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## **A TAKEOVER ARTIST'S NEW TARGET IS LAND**

**By DAVID WETHE**

For T. Boone Pickens, the onetime Texas oilman and corporate investor of the 1980's, it is a new venture. He is combing the lands of West Texas, buying working cattle ranches and selling them to executives who are looking for grand places to play.

Unlike the classic American ranch, with vast spaces populated by cattle and by men in cowboy hats, modern recreational ranches may be bereft of livestock.

Mr. Pickens's own Mesa Vista Ranch, in the Texas Panhandle, an hour's flight from Dallas in his private jet, is a prototype of the recreational ranch. It has no cattle at all - just deer and quail for hunting and amenities like a gym, a basketball court and a small golf course.

Mr. Pickens is quick to point out that his personal spread, including a 22,000-square-foot house, is not for sale. But nearby, he is selling off 36,000 acres of ranch land he bought early last year through the B & J Land and Cattle Company, which he set up with Jim Parks, his business partner and a longtime hunting buddy from Dallas.

Over time, both alone and through his partnership, Mr. Pickens has bought six ranches that cover 121,685 acres of rural land, almost two-thirds the total size of New York City's five boroughs.

Indeed, people like Mr. Pickens are shaking up the ranching business with their ideas in much the same style that they changed corporate America in the 1980's by investing in companies and then demanding that they alter the way they did business.

The desire for more recreational property across the country has helped push up rural land prices, said Nancy Novack, associate economist at the Center for the Study of Rural America, which is based in the offices of the Federal Reserve Bank of Kansas City, Mo.

"If you're selling the land, it's a great thing," she said. "If you're a young farmer wanting to get into the business, really it's not feasible for you to buy land at inflated prices." Over the past five years, the price of rural land in Texas has increased 46 percent, to \$961 an acre at the end of 2002 from \$657 in 1997, according to the Real Estate Center at Texas A&M University in College Station.

Although Mr. Pickens says he does not make "big money" refurbishing land for resale, he does profit from it, and he enjoys selling the land to other hunters. His desire to use the land differently is also an incentive.

"I wanted to preserve the quail habitat wherever I could," said Mr. Pickens, an avid quail hunter who has an army of 30 English pointers and five Labrador retrievers.

He is limiting himself to the Texas Panhandle and western Oklahoma, he said, because that is the area where quail are most known to live. "I think that quail are the most fun, the most challenging of any bird in the United States" for hunting, he said.

Mr. Pickens does not have a defined plan for this venture, but when he sees another property where the price or location is right, he'll jump in. "It's an ongoing business," he said.

In many ways, the ranch plan sounds like a knockoff of his strategy for fixing up lumbering corporations in the 80's. "The goal is to upgrade it, sell it and get it into the right hands so that it can be further developed and preserved," Mr. Pickens said.

Few doubt that if Mr. Pickens sees the possibility for profits in recreational ranches, others will be quick to follow.

"I think when you see someone like him getting involved in this activity, that should be an indication that there's some real money to be made in it," said Charles Gilliland, a research economist at the Real Estate Center at Texas A&M. "Because if there wasn't, I don't think he'd be fooling with it."

Mr. Gilliland said that rising production costs like fuel prices and labor expenses would force ranchers to look at leasing their properties to hunters with fat wallets.

"These ranchers are going to have to realize, if they want to continue to live on ranches, they're not in the livestock business anymore," he said. "They're in the hospitality business. And that's a big change for a bunch of these guys."

Although recreational ranches have existed since the 1970's, they have grown especially popular over the past few years, said Bill Bahny, a ranch broker in Montana.

His most unusual sale, he said, was made three years ago when a Minnesota man, who has since died, spotted a 7,000-acre recreational ranch listed on the Internet and bought the property for \$2.1 million without seeing it first.

"It was weird," Mr. Bahny said. "I just don't see cattlemen anymore."

Big financial institutions, too, are getting into the business. Bank of America, in a pilot program through its private bank, has been allowing clients to get special loans for buying recreational ranches, which can cost anywhere from \$1 million to \$5 million.

As opposed to a commercial-property loan for farms, a recreational-ranch loan does not require a certain amount of revenue to come from the land, said Chris Jones, private lending manager for Bank of America's private bank. He said that ranch loans differ from residential loans because housing lenders do not like to finance properties where the home represents less than 25 percent of the value.

Bank of America is rolling out a program nationwide to all 100 branches of its private bank, providing loans to wealthy clients - people with at least \$3 million in investable assets - who are interested in buying ranches.

"What we found was an overwhelming response," Mr. Jones said. "Our clients told us, our competitors indicated and our contacts within the industry told us that this was an opportunity for us."

A survey of agricultural credit conditions released in the second quarter of 2002 by the Federal Reserve Bank of Dallas included an ominous comment on the purchase of several New Mexico ranches by nonagricultural buyers, who said they planned to subdivide the land.

"It's the beginning of the end for ranching, as we know it," the report said.

Mr. Pickens has already learned that buying a ranch for recreation involves issues that a traditional rancher might never consider.

"I hate junk," said Mr. Pickens, who has paid to burn down dilapidated buildings and bury discarded ranch trash that once included an old school bus. "When a guy comes in to look at buying a ranch, he wants to see it clean."

Mr. Pickens said he generally spends about \$50 to \$100 an acre fixing up a ranch. That includes fencing the property's perimeter, building roads, adding food and water dispensers for quail and renovating houses or building new ones.

Besides cleaning up the land, Mr. Pickens also likes to let the grass and shrubbery grow out a little, to improve

the quail population. After all, birds need a place to build their nests and hide, he said. One of the first things Mr. Pickens likes to do is "under graze" the land, or clear off all the grazing cattle. It is all for the benefit of a larger wildlife population, he said.

"We understand fully that people have to raise cattle or whatever else they need to do," he said. "But I really do discourage anybody ever breaking up the land and plowing it and farming it."

MAX WILLIAMS, a Dallas oilman, subscribes to Mr. Pickens's theory. After buying a 2,478-acre spread of recreational land from Mr. Pickens last year, Mr. Williams immediately went to work planting vegetation in eight different plots for roaming turkey, hogs and deer to munch on. Now on his ninth ranch since the mid-1970's, Mr. Williams said he has learned his lesson after owning cattle.

"That's the slowest way in the world to get rich," said Mr. Williams, owner of a 27-year-old oil company in Dallas.

Now he wants to use the ranch for fun. In addition to having a chuck wagon to impress guests during cookouts, his ranch includes a newly built 3,000-square-foot stone house, and another one almost twice that size is on the way.

"It's just like owning a yacht," he said of ranch ownership. "You better have a good day job to pay for it."

As for Mr. Pickens, he thinks he has found a pretty good supplement to his day job of running two investment funds under the name BP Capital. So, in addition to pursuing his plan to one day build a pipeline and sell the water trickling under his land to fast-growing Texas markets like Dallas and San Antonio, Mr. Pickens is always looking for another ranch to convert to recreational property - and fast.

"I've got to hurry," he said. "I'm 75 years old."