Right.

And so you built this business into the tens of millions in revenue and how many employees did this have?

When I saw this, this blew my mind.

Yeah.

So it started just Jay and I and we actually broke seven figures in revenue with just the two of us and then a couple years in, we're actually so busy, we're like, maybe we should hire an assistant that can actually go check the mail and pay our bills and do the things that we were still doing.

So at our peak, we had five employees, was the most that we had.

At your peak?

Right.

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And how many of those were blood relatives of yours?

Yeah, so I was in this incredible business that was providing an amazing way of life for me and my business partner and to me, I wanted to share that with my family.

So I actually hired two of my brothers on to work with us and get to live this unbelievable lifestyle and kind of, you know, my philosophy is that if I'm going to have to go to work every day, I want to see my very favorite people on the planet.

So bringing my brothers in was a no-brainer.

That's great.

And people sort of discourage this.

They're like, don't do business with friends and family and of course things can get messy.

That's absolutely true.

But there is also an upside that I feel like nobody talks about, which is when you work with people who you really love and get along with and have worked, you know, have a relationship for a decade, you could do some amazing things and enjoy it in a way that you can't with other people necessarily.

So I like that you said that.

Absolutely.

And it's been one of the best decisions of my life to bring them on to my company.

All right.

Let's take a second to talk about Howard Stern.

That's right.

Howard Stern, the king of audio.

You see, I think he might be getting ripped off by Sirius XM.

If he was to turn his show into a paid subscription product, he could nearly triple the 90 million he's making a year as a salary.

And how would he do it?

Supercast.

That's right.

Supercast is the sponsor for this week's episode.

What Supercast does is build and maintain paid subscription audiences while allowing you to retain complete control over your content, your business and your creative output.

If you want to earn a media king's ransom, use Supercast.

Visit Supercast.com for more.

All right.

Back to the show.

One, like I said, I get to see my favorite people every day and get to do life with them.

And also, yeah, people say don't do business with family, but if you have their best interest in your heart, then it's always going to work out.

If you put their highest good over the highest good of your own personal gain, then you always stay aligned with the business and with your employees who also happen to be your family.

So it's actually a really great incentive to do right by your stakeholders.

And so you brought them on and you said something about, we're living this incredible lifestyle.

What was this lifestyle?

I think I'm here in Silicon Valley, there's a certain, I would say, lifestyle that comes

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with entrepreneurship here, which is there's a big hype machine so you can raise a bunch of money from investors.

And that gets you this sort of fame circuit where you sort of feel like you're successful before you are.

And you work 100 hours a week and you're programming late into the night and you go down that track.

That's what entrepreneurship means here and it's what's encouraged by most people.

What's the lifestyle been like for you?

Describe your business lifestyle.

Yeah, so something that I came to understand very early on in this business was that there's basically two ways to make money.

One of those ways is kind of what you just described, this hustle, work hard, work hard to outwork everybody else and kind of get to the front of this rat race or focus on asymmetric returns.

And in my particular industry, it didn't matter finding 20 deals that were mediocre.

Not as good as finding one deal that had a tremendous upside.

So I quickly learned the power of focusing on the highest possible upside that I could find and basically trying to filter out the chat and really focusing on working smart instead of working hard.

Okay, so we're going to talk more about this because I think this is really important.

You said asymmetric risk and reward is essentially what you're trying to balance.

You want to take as little risk as you can for as large of an upside as you can possibly get.

That sounds obvious, but most people are not working that way or living that way because let's say you go to a job, you have essentially no risk and a cap reward.

And the cap reward is not usually, it's not asymmetric in the sense that it's not bigger than, you know, given your hours or your inputs and your input is basically time in this case.

What you're saying is it doesn't matter what time you put in, it's really just, did you find the right deal or not, which may take you one hour, it may take you 100 hours doesn't really matter.

The reward does not care about the end of the time input.

Is that, oh, it's a little complicated, but that's, that's my sense of what you're saying.

That's exactly what I'm saying is that, you know, hustling harder wouldn't have necessarily made us more money, especially in the beginning, you know, it was actually, you know, finding the metrics that we cared about applying those across the board, being consistent and disciplined as investors and finding the very best deals.

And like you said, they may come across your desk once a week or once a month.

It doesn't really matter timing wise.

It's finding the best ones.

Give me an example of your best and worst deals.

Oh man.

So our, our best deal hands down is our first deal ever, which yeah, totally for a few reasons.

One is we started the company in May of 2013 and we had this idea that, you know, we're going to be successful immediately.

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We've got the playbook like we're ready to go.

We're going to hit the ground running.

And in November of that same year heading into Thanksgiving, I've got a brand new one year old child just bought a house and I've got \$2,000 in my checking account.

And I'm like, Oh, this is getting a little overracking.

Haven't made a single deal and we're starting to kind of bang our heads against the wall and a life changing deal came across our desk and it closed.

Like I said, when, when I was basically down to the wire, obviously it's life changing because you were running out of cash, but like what made it, how did it come across your desk?

What was great about it?

What was the deal?

You know, the thing is that's, that's funny about this, like even though we were running out of money, uh, it was never panic button.

Oh my God, we made a bad decision.

It was like, Hey, we know that we've got a good thesis.

We know that we're going to find a deal and we've just got to keep going.

And this is, you know, where there was, uh, some actual hard work, uh, involved, right?

Like we weren't, we weren't taking off.

You weren't snowboarding back then.

Yeah, exactly.

Right.

So, so yeah, as your resources are dwindling, it's like, Oh man, uh, you know, so we were really, uh, you know, basically burning up the phones, trying to, to find, find leads and, uh, a deal that we had been working for, uh, like a couple of years.

It was kind of like, man, if this one ever comes through, this is really going to put us on the map, uh, right at that time, uh, the universe kind of, uh,

So what does that mean?

Cause you were saying earlier, you basically contact the, the right holders, you contact the people who own it today.

Yeah.

And you try to convince them to sell it to you at a price, um, and you need to get some critical mass.

You want to own some percentage of it, I'm sure, uh, for it to be viable.

So what's actually happening when you're burning up the phones, you're calling people saying, Hey, I hear, you know, I see you're the owner of this.

Have you ever considered selling?

Is that what it sounds like?

The thing is we actually are good at this because we believe we're creating win-wins.

And that is that, um, when you're an individual landowner in this area, um, you have a tremendous amount of concentration risk, meaning you have to wait until the oil company comes and drills on your specific piece of property.

Right.

And now that may be in 20 years.

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So we believe it's actually better for individuals to sell their properties to funds that are spread across hundreds of properties and have actually, you know, risk analysis based on how they, their ownership looks.

So it's, it's like playing roulette essentially, either you can put all your money on one number or you can sell it to a, to a fund who they can then spread their money over every number so that they win every single time.

So we actually believe that we're creating win-wins.

And in this particular case, um, as is often the case, this person had a, a life event, either a retirement or a kid going to college or a wedding or, you know, some.

Looking for a little cash.

Looking for a little cash and it was, it was time for them, uh, to sell and, and then we just got really lucky that they, they sold that property to us and, uh, immediately six new wells got drilled on it and, uh, so we were able to, uh, extract a lot of value from that particular deal in a very short amount of time.

Excellent.

All right.

So that was the best deal.

Yeah.

So well, when I go back to asymmetric returns, you know, uh, generally what we look at for an asymmetric return is, is the worst case scenario here, I can get my money back over time.

Best case scenario being like a five X or up.

Right.

I mean, that's kind of the, the thing that I'm looking at, you know, over time.

So we actually try not to lose money.

It's more opportunity cost, um, but the worst thing that actually ever happened to us was we, uh, bought a million dollar deal, um, and sent the deed to the county, uh, where the deal was located in order to record the deal, which is actually, you actually change ownership and we didn't receive it back for a couple of weeks and we started to get nervous. So we called the county courthouse and they essentially told us that they'd never seen it.

So we lost the deed.

We lost the deed to a seven figure property that we had purchased, by the way, with not our money, the bank's money and we had absolutely nothing to show for it.

So we had to, uh, call the guy hat in hand and it's essentially explain what happened.

And, uh, it could have gotten really ugly if he had decided not to work with us and we would have had to, you know, go to court and what happened, it literally got lost in the mail.

Someone stole it.

What do you think happened to this deed?

Yeah.

Well, um, you know, governments aren't often the most efficient operators.

And so, uh, we showed that it was delivered to the courthouse and then somehow nobody knew what happened to it after that.

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So who knows, we'll leave that up to the imagination.

But fortunately, uh, the client that we were working with at that time was, was very, uh, good to us.

And, uh, after going back and forth with his attorneys and making sure that we weren't doing anything shady, he finally did sign that deed and we, we didn't lose our money.

But I would be lying if I said that there weren't, uh, more than one pretty sleepless nights, uh, during that time.

So, uh, we learned to then put in a new procedure, as I mentioned earlier, and require signatures for everything that we were delivering to the courthouse from that day forward.

That policy was written in blood as well.

Exactly.

So in a given month, how many deals were you guys doing when you're entered, let's say average?

Not at the very beginning, not at the very end, but sort of midway through.

What is it?

One, 10, zero a month.

What's the average?

Yeah.

I mean, during our peak, uh, would have probably been, uh, 2015.

And I think we probably did about 45 to 50 deals that year.

So you know, three or four a month is probably about our average.

Right.

And so you're doing those deals and how do you, how do you reconcile, right?

Because if I'm arguing against you, I say, you know, you know what?

You're right that you make your money on the good deals and you have to get the good deals to make it work.

But by hustling harder, by looking for more deals, by researching it more, I can actually get a better return.

Um, how do you kind of, how do you square that circle?

Yeah.

So, so for me, um, that's, this really gets into a different question, which is how much is enough?

You know, uh, what's the balance here?

I mean, we were, you know, making millions of dollars, including a lifestyle that, um, you know, was, was amazing.

My two brothers, we get to ride bikes every day and work out together and, um, you know, go to this office that's, that's kind of also a clubhouse and, uh, like I spent a lot of time with my kids and my family.

So we're, you know, again, lifestyle starts to play in here, uh, and what's important to you.

And so yeah, absolutely.

You know, uh, we had an eight figure exit, certainly probably could have had a nine figure exit if I worked 80 hours a week and, you know, hired 25 employees to do this thing.

But that's just not something I ever really desired to do.

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I wanted to, uh, create a company that could provide abundance for me and my family and, um, the people that I chose to spend it with, but, you know, kind of this, this massive drive to see how big I could grow it just for the sake of, of growth never really made sense to me.

Music to my ears.

This is why I knew I liked you right when I met you.

I could sense that this is kind of the way you think about things because what you're saying is the end objective is quality of life.

Uh, even if you get more money, people want, why do you want money?

You want money so you can enable a better lifestyle.

You can enjoy your life more.

You can feel better, but if the things that make you happiest is, you know, riding your bike or working out or seeing your brothers, you know, spending time with kids, whatever it is, then that's what you need time, not more money.

And if you're throwing away time to get more money, you're not, you're not getting to that end state, which is having an amazing quality of life.

In fact, my brother-in-law, he lives in San Francisco here and, uh, my sister and my brother-in-law, they live here and they are, are some of the most successful entrepreneurs in, but they're in this tech world and they do nothing with tech.

They own two preschools and, um, and they basically, you know, it's not like they're revenues are super, super crazy impressive.

It's obviously very good, but it's not like, you know, you walk around here in San Francisco, you can bump into a billionaire on the street.

Uh, but what I love is the quality of life.

You know, they wake up every day, they walk their kids to their school, uh, you know, their youngest is in their own school.

So they get to see her all day and really help her, you know, uh, they built a product for their own kids, essentially.

They, um, you know, they get to employ a small number of people that don't have a headaches of, of a staff of thousands of people.

Uh, in the middle of the day, they go work out.

My brother-in-law loves, loves doing to Jitsu and he goes and does that every single day.

He gets to do Jiu-Jitsu.

And so we, we call it quality and out of control.

It's like, instead of balling, instead of balling out, uh, it's quality and out, which is, you know, your quality of life.

And so, uh, I love the way you kind of, you walk to the walk in this regard.

It sounds like, like an average day looked like what, like what time would you wake up?

What would you do with your day?

Yeah.

So, uh, when I was still working in the business primarily and we were growing, um, average day would be to, um, A, wake up and, and play with my kid, um, and, and have breaks with him and take him to school, head into the office, um, uh, fire up in Espresso.

And then basically what I would generally do is have an hour or two of just strategic

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planning with my business partner J. We, we, we would sit in what we call our battle chairs and we would just think through all the various things going on in the business.

And to me, this is one of the strategies that really made us successful was just taking this time to brainstorm, to, to plan, to strategize.

And one of the things we would really like to do is, is go deep down the rabbit hole thinking about deals.

Like how can this go wrong?

What are the questions these guys are going to ask, you know, and, and go to the second and third level of analysis on everything that we were doing so that we were very intentional. You know, we never just threw things to the wall and would, you know, basically leave it up to chance.

It would be like, okay, if we're going to make this decision, let's go down every variable of what could possibly happen and go wrong and try and plan for it.

Yeah, but it doesn't mean you can always find that, which kind of comes to a military phrase we have, which is don't fall in love with the plan, you can spend a whole day planning and then, you know, something might pop up that you didn't anticipate and now you've got to start over.

But the more you can go down and kind of look at all of the different contingencies and have a plan for those things, that allows you to not have to make decisions in real time because you basically had the chance to think about it before it happened.

And so you said, you know, phrase for the military, have you been able to apply, you know, lessons that, you know, like principles, philosophies to business, like what are some of the kind of top things you guys were able to translate over?

The military is incredible as a teacher and as a lifestyle.

And we learned as much what to do as what not to do, you know, I mean, so being in an elite unit like a fighter squadron, there are some really interesting things we learn about human performance.

One of the things is what we call intense positive peer pressure.

So when you go into the Navy,
intense positive peer pressure.

Yeah, yeah.

What is that?

So basically a fighter squadron in the Navy is about 36 people, officers that are pilots and and wizes, weapons systems officers.

And they create this environment where you get in as a new guy and your only job is to learn how to operate that aircraft as a weapon of war.

So you're studying and the older guys in the squadron are essentially in charge of mentoring and, you know, it's a very encouraging place, but there's this underlying expectation of like, hey, you're here to perform and the the ultimate sin is not embarrassing yourself.

It's actually embarrassing the squadron.

So if you were to go to, you know, a joint exercise and show up for a brief unprepared, that would be embarrassing to the squadron.

And like, that's the that's the worst possible thing you could do.

So so it's everyone's kind of.

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Again, it's not it's not negativity based.

It's very positive.

Like we're all trying to lift each other up, but you're going to go check on your buddy and make sure he knows his stuff, because if he embarrasses the squadron, that's on you. Right.

It's a really sort of the whole team is just accountable for the whole team.

Totally.

And so we really try to bring that into our business of like, hey, you know, attention to detail, like we don't we don't send correspondence out with errors, you know, and it became actually

a game for us to try and get get something past my business partner, Jay, without him circling anything.

And you know, that's the kind of accountability standard that we had is basically, hey, if we're going to present ourselves the outside world, perfection is the standard and we're not going to eviscerate someone if they make a mistake, we're going to find a way to positively reinforce each other so that they're incentivized not to.

So what's an example of that?

How do you how do you hold that standard without beating people up when they make the mistake?

Well, you a first of all, show them where that particular standard came from.

So this is this is something that is is really important to us in our in our company is, hey, if there's a policy in place, take the time to understand why that policy exists.

Because again, in the Navy, the the operations manual, it's called NATOPS.

That's how they operate the aircraft.

They say NATOPS is written in blood, meaning if there's a procedure in there, it's probably because somebody died and then they changed the law, you know, the way to operate.

And so we kind of brought that same idea to our company saying, hey, all of these things are here for a reason.

If you want to understand that reason, we'll tell you what we did and what we screwed up basically that made that policy a thing.

And so giving people the opportunity to understand why something is in place rather than just a bunch of arbitrary rules.

And then second is don't make arbitrary rules, right?

If you're going to if you're going to have a policy, make sure it means something and that it's actually important because then people have the ability to discern from, you know, you don't want to leave it up to them to decide which rules are important and which aren't, don't have any unimportant rules.

Okay, so they understand the why mistakes happen.

When a mistake happens, what's an example of how to recover positively versus, you know, negative pressure.

Yeah.

So here we like to use a basketball analogy, which is basically like, hey, if we're playing basketball and I pass you the ball and you take the shot and you miss the next time we dribble down the court, I'm going to still pass you the ball.

If you shoot again and miss, you're probably not going to get the ball next time, right?

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So, so it's not that we want to come down on somebody for making a mistake, but if you start making them same mistake over and over, that's going to be a problem and you're probably not going to be someone we want in the organization.

Right.

Okay.

Fair enough.

And so what were the things you said, you know, sometimes you learn what to do and you've given a couple of examples and then the not to do, what are some of the not to do, what are some of the things that you're like, we're not going to run our business that way.

We didn't find that, that doesn't translate or we didn't find it effective even when we were in the military.

Right.

So the biggest thing is rewarding performance in the Navy, you know, basically because it's a massive bureaucracy, you can only advance based on time and rank and this super complicated ranking structure within your squadron.

It's all based on timing.

So you know, everyone is intrinsically motivated, but the guys who are the top performers are rewarded with basically more work.

So there was a specific time where I was in a unit that the guy next to me was basically just incompetent and my boss would come over every day and be like, Hey, I'm going to need you to take care of this.

It's really his responsibility, but he doesn't know how to do it.

I trust you.

But I trust you.

Well, thanks for choosing me.

Right.

So I'm watching him check Facebook while I'm literally doing his work.

And so, you know, in our organization, we made sure that we had kind of a hunter skinner approach where, I mean, the hunters, you eat what you kill if you're, if you're producing revenue, if you're making money for the company, you're going to get rewarded, which is kind of the antithesis of, of the military.

Right.

Yeah.

Just yesterday I was, so, so we got acquired by, by Twitch and so I work at Twitch now and, and we're working on this project that is a pretty important project for the company.

Everyone's excited about it.

I'm excited about it.

So I went and asked for a raise in a promotion as you do.

You deserve it.

Exactly.

I felt like I deserved this, you know, years ago, even though I haven't even been there for years, but I was like, I deserve this.

And there's my first time doing that because I've just been running my own company.

So I've only ever been on the other side where people come ask me and I've never gotten

to go ask.

So I was quite excited, which was to say, Hey, I think I deserve this.

And I asked a question at the beginning.

And I said, is this a company where you're rewarded for tenure?

So basically time, time is how you move up or performance.

And like, I just like to understand that.

And let's start there.

And then so, and it's like, well, and he actually had a good answer, which was its performance as like the leading thing, but you have to demonstrate the performance over some amount of time.

Fair enough.

But I think that, you know, if, if military or academia is on one end where it's pretty much all just time to drive your rank up, you know, we want to be on the other side with our businesses, which is merit based, performance based, you reward people for doing the right thing.

And what you were saying was great, which is that not only do they not reward you with higher rank, they reward you with more work for doing a good job.

And that actually happens.

I see that all the time at our company too, like I see that happening and that's a, that's a damn shame.

Yeah, totally.

I mean, and this kind of goes into the broader culture, which is, you know, who do you want to keep around?

Do you want to keep your high performers or do you want to keep people that follow the rules and, you know, make sure they get their TPS reports in on time?

You know, unfortunately in most situations, companies are rewarding mediocre performers and the high performers leave and go start their own companies because they can't handle the rules.

Right.

And so you, you live in Denver now?

Yeah.

Once we...

Or near, near Denver.

Yeah.

Once we got the company to a point where it was self-sustaining and we didn't feel like we had to be, you know, in middle and in the mix all the time, we kind of looked at what else we might want to spend our days and being kind of an avid outdoorsman, Denver seemed like the place to go.

San Diego, Austin and Denver were on the shortlist and Denver won out.

So we've been in Golden Colorado for three years now.

And your lifestyle was outdoors, even when you were, you know, running the company and doing really well, it's very easy to get stuck at a desk all day.

But what I liked, you know, I was reading about this or I don't know if you just mentioned it, but, you know, you guys would stop and you'd go ride a bike for an hour in the middle

of the day.

What's...

Is that a productivity thing?

Is that just...

It makes me happy.

You know, tell me about that lifestyle.

Yeah, absolutely.

I mean, it kind of goes back to that quality of life thing that we were discussing before.

You know, I mean, with entrepreneurship especially and in our particular business, the work doesn't come in in the steady eight to five Monday through Friday kind of workflow.

You know, there may be three days of sheer panic where, yeah, we're staying up late and we miss a few bike rides and then there may be a few days where we're not actually doing that much, right?

I mean, it's kind of crazy to think that your work is always going to be perfectly balanced out throughout the day.

Right.

But that's what people expect.

That's the way they organize their life.

Totally, right?

And so, you know, it's always been important to us to take time to kind of appreciate where we live and the unbelievable opportunity that we have to be able to take a break and get outside or do something you really enjoy and also how that factors into your workday.

You know, I mean, ultimately science is starting to show that people can only really have one or two real productive hours in the day.

And so, you can stretch that out into eight hours and go up to the water cooler and go get coffee and a donut, you know, and get up from your desk 10 times a day or you can go take care of yourself, practice self-care, you know, meditation, exercise, and then go get really focused for one to two hours and knock out way more than you would be able to if you weren't taking care of yourself.

Right.

And there's this guy, Naval, I don't know if you're super familiar with him, he runs Angel List.

He's kind of like a philosopher type of guy here in the tech industry, and he has this great metaphor where he's like, you could either work like a cow or work like a lion.

And, you know, he's like, a cow goes out and grazes all day slowly just chewing grass and it takes a long time to digest it and it takes a long time to chew it and just basically feeds all day for eight hours a day.

And that's the sort of like Monday through Friday, eight hours, you don't even question it.

You just go in at that time, you leave it at another, you know, at 5 p.m. or 6 p.m. every day.

That's the, that is the work style.

And then working like a lion, what does that mean?

That's what you're describing, which is you wait, you look, you observe for where the,

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where's the high impact, where's the opportunity, where's the prey.

When you see it, you sprint and you actually, you know, you go and you catch your prey and you eat and then you rest and reassess and you figure out, okay, where's the next hunt.

And I think for creative people and for business people, working like a lion and hunting, you know, basically alternating between sprinting and resting is, it's a pattern that works for me, it sounds like it works for you and it's one to consider if you're listening to this.

Yeah, absolutely.

And the other thing I would kind of add in there is taking the time to celebrate wins.

You know, one of the, one of the things that-

Do lions do that?

Because if a lion doesn't do it, I'm not doing it.

Yeah, I don't know what their celebration protocol looks like, but I'm sure when they get the antelope, they're pretty stoked, right?

But you know, one thing that we really prioritize with this, this kind of, you know, this hustle porn type attitude and no offense to Sam in the hustle, which, but you know, this, this kind of, you know, get up early and destroy your enemies because they're out there training harder.

You know, I'm kind of the anti-jocko when it comes to that, that attitude, you know, we don't take the time to actually appreciate what we've done.

And I think that the gratitude and taking that pause is a really huge part of then being able to go into the next thing recharged and intentionally and having a good understanding of why we do what we do.

And you know, they're kind of this idea that your life has to be like a stock chart and has to, you know, you have to report quarterly earnings and if you weren't doing more or doing better or growing your revenues better than you were last quarter, then you're some kind of failure.

And you know, that leads to this just, just voracious growth for growth's sake, like, which is something I mentioned earlier that I think we need to be more intentional and go, Hey, actually, I don't need to grow anything right now.

I've created something that's really awesome.

And I've had these massive wins.

I don't need anything else in my life.

So why don't I stop here and just appreciate what's happened up to this point?

Yeah.

Very, very wise.

I like that.

The other thing I like that you do, and I don't know if this is something you do a lot of or a little of, but I kind of got the sense of it, which was you're here on a, you're here for an event right now.

That's why you're in the Bay Area.

It's called TransTech.

TransTech.

But there's some other thing, baby bathwater or something like that.

Yeah.

I'm a member of the entrepreneurs organization called Baby Bathwater Institute, which is founded by two great friends, Hollis and Michael Lovitch, who basically have a very interesting philosophy, which is, you know, we want to curate a group of amazing entrepreneurs, and then we want to do life and work together.

So we build companies together.

We help each other out and are actually looking at other ways to monetize that and actually invest with each other.

And yeah, kind of create this entrepreneurial tribe that collectively elevates everyone.

And you met Sam, because we met through Sam, you met Sam at a different event, like an similar sort of curated group of people, I think it's called 212 or something like that.

Correct.

Is this something you intentionally do?

Did you just happen to do these two, or do you do more of these?

Because I like this.

I think it's interesting, right?

It sounds like to me like you're investing in both yourself and your friends, your friend group and your brain as well.

Like these are sort of a substitute for business school.

I'm sure every time you go to one of these, you learn a lot.

Talk about how you decide to do these.

If that's paid off for you, I'm just curious, because I don't do any of that.

And I'd like to know.

Yeah, absolutely.

It's something that's been tremendously additive to my life as an entrepreneur for a couple reasons.

One, there's kind of the tactical reasons of like, hey, it's great to get to go have time with other entrepreneurs who are growing businesses and may have ideas or hiring practices or very practical things that you can apply.

And a lot of people go to these communities for that.

But really, the benefit is actually finding your tribe and finding like-minded people who think the way you do, entrepreneurship can be incredibly lonely, because we think a different way than most of the population.

And when you kind of think differently than most people, it can actually be, you can find yourself ostracized or not really connecting with other people because your brain works a different way.

And so when you go to an entrepreneurial organization with a whole bunch of other people who have broken the rules and started their own thing and not played by the traditional playbook that they were given, it's actually incredibly cathartic to find your people and go, oh, all right, now let's go create under this new paradigm and think about the things we want to do and how we want to show up in the world.

And then you start building this network of experts in every possible different business area that you can think of.

So I am really good at investing and finding good deals.

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Some people are really good at marketing.

Some people are really good at hiring and growth.

And now I have this tribe where I can call somebody anytime I need help in one particular area and it just accelerates my path to success.

Right.

It's like no questions asked with these people.

Totally.

And some of these are expensive.

Some of these are like, you pay 20 grand to go to some of these things.

Do you ever look at that and you're like, no, that's, you know, because up front, that's a big price tag for a lot of people, even if you're successful, that's just a big, you know, there's not many things you spend that much on in a given month.

So how do you think about that?

Yeah, so for me, A, I have a different relationship to money than most people.

You know, I look at money as a tool that should add value to my life, which means I have kind of a very easy come, easy go attitude with money.

How do most people look at it?

If they don't look at it as a tool to improve life, what do you think is, if you were looking at observing how other people have a relationship with money, what would you say?

Yeah.

I mean, you know, we're taught that that money is scarce and that we have to hustle for it and grind for it and then we have to save it and make sure that it's never going to run out for a rainy day.

But you know, once you kind of have jumped into the entrepreneurial pool and found success, you know, you start to realize that, hey, I know how to do this now.

And so, you know, even if I do run out of money, yeah, it may be painful for a little while and I may not be able to have all the creature comforts I'm used to, but I know that I can use my brain and my skills to create more.

And so, you kind of start to divorce the scarce mindset and go, okay, if I'm coming from a place of abundance and I know how to create wealth, now what am I going to do with that?

And that becomes looking at how am I going to use my time, which is the only non-renewable resource.

So, when I look at the price tag on some of these entrepreneurial groups, which is your original question, it's not what return am I going to get on my dollars?

You know, if I put one dollar in, am I going to get three back?

I don't really give a shit.

What I'm looking at is, how does this increase the overall quality of my life?

And in the case of an organization like Baby Bathwater, you know, I've essentially oriented my entire life around this group.

All my friends are in this group.

I am building companies with people in this group.

I'm attending events, you know, a couple times a month with my friends from this group.

And that's given so much to my life that I can't put a price on what that's worth to me.

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So, stroking a check for membership dues is like, absolutely.

Right.

So, thank you for not charging me more.

Right, yeah.

I love it.

That is excellent.

And so, what's next for you?

What are you excited about doing?

What's the next chapter look like?

Yeah.

So, currently I am embracing unemployment and again, this kind of gets back to the celebrate wins.

People are going to listen to this and be like, this guy has the best fucking life.

They're like, this guy enjoys himself.

He had success.

He's celebrating.

He's grateful.

This guy's got the best life.

In fact, that might be the title of the podcast.

Mike Brown, this guy has the best life.

Perfect.

That sounds pretty good to me because I do feel like I have the most incredible life.

And I realized the incredible privilege that I had to be able to have the opportunities to create what I've created.

But I also am grateful for the decisions I made and the massive risks that I took that got me here.

And really, this kind of unemployment phase came with a conversation with my 21-year-old self.

And if I told 21-year-old Mike Brown, hey, at age 39, you've exited a company and you're thinking about what to do next, what should you do?

21-year-old Mike Brown is going to be like, dude, take you off and go snowboarding.

What are you thinking?

You have the opportunity to not do anything for a while.

And all you're going to think about is what you're going to create next.

But that being...

I like that because when most people say, I had a conversation with my 21-year-old self, it's always, what advice would you give to yourself when you're 21?

You're asking the opposite.

Like, hey, 21-year-old me, give me 39-year-old Mike some advice.

Which is amazing.

I've never heard that before.

Yeah.

I mean, basically, I do get to live at the pinnacle of human flourishing.

And I have the opportunity to not have to wake up and go grind it out every day and be

stressed out.

And I am incredibly grateful for that opportunity.

And the other thing that that allows me to do is think deeply about how I can create that same outcome for more people.

And so that is what I'm working on now is, okay, how can I take what I've built and leverage that to create better outcomes for more people?

And so that's kind of what I'm working on is putting together an investment strategy that focuses on companies with mission-driven and purpose-driven outcomes.

Love it.

That's great.

And so how do people get in touch with you?

People listen to this.

They're like, hey, that guy, that guy.

Yes, he's got the best life.

He enjoys his life thoroughly.

That's a way to follow you, get more of your thoughts, get in touch with you.

You have a panicked face right now.

You're like, oh, shit, I didn't think anybody would want to do that.

For sure they're going to want to do that.

Yeah.

Try and keep a low profile social media blackout.

You can find me on...

That's part of why you enjoy life.

Yeah, exactly.

You could find me on...

So you don't do any social.

You don't do Twitter.

You don't do Instagram, really?

I have those accounts.

But probably in this context, LinkedIn is a good place to look.

There's a lot of Mike Browns on LinkedIn.

I've got a hoodie on.

That's how you know that I don't care that much about LinkedIn.

Yeah.

That's true.

Finding Mike Brown on LinkedIn is like just, you know, welcome to 4,000 search results.

Yeah.

So the other way people can get in touch, you know, if they want to talk to me about something is via email, which is mikeatripplestudios.io.

All right.

I gave it out.

In the end, he gave you a way to get in touch with them, which I love because it sounds like you live off the grid a little bit in terms of being connected on the internet.

So I like that.

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Yep.

Yeah.

Hit me up.

Okay.

Awesome.

All right, Mike.

We are out of time.

This has been great, dude.

I really appreciate you doing this.

And I'm excited for people to listen to this because I literally started taking notes in the middle of the podcast.

I was like, oh, that's a good little phrase to remember.

That's a good philosophy to live by.

So thank you very much for coming on now.

Perfect, man.

I appreciate it.

Thank you.

Bye.

Bye.

Bye.

Bye.

Bye.

Bye.

Bye.

Bye.

Bye.

Bye.