

Division Orders Ensure Oil Companies Pay the Right People

Imagine the headaches and costs of improperly distributing a well's revenue. It's in everyone's best interest to get this right. The Division Order is a document whereby the revenue distributor (either the Operator or the 1st Purchaser) and the recipient (the royalty owner) agree on the exact decimal interest (Net Revenue Interest or NRI) owned within a well, lease, production unit, or field-wide unit. A Division Order doesn't alter the terms of the mineral lease.

A Division Order that attempts to amend the terms of the lease is invalid to the extent of the attempted change. While the Division Order document can't amend the lease, sometimes an operator will attempt through negotiation to amend the oil & gas lease at this stage or before revenue is distributed.

Be sure you review in detail any other documents included or received around the same time.

The Division Order document will include:

- Name of the oil & gas company
- Legal description of the producing property
- Type of interest – (e.g. royalty interest, mineral interest, or working interest)
- Your decimal interest or net revenue interest, ie the NRI

You will provide:

- Signature
- Tax ID or Social Security Number
- Address
- Possibly direct deposit instructions

Of course, Uncle Sam will want his share of your share. So that the revenue distributor will know how to tell the feds how much royalty they paid you, you'll need to complete the W-9 form ([W-9 Form PDF File](#)). Usually an oil company will withhold approximately 30% of the revenue if you don't complete and return this form.

There isn't a deadline for returning your division order, but operators will be required to withhold taxes if it isn't received in a timely manner. Besides, your royalty checks will be withheld until your Division Order is signed and returned.

Make copies for your records and return the documents in a timely manner.

If the company doesn't pay you within a certain period, the company will be required to pay interest on the money owed. The interest percentage varies from state to state.

In conclusion, don't hold your breath. It might be 3-6 months from the time a well is completed to the time you receive a division order. After that, it might be another 2-3 months before you receive your first check. Plan for up to nine months before receiving oil & gas revenue.

