

Brick by brick

Division order interest (DOI) calculations made simple

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Glossary of terms

- Division order
 - Per **ConocoPhillips**:
 - A division order is an instrument that records an owner's interest in a specific well. It should include the name of the well, the well number, interest type, and your decimal interest.
 - Often abbreviated as a '**DO**'

Glossary of terms

- **Division order interest**
 - The owner's calculated interest in a well, most often represented as a decimal
 - Also abbreviated as '**DOI**'

Glossary of terms

- **Participation factor**
 - How much of your tract is included in the subject well
 - May be calculated on the basis of acreage or lateral length, depending on the situation

Why should you know how to calculate division order interests?

As an employee of an oil and gas company—

There's a good chance you're expected to know how to do these calculations.

Also, you may need to use your calculation skills when investigating questions from royalty owners.

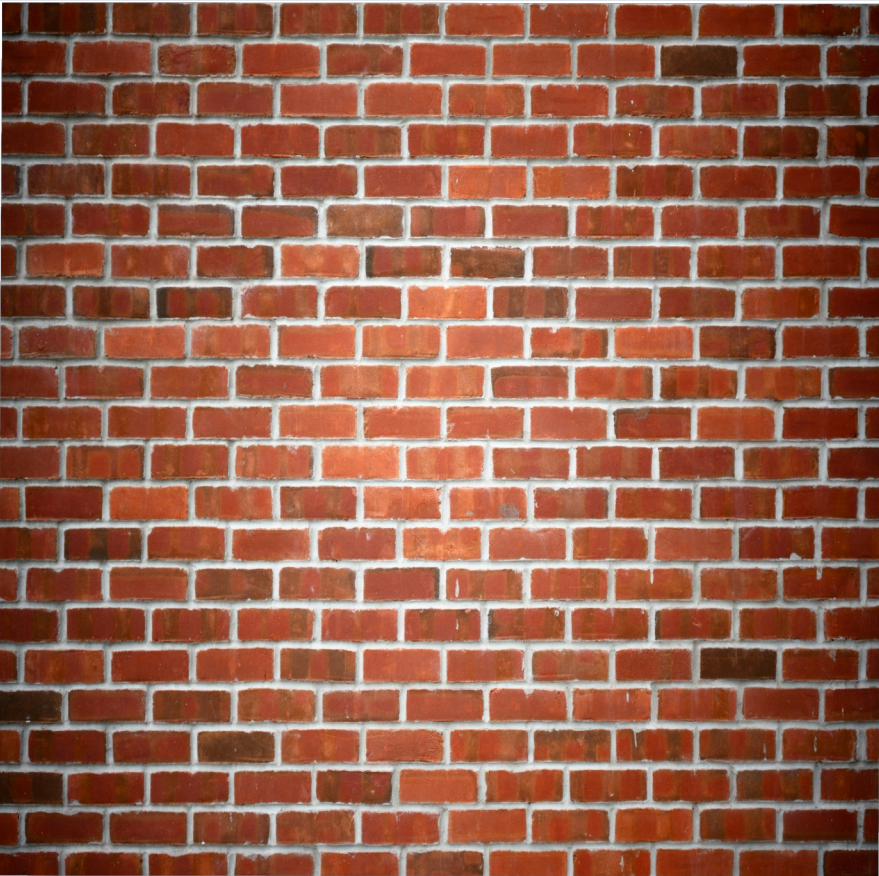
Why should you know how to calculate division order interests?

As a mineral owner—

You should investigate any division order interest reported by the operator (or any other relevant oil and gas company).

You owe it to yourself to make sure you're being paid what you're owed.

Take it one step at a time



Building a brick wall all at once can be intimidating

Take it one step at a time



... but not if we take it brick by brick.

The 3 bricks of division order interest calculations



Brick 1 – Mineral interest



Brick 2 – Lease royalty



Brick 3 – Participation factor

Putting the bricks together



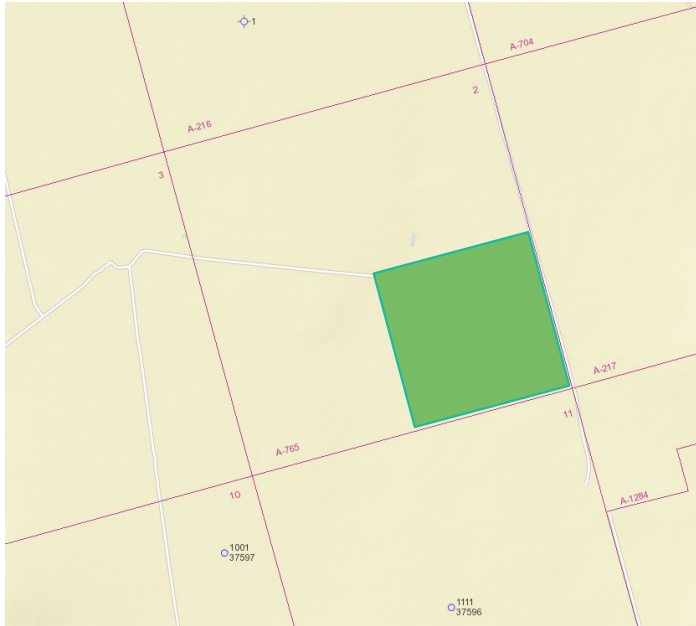
Brick 1 x Brick 2 x Brick 3 = DOI

**Mineral
interest x Lease
royalty x Participation
factor = DOI**

Enough talk

Let's put theory to practice!

Basic division order interest calculation

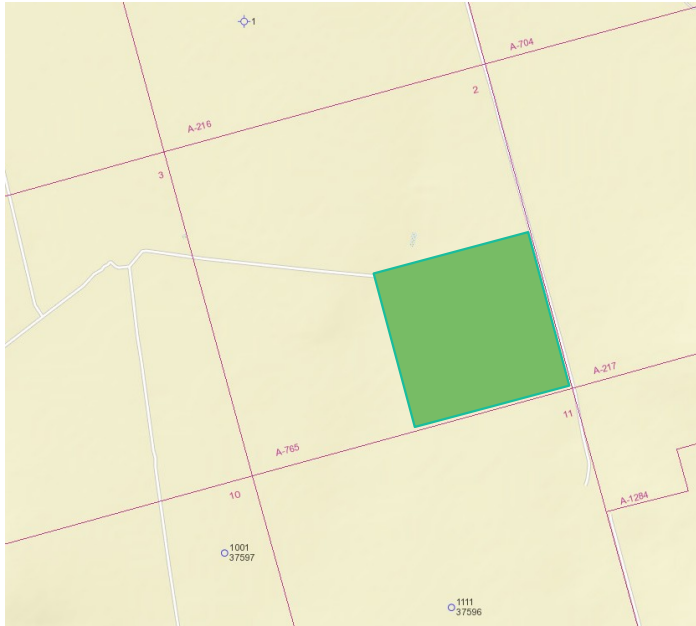


Farmer Joe owns a 10% mineral interest in the SE/4 of Section 2.

Farmer Joe's interest is leased at a 25% royalty.

What is Farmer Joe's division order interest in the SE/4?

Basic division order interest calculation



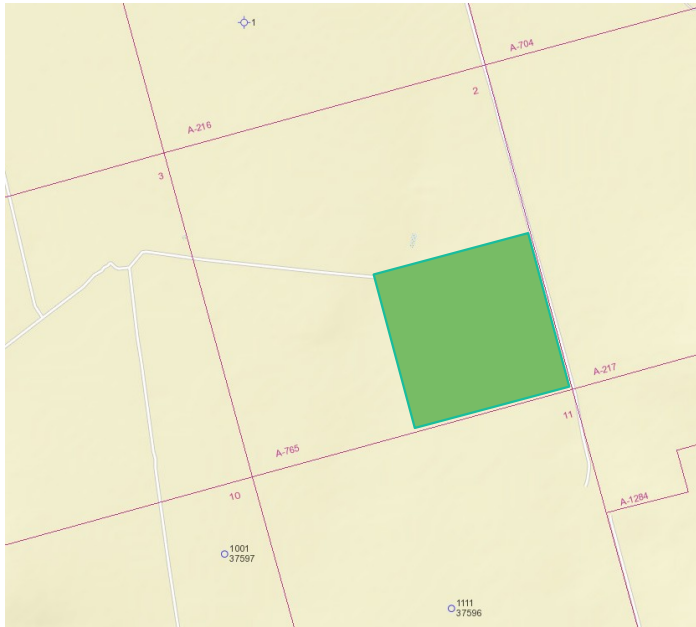
Gather your bricks!

Brick 1: 10% mineral interest

Brick 2: 25% royalty

Brick 3: 160 acres (being the SE/4)

Basic division order interest calculation



Put it all together!

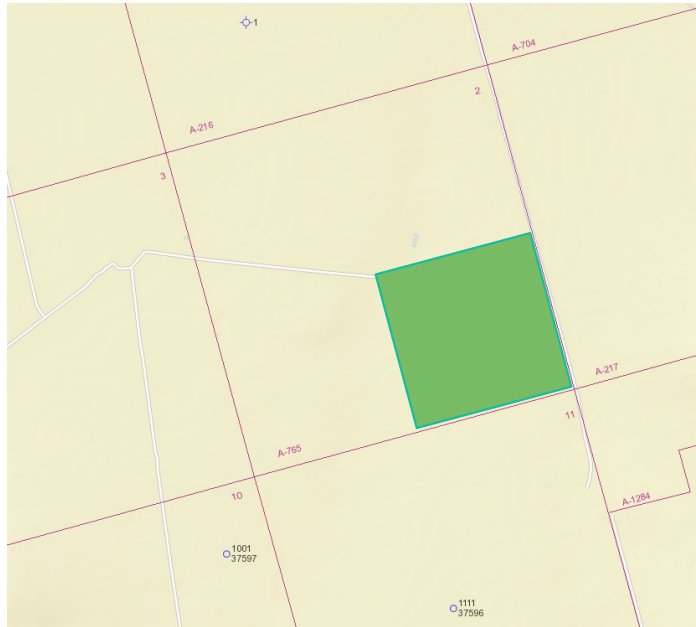
Brick 1 x Brick 2 x Brick 3 = DOI

Mineral interest x Lease royalty x Participation factor = DOI

Or . . .

$$10\% \times 25\% \times 160/160 = 0.025$$

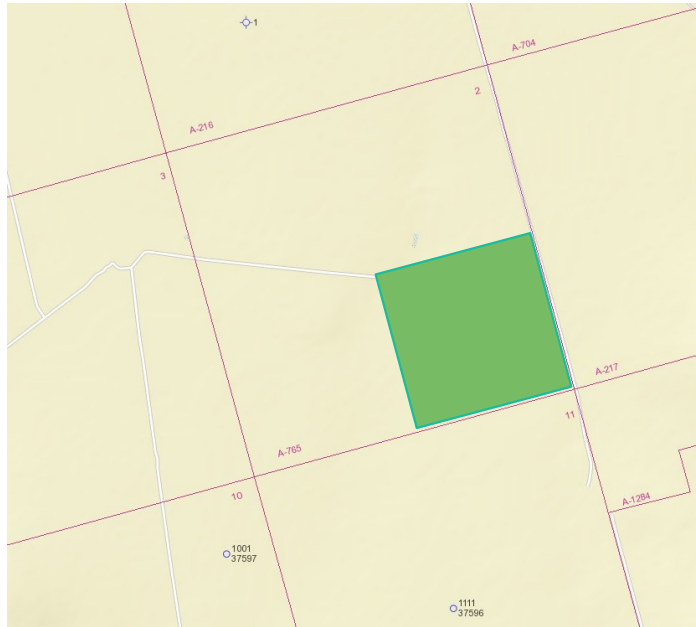
Other types of division order interest calculations



But what if we're calculating division order interests for a pooled unit or allocation well?

Then we must proportionalize (or reduce) Farmer Joe's interest appropriately.

Other types of division order interest calculations

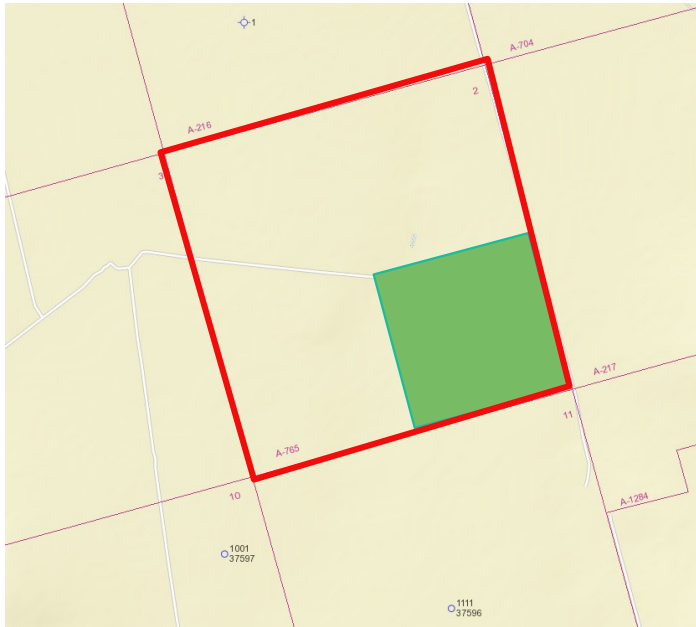


How do we know how to proportionalize Farmer Joe's interest?

For a **pooled unit**, proportionalize per the acreage in the unit.

For an allocation well, proportionalize per how much of the well's lateral runs along the property.

Division order interest calculation for a pooled unit



What if Farmer Joe's tract is part of a pooled unit?

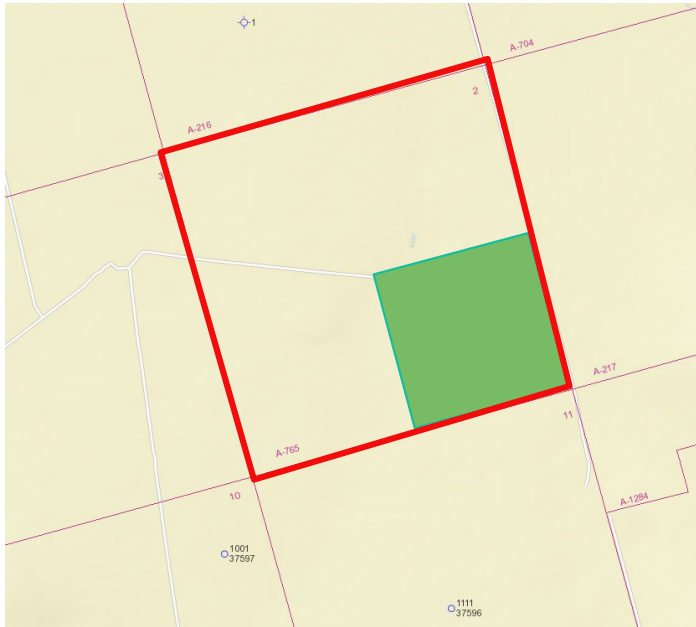
Farmer Joe owns a 10% mineral interest in the SE/4 of Section 2.

Farmer Joe's interest is leased at a 25% royalty.

But . . .

The SE/4 is part of a 640-acre unit.

Division order interest calculation for a pooled unit



Remember: We must proportionalize Farmer Joe's interest per the lands included in the unit.

Brick 1 x Brick 2 x Brick 3 = DOI

**Mineral interest x Lease royalty x
Participation factor = DOI**

Or . . .

**$10\% \times 25\% \times (160 \text{ gross acres} / 640 \text{ unit acres})$
 $= 0.00625$**

Division order interest calculation for an allocation well

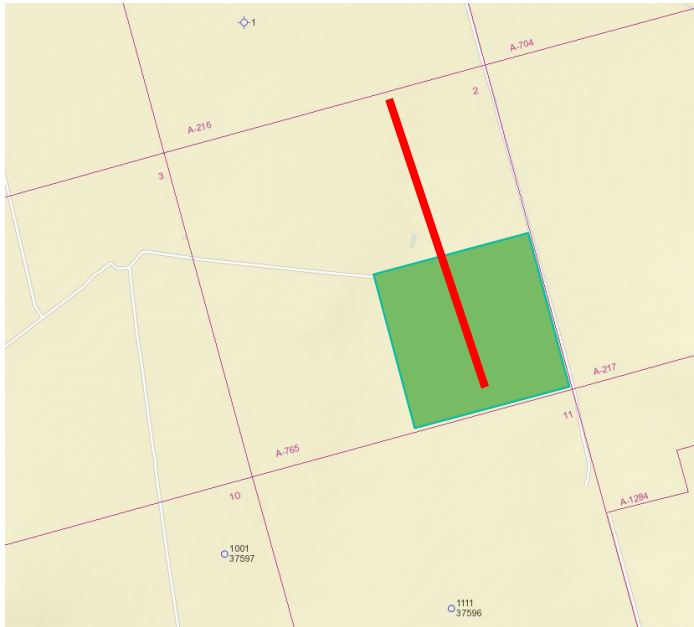
What if Farmer Joe's tract is part of an allocation well?

Farmer Joe owns a 10% mineral interest in the SE/4 of Section 2.

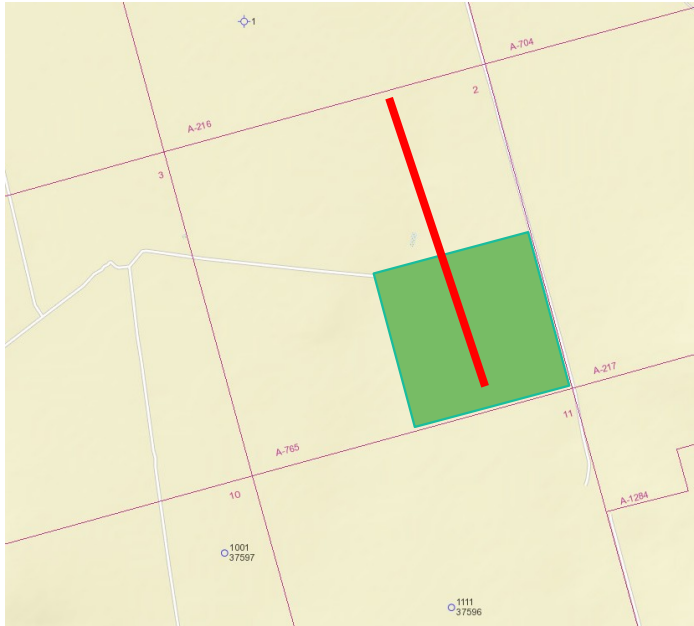
Farmer Joe's interest is leased at a 25% royalty.

But . . .

The SE/4 is part of an allocation well with a total lateral of 5,000'. 1,000' of the allocation well run across the SE/4.



Division order interest calculation for an allocation well



For an allocation well, we must proportionalize Farmer Joe's interest per the lateral information.

Brick 1 x Brick 2 x Brick 3 = DOI

**Mineral interest x Lease royalty x
Participation factor = DOI**

Or . . .

***10% x 25% x (1,000' lateral across SE/4 / 5,000'
total lateral) = 0.005***

But wait . . . There's more!

These examples cover only the basics of division order interest calculations. These examples do not cover all possibilities.

Division order interest calculations can be complicated by:

- Having multiple tracts within the unit or allocation well.
- Multiple interests leased at different royalty rates.
- Having a pooled unit included within an allocation well.

And so much more!

Got questions?

Email Jake:
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