

# Spacing Units and Your Share.....

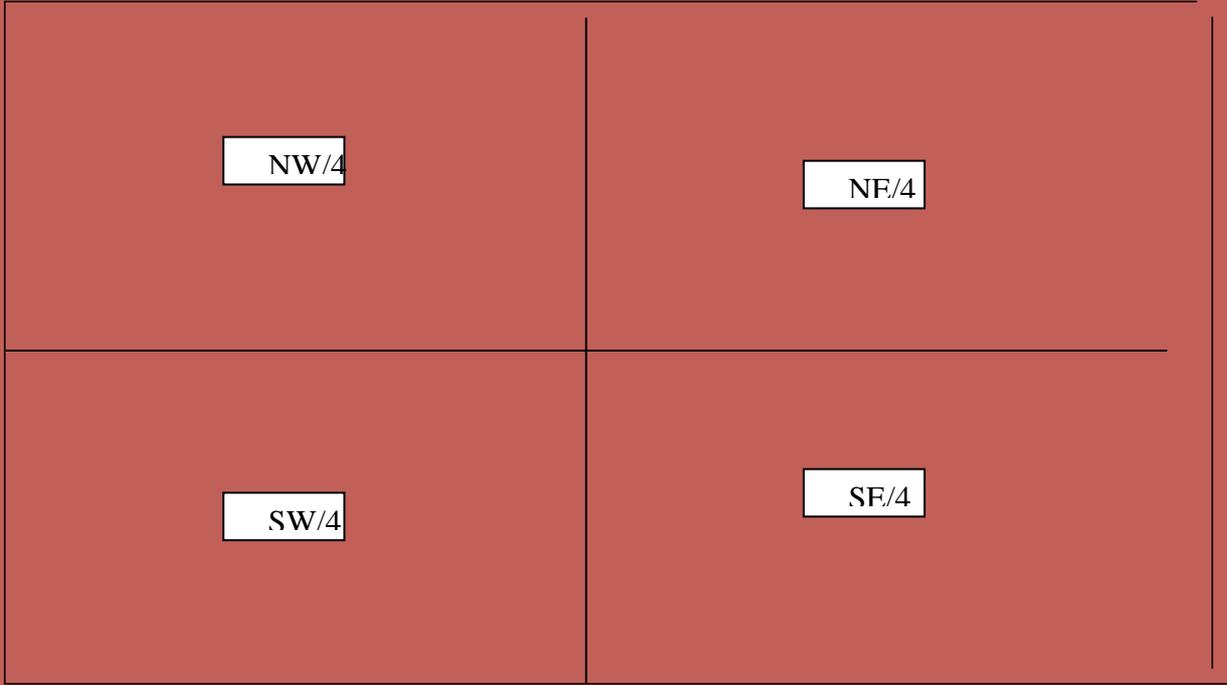
M.E. Denomy  
CPA, APA, CMM, CFD, CFFA



# Just What is a Spacing Unit???

- Spacing Unit: An area allotted to a well by regulations or field rules issued by a governmental authority having jurisdiction for the drilling and production of a well.
- Prevents waste
- Avoid drilling of unnecessary wells
- Protects correlative rights-stealing another's minerals from underground





# 4 Steps to Determining Your Share

1. How many mineral acres do you own?
2. What share of the minerals do you own?
3. What is your royalty rate?
4. How many acres are in the spacing unit?



# Step 1: How many acres do I own?

- From your title policy, deed, abstract, maps, lease, wills, county clerk you need to determine how many acres that you own.
- For example-you own 24.3299986 acres



## Step 2: What share of the minerals do you own?

- From some of the same sources found in Step 1, determine what percentage you own
- Our example: own 50% of 23.84 acres and 25% of .4899986 acres
- This is also called “net mineral acres”-your share of ownership
- Our example: you own 12.04249965 net mineral acres ( $23.84 \times 50\% = 11.92$  **plus**  $.4899986 \text{ acres} \times 25\% = .12249965$ )
- Bonus and delayed rentals are paid on the “net mineral acres”



## Step 3: What is your royalty rate?

- From your oil and gas lease, determine the royalty rate that is to be paid.
- Our example calls for  $1/8^{\text{th}}$  royalty rate or 12.5%



## Step 4: How many acres are in the spacing unit?

- This information can be found either at the Railroad Commission, the oil and gas commissions, the corporation commission or on your Division Order.
- Our example has 319.5 acres in the spacing unit(1/2 of a section)



# The Final Calculation of Your Interest

- $(50\% \text{ ownership} \times 12.5\% \text{ royalty rate} \times 23.84 \text{ acres}) / 319.5 \text{ acres in the spacing unit} = .466195\%$
- $(25\% \text{ ownership} \times 12.5\% \text{ royalty rate} \times .4899986 \text{ acres}) / 319.5 \text{ acres in the spacing unit} = .004793\%$
- Total Decimal Interest =  $.466195\% + .004793 = .471088\%$  (what you should be paid for every well drilled in the spacing unit, regardless if it is directly on your minerals or not).

