

**Abandoned Well** – a well that is no longer in use, whether dry, in-operable or no longer producing.

**Ad Valorem Taxes** – the same thing as a property tax for producing minerals. This tax is levied at the county level.

**API Number** - unique identifying number for all oil and gas wells drilled in the U.S.

**Assignment** - The legal instrument whereby Oil and Gas Leases, Royalty Interests, or Overriding Royalty interests are assigned or conveyed.

**Assignor** - The individual conveying Oil and Gas Leases or Overriding Royalty in an Assignment.

**Bonus** - Cash consideration paid to a landowner or mineral owner on the execution of an Oil, Gas and Mineral Lease.

**Curative** - The process that clears a title or straightens out any defects in the title chain.

**Delay Rental** - Yearly payments made to Lessor during the primary term to compensate for delayed drilling.

**Division Order** – an instrument that will list the owner(s) conveying and receiving their decimal ownership in a well. This document should be signed by the grantor and grantee, and be returned to the Division Order Department.

**Drilling Unit** – the total area of land that has been brought together for drilling of a well.

**Dry Well** – A well which has proved to be non-productive.

**Easement** - An easement is a created in a lease which allows usage for a stated purpose. In oil and gas, this is most commonly for installing and operating pipelines.

**Escheated** - Property to which there is no claimant, and the owner is not able to be reached due to circumstances such as the owner has moved and not notified the operator of their new address, or the owner has died. The unclaimed funds are forwarded to the state comptroller's office of the state in which the owner resides.

**Forced Pooled** - The act of being forced by state law into participation in an oil and/or gas producing unit.

**Fracking** - The process of using high pressure to pump sand laden gelled fluid into subsurface rock formations in order to improve flow into a well bore.

**Grantee** - The person receiving lands, minerals, etc.

**Grantor** - A person who grants or conveys lands, minerals, etc.

**Injection Well** - Well used to inject fluids (usually water) into a subsurface formation.

**Interest** - A right or a claim to a property.

**Intestate Death** - A death which occurs without a valid *Last Will and Testament* in place, indicating whom to leave one's estate to after death.

**Land Department** - The department within an oil company that is responsible for all issues related to acquiring and administering mineral and surface rights in order for the company to explore for and produce oil and gas.

**Landman** - A person whose role is that of contacting mineral rights owners regarding the leasing of their mineral interests for oil and gas production.

**Last Will and Testament** - A legal document that communicates a person's final wishes pertaining to possessions and dependents.

**Lease** - The generic name for an Oil, Gas and Mineral Lease.

**Lease Bonus** - Usually the cash consideration that is paid by the lessee for the execution of an Oil and Gas Lease by a landowner. It is usually based on a per acre payment.

**Lessee** - The purchaser (taker) of an Oil, Gas and Mineral Lease. Sometimes referred to as the Grantee.

**Lessor** - The party who grants an Oil, Gas and Mineral Lease. Sometimes referred to as the Grantor.

**Mineral Deed** - An instrument most commonly used when conveying a mineral interest.

**Mineral Lease** - An instrument which sets out the terms by which one party leases the right to explore and produce (if found) certain minerals within a specific tract or tracts of land.

**Mineral Owner** - A person or persons who own title to the subsurface mineral estate under a given tract of land. The mineral interest owner has the right to extract the minerals or lease that right to another party. The mineral interest owner has a right to bonus payments, delay rentals and royalties.

**Mineral Rights** - The ownership of the minerals on or under the surface, with the owner having the right to capture or recover and the right to delegate owner rights to another party to recover mineral by negotiating a lease agreement.

**Mineral Title** - Refers to the legal ownership of the mineral estate (minerals), generally referred to as associated with a particular tract of land.

**Net Revenue Interest (NRI)** - An owner's interest in the revenues of a well.

**Non-Participating Royalty Interest (NPRI)** - royalty interest which "participates" in any oil or gas found but does not "participate" in lease bonuses or rentals.

**Non-Producing Mineral Owner** - An owner of minerals that are not currently being produced and sold.

**Oil & Gas Mineral Lease** - The agreement outlining the basic terms of developing lands or minerals such as royalty to be paid, length of time, description of lands.

**Operator** - A company or individual, who is responsible for the daily operations after production has commenced. Acting with the primary responsibility for maintaining well operations and complying with state rules and regulations.

**Overriding Royalty Interest (ORRI)** - An ORRI is a fractional, undivided interest with the right to participate or receive proceeds from the sale of oil and/or gas. It is not an interest in the minerals, but an *interest in the proceeds or revenue from the oil & gas minerals sold*. The interest is limited to a specific tract of land and is bound to the terms limits of the existing lease. If a lease is allowed to expire, an ORRI is dissolved or expires with the lease. Overrides expire and don't continue into perpetuity in the same form as mineral or royalty interests.

**P&A** - Plugging and abandoning a well. After a well's productive life, it is usually plugged and abandoned with cement and heavy mud. The wellhead is removed, and the casing cut off 3-6 feet underground, and a steel plate welded over the top.

**Paid Up Lease** - An Oil and Gas Lease where rental payments are paid along with bonus.

**Participating Royalty Interest** - A royalty interest giving its owner the right to "participate" in bonuses received and in any oil or gas found.

**Pooled Unit** - Unit created by combining separate mineral interests under the pooling clause of a lease or agreement.

**Pooling** - The joining of several small tracts for purposes of securing a drilling permit.

**Primary Term** - The period of time during which a lease can be kept alive even though there is no production in paying quantities.

**Producer** - A producer of oil and gas, also sometimes referred to as an Operator, or the Oil Company.

**Probate** - The judicial process whereby a Will is "proved" in a court and accepted as a valid public document that is the true Last Testament of the deceased.

**Producing Mineral Interests** - A mineral interest upon which production is actively taking place and minerals being removed and marketed. Oil & Gas Leases often have stipulations that require "commercial quantities" for continuation of a lease.

**Pumper** - An employee of an Operator who is responsible for maintaining and reporting the daily production.

**Ratification** - An employee of an Operator who is responsible for maintaining and reporting the daily production.

**Recompletion** - The completion for production of an existing well bore in another formation from that in which the well was previously completed.

**Royalty** - Revenue generally received by a mineral owner from the production of oil or gas, free of costs (except taxes).

**Royalty Deed** - A deed conveying a royalty interest.

**Royalty Interest** - An interest in an oil and natural gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage.

**Royalty Owner** - the person or persons who own title to that portion of oil and gas production that was set out in the oil and gas lease.

**Salt Water Disposal Well (SWD)** - A well used for the purpose of injecting produced water back into the ground.

**Secondary Term** - The period of time during which a lease can be kept alive by virtue of production in paying quantities.

**Severance** - The separation of a mineral or royalty interest from other interests in that land.

**Severance Tax** - A state or municipal tax on oil and gas products levied at the wellhead for the removal of the hydrocarbons. Also called Production Tax.

**Shut-in Royalty** - Payment to royalty owners under the terms of a lease which allows the lessee to defer production from a well capable of producing but shut in for lack of a market.

**Shut-in Well** - A well which is capable of producing but is not presently producing. Reasons for a well being shut in may be lack of equipment, market or other.

**Surface Estate** - Rights and interests in the surface of land as opposed to the mineral estate.

**Surface Owner** - The person or persons who own title to the surface acreage on a given tract of land.

**Surface Rights** - The set of rights associated with the surface of the land only, as differentiated from mineral rights.

**Suspended Funds** - Money that is held by the operator until certain requirements are met. Such as an address update, unsigned transfer orders, or suspense for title. This often happens when a change in title has taken place.

**Suspended Well** - a well has been capped off temporarily.

**Temporarily Abandoned** - The act of isolating the completed interval or intervals within a wellbore from the surface by means of a cement retainer, cast iron bridge plug, cement plug, tubing and packer with tubing plug, or any combination thereof.

**Testate** - Having left a valid *Last Will and Testament*.

**Transfer Order** - the party distributing production proceeds will require a transfer order to be executed by the transferor and transferee. The transfer order will describe the interest being transferred, and the date of the transfer as well.

**Transporter** - Common carrier by pipeline, railway, truck, motor vehicle, boat, or barge.

**Unitization Agreement** - An agreement signed agreed by both the royalty and the Working Interest owners. Joint operations to maximize recovery among separate operators within a common reservoir.

**W-9** - The IRS (Internal Revenue Service) form used to request someone's TIN (taxpayer identification number).

**Well Site** - The physical location on which an oil or gas well is drilled. The size of the well site generally ranges from about ½ to 2 acres, depending on the foot print of the production facilities needed.

**Working Interest (WI)** - The right granted to the lessee of a property to explore for and to produce and own oil, gas or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty or carried basis.

**Workover** - Remedial work on a producing well to restore or increase production.