

The Division of Royalties Who Gets What?

By Sean Cassidy
Cassidy, Kotjarapoglus & Pohland,
LLC
Greensburg, PA

Royalty Definition

- The lessor/owner is entitled to a share of production, or income from production without bearing any of the expense of drilling or operating the well.
- A royalty is typically 1/8th of production.

Pennsylvania Statute: “Guarantee of Minimum Royalty”

“A lease or other such agreement conveying the right to remove or recover oil, natural gas or any other designation from lessor to lessee shall not be valid if such lease does not guarantee the lessor at least one-eighth of all oil, natural gas or gas of other designations removed or recovered from the subject real property.” 58 P.S. § 33

Duration of Royalty Interest

- Forever
- A term of years and so long thereafter as oil or gas is produced”
- A fixed term of years
- The duration of an existing oil or gas lease

Note: Payments are usually made **monthly** or **quarterly**.

Costs Incurred after Production:

- Royalties are subject to costs incurred **after** production such as:
 - Production or gathering taxes.
 - Costs of treatment of the product to render it marketable.
 - Costs of transportation to market.

Tawney v. Columbia Natural Resources, LLC

219 W.Va. 266, 633 S.E.2d 22, 2006 W.Va. LEXIS 60.

- Held: The lease must **expressly** provide that the lessor shall bear some part of the costs incurred between the wellhead and the point of sale.

Types of Royalties:

- **Overriding Royalty:** A royalty carved out of the working interest, it only lasts as long as the lease under which it was created.
- **Working Interest:** The operating interest under a lease.
- **Shut-in Royalty:** Lessee pays a shut-in royalty if the wells cease production to keep the lease in effect.

Apportionment vs. Nonapportionment

- **Apportionment Rule:** Each of the owners of mineral or royalty interests in the several parcels subject to the lease is entitled to a share of the royalty paid upon the production from the well, the shares are based upon acreage.
- **Nonapportionment Rule:** Allocation of royalties to a royalty owner having an interest in the specific parcel on which a producing well is located, rather than dividing royalties among the owners of interest in the land subject to the lease.

Nonapportionment States

- Arkansas
- Colorado
- Illinois
- Indiana
- Kansas
- Kentucky
- Louisiana
- Nebraska
- New Mexico
- Ohio
- Oklahoma
- Texas
- West Virginia

Apportionment States

- California
- Mississippi
- Pennsylvania

Wettengel v. Gormley

160 Pa. 154.

- Question: Whether James T. owed a portion of the royalties to the other landowners (Anna B. and Maria J.) when the producing wells were located on his property, but the lease was for the land owned by all three persons?
- Yes! Each child was entitled to receive a share of the royalty as his or her share of the land bore to the whole tract, no matter whose farm the wells were located upon.

Wettengel v. Gormley
Calculations

- Total Proceeds: \$10,091.89
- Total Land: 570 acres
 - James: $204 \div 570 \text{ acres} = 0.3578947 \times \$10,091.89$
 - Received \$3,611.84
 - Anna: $202 \div 570 \text{ acres} = 0.3543859 \times \$10,091.89$
 - Received \$3,576.42
 - Maria: $164 \div 570 \text{ acres} = 0.287719 \times \$10,091.89$
 - Received \$2,903.63

Even though most states follow the nonapportionment rule, the apportionment rule may still be applied in a nonapportionment jurisdiction under certain situations:

1. A Pooling or Unitization Agreement
2. Community Lease
3. An Entirety Clause in the Lease
4. A "Subject-to" Clause in a Mineral or Royalty Deed
5. A Proportionate Reduction Clause in the Lease
6. Spacing and Drilling Regulations
7. The Duty of Fair Dealing: Owed to a person with exclusive leasing power to the owner of a nonparticipating mineral or royalty interest
8. Implication of Intent Arising from the Duration of a Mineral or Royalty Grant.

Note: If the parties to a lease make a specific provision for treatment of royalties, this will control.

Pooling or Unitization Agreement

- If a lessee pools or unitizes separately owned tracts, royalties from production on the pooled or unitized tract will be apportioned among all interested parties, this also applies if a pool or unit is formed by virtue of a statutory compulsory unitization or pooling law.

Community Leases

- "A single lease covering two or more tracts executed by the separate owners as if they were joint owners."
- Usually results in the apportionment of royalties among lessors in proportion to their acreage interests in the entire tract.

Evidence of Intent **Not** to
Apportion Royalties:

- Separately owned tracts in a community lease are non-contiguous.
- Contemporaneous construction by the parties in failing to apportion royalties.
- Partition of the land after the execution of a community lease but prior to production.

Surrender or Release of a Community Lease as
to a Portion of the Acreage Covered Thereby:

- *Clark v. Elsinore Oil Co.*: The surrender of a portion of the leased premises **does not** alter the pre-existing rights of the community lessors under the original lease.
138 Cal. APP. 6, 31 P.2d 476 (1934).
- *Duffy v. Callaway*: The rights of the lessors as to royalties under the community lease should be altered in accordance with the proportionate interest of each lessor in the acreage retained.
309 S.W.2d 853, 8 O.&G.R. 1274 (Tex. Civ. App. 1958, error ref'd).

Express Provisions that should be
Included in the Surrender Clause of a
Community Lease:

- The rights of owners of interests in surrendered premises to share in production from unsundered premises.
- The effect of leasing or of production from the surrendered premises upon the sharing of production from unsundered premises.

Entirety Clause

- **Benefit the Lessee:** To provide that inside property lines created by later divisions of the fee ownership or by royalty conveyances shall not affect the lessee's duties of development and operation.
- When a lease includes an entirety clause royalties are usually apportioned among royalty owners in accordance with their interest in the leased premises.
- Absent an entirety clause, the nonapportionment rules comes into play.

Foertsch v. Schaus

477 N.E.2d 566, 85 *O.&G.R.* 246 (Ind. App. 1985, *transfer denied*).

- **Held:** The parties to the later mineral or royalty deeds may not effectively provide for nonapportionment if the lessee whose lease contains an entirety clause insists on his right to rely on the clause.

Cockrell v. Texas Gulf Sulphur Co.

157 Tex. 10, 299 S.W.2d 672, 7 *O.&G.R.* 109 (1956).

- This case states that when a lease contains an entirety clause this precludes a lessor from conveying a portion of the leased premises with an express provision for nonapportionment.
- Parties to the conveyance by their contract may not alter the rights of other persons.

Cockrell v. Texas Gulf Sulphur Co.

- Plaintiff claimed he was entitled to 14.72180247 cents per long ton of sulphur produced rather than 6 1/2 cents per ton.
- Supreme Court Held: Plaintiff was entitled to judgment for the difference between the 6 1/2 cents per ton paid to plaintiff by defendant and the 14-plus cents per ton to which he was held to be entitled.

Note:

- If landowners intend to convey their property subject to the lease and wish nonapportionment of royalties when there is an entirety clause present, they should execute a royalty division agreement signed by the grantor, the grantee and by the leasehold owner.
- This is especially important to the lessee so that he doesn't end up paying an extra royalty, like in the *Cockrell* case.

A "Subject-to" Clause:

- This clause is inserted to protect the grantor as warrantors and not for the purpose of showing that the parties intended apportionment of royalties.
- The rules of the state, in the absence of clear intent of the parties to the contrary, control whether the apportionment or nonapportionment rule applies.

Grelling v. Allen

218 S.W.2d 897 (Tex. Civ. App. 1949, error ref'd n.r.e.).

- This case gave the “subject-to” clause the same effect as an entirety clause, requiring the apportionment of royalties.
- This case goes against the norm, most cases with a “subject-to” clause look to the intent of the parties, or the rule of the particular state.

Proportionate Reduction Clause

- The purpose of this clause is for the protection of the lessee in the event the title of the lessor should fail in whole or in part as to some or all of the land or as to some fractional interest purported to be leased.

Spacing and Drilling Regulations

- **Situation #1:** An operator has a single valid lease upon the entire area attributed to the well or drilling unit, but there are separate mineral or royalty owners as to separate portions of the area.
 - Silence would indicate the apportionment or nonapportionment rule of the jurisdiction would apply.

Spacing and Drilling Regulations

- Situation #2: The operator does not have a single valid lease upon the entire area attributed to the well or drilling unit.
 - Arkansas, Texas, and West Virginia would deny apportionment and apply the nonapportionment rule.
 - Mississippi grants apportionment.

The Duty of Fair Dealing

Example: After leasing a 214-acre tract the lessor conveyed 70 acres of the surface to the plaintiff, reserving 3/4 of the minerals and the exclusive leasing power for all of the minerals. One well was drilled by the lessee on a portion of the 214 acres other than the 70 acres in which plaintiff had an interest. The lessor and the lessee entered into an agreement, in consideration of the payment of an agreed sum to the lessor, providing that further development would not be required of the lessee. The court held that the plaintiff was not entitled to any share of the royalties accruing from one producing well but he was entitled to a share of the sum paid in lieu of further development.

Duration of the Mineral or Royalty Grant

- With an entirety clause in a lease, royalties are normally apportioned among mineral and royalty owners. Where the duration of a subsequent mineral or royalty grant is limited to the existing lease, this is strong evidence that the parties did not desire apportionment.

Unitization

- **Definition:** The joint operation of all or some portion of a producing reservoir.
- Unitization is important where there is separate ownership of portions of the rights in a common producing pool in order that it may be made economically feasible to engage in cycling, pressure maintenance or secondary recovery operations and to explore for minerals at considerable depth.

Unitization & Royalties

- If a lessee unitizes separately owned tracts, royalties from production on the unitized tract will, in accordance with the usual provisions of the leases, be apportioned among all interested parties.

Compulsory Unitization

- Maximum recovery of hydrocarbons from a reservoir may require that all tracts overlying the producing formation be unitized.

States with Compulsory Unitization

Statutes

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Florida
- Georgia
- Kansas
- Louisiana
- Michigan
- Mississippi
- Montana
- Nebraska
- Nevada
- New York
- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Utah
- Washington
- West Virginia

Pooling

- The bringing together of small tracts sufficient for the granting of a well permit under applicable spacing rules.
- Pooling is important in the prevention of drilling of unnecessary and uneconomic wells, which will result in physical and economic waste.

Voluntary Pooling

- Voluntary agreements among owners of interests in small neighboring tracts to pool their interests. These have become increasingly common in the past few years.

Reasons for voluntary pooling:

- To obtain a favorable lease on a small tract
- Zoning Regulations
- Well Spacing Regulations

Compulsory Pooling

- Under the authority of the “police power” municipalities have enacted compulsory pooling ordinances in order to restrict drilling within the municipal boundaries while protecting the rights of all landowners.

Compulsory Pooling Procedure:

1. A petition is filed with the appropriate regulatory body.
 - Which states the description of the proposed unit, the location of the well, the working interests and royalty interests in the tracts to be pooled, reasons for pooling, methods proposed for the bearing of costs and the apportionment of production.
2. Notice is given to interested parties.
3. The Commission holds a hearing.
4. The Regulatory Body issues an order.

Estate Issues

The types of interests a decedent might own:

1. Potentially producing, but unleased lands
2. Leased lands
3. Perpetual mineral interests
 - Ownership of the minerals or an undivided interest therein apart from the surface, in fee simple absolute.
4. Term mineral interests
 - Ownership of the minerals or an undivided interest therein apart from the surface for a term of years.

Example 1: R owns the surface and an undivided 50% of the minerals.

- **Situation A:** R executes a general warranty deed to E, “Convey an undivided 1/4 interest *out of* our 1/2 interest in the minerals in the following described land.”
- **Situation B:** R executes a royalty deed to E as follows, “Convey a perpetual 1/16th royalty *out of* our undivided 1/2 mineral interest in the following described land.”
- The common question to both is the effect of the words “*out of*”

Answer:

- **Situation A:** E receives a 1/4 mineral interest.
 - **Note:** The phrase “one-fourth interest in our one-half mineral interest” would create a 1/8 mineral interest.
- **Situation B:** E receives a 1/16 royalty.
 - **Note:** The phrase “one-sixteenth royalty interest in our one-half mineral interest” would create a 1/32 royalty interest.

Example 2:

- A conveys land to B “Excepting and reserving to Grantor, his heirs and assigns, a 1/2 interest in the oil and gas.”
- B conveys land to C “Excepting and reserving to Grantor, his heirs and assigns, a 1/2 interest in the oil and gas.”
- What interests in the oil and gas are owned by A, B, and C?

Answer:

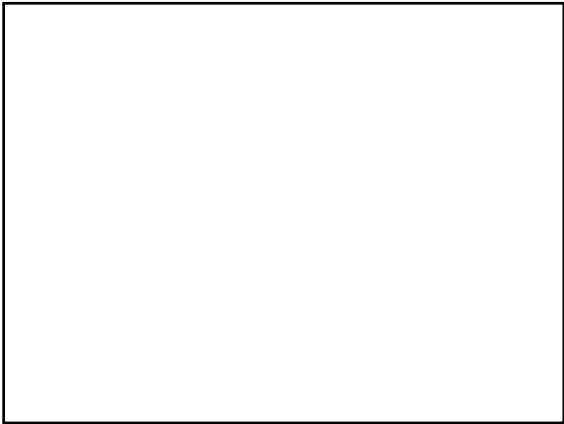
- Absent a contrary intent, A owns 1/2 and C owns 1/2. Since the deed to C purports to convey everything but a 1/2 interest, C is entitled to a 1/2 interest, leaving B with nothing.
- Note: If B intended to retain a 1/2 interest the deed from B to C should have stated:
 - Subject to the prior exception and reservations of a 1/2 interest by A. Excepting and reserving to B, his heirs and assigns, the remaining 1/2 interest in the oil and gas.”

Life Estate/Remaindermen

- Payment of royalty subject to a life estate: The owner of a life estate in royalties receives the payment from the wells in operation at the time the life estate is created. The term is only for the life of the grantee; the interest in the royalties then passes to the remaindermen.

“Open Mines” Doctrine

- General Rule: A life tenant cannot produce oil and gas without the joinder of the remaindermen, as such production would constitute waste.
- However, a life tenant may operate oil and gas wells, mines and quarries if they were opened before his or her life estate began, this is known as the “open mines” doctrine.



Royalty Calculations Examples:

- Lease I: Consists of 100 acres with a 1/8 royalty. It is made up of 4 tracts with well #1 on tract A and well #2 on tract D.
- Lease II: Consists of 90 acres with a 1/8 royalty
- Lease III: Consists of 60 acres with well #3 on the leasehold property
- 200 Acre Unit: 50 acres from Lease #1 with well #2 on tract D, 90 acres from Lease #2, and 60 acres from Lease #3.

Single Lease Example
Apportionment or Entireties Clause
Calculations for Well #1

A → $30 \div 100 \times 1/8 = 0.03750$

B → $20 \div 100 \times 1/8 = 0.02500$

C → $35 \div 100 \times 1/8 = 0.04375$

D → $15 \div 100 \times 1/8 = 0.01875$

Single Lease Example
Nonapportionment Royalty
Payable for Well #1

$$A = 1/8 \text{ or } 0.125$$

Unitization Example
Apportionment or Entireties Clause
Calculations for Well #2 and #3

$$A \rightarrow (30 \div 100) \times (50 \div 200) \times 1/8 = 0.0093750$$

$$B \rightarrow (20 \div 100) \times (50 \div 200) \times 1/8 = 0.0062500$$

$$C \rightarrow (35 \div 100) \times (50 \div 200) \times 1/8 = 0.0109375$$

$$D \rightarrow (15 \div 100) \times (50 \div 200) \times 1/8 = 0.0046875$$

$$E \rightarrow 90 \div 200 \times 1/8 = 0.0562500$$

$$F \rightarrow 60 \div 200 \times 1/8 = 0.0375000$$

Unitization Example
Nonapportionment Calculations for
Well #2 and #3

$$C \rightarrow 35 \div 200 \times 1/8 = 0.021875$$

$$D \rightarrow 15 \div 200 \times 1/8 = 0.009375$$

$$E \rightarrow 90 \div 200 \times 1/8 = 0.056250$$

$$F \rightarrow 60 \div 200 \times 1/8 = 0.037500$$

Workshop Problems

The following is included in your workshop materials.

Leased Premises

- The property covered by the lease is shown as Parcels 38, 44, 46, 46.001, 46.002, 78 and 78.001, being the area outlined in yellow on the tax map at Exhibit "23".
- This property is located in Pennsylvania, an apportionment jurisdiction.

Oil and Gas Leases:

- J.C. Mulberger and Martha Mulberger to The Columbia Natural Gas Company, Exhibit "16".
- This lease was extended for 10 years at Exhibit "17".
- Said lease was made subject to lease modification agreements at Exhibits "19" and "20".
- The current lease is owned by Dominion Exploration & Production, Inc.

Wells Drilled:

- Well #1 was drilled in 1933.
- Well #2 was drilled in 1948.
- Well #3 was drilled in 2002.

- All three wells are shown on the tax map at Exhibit "23".
- Note that Pennsylvania passed a minimum 1/8th royalty statute in 1979.

Problem:

- Determine royalties on oil and royalties on gas, payable on wells #1, #2, and #3 in Pennsylvania, an apportionment jurisdiction.
- Determine royalties payable on oil and on gas, payable on wells #1, #2, and #3 but assume that Pennsylvania is a nonapportionment jurisdiction.

Unitization Problem #2

The following slides discuss problem #2 dealing with a unit.

Lease #1

- This lease is known as the LUCY JANE CALIGUIRE Lease
- The lease is shown as the area highlighted in blue at Exhibit "19".

Oil and gas lease for Lease #1

- The 80 acre lease from Lucy Jane Caliguire to The People's Natural Gas Company dated January 2, 1963 recorded January 23, 1963 in Deed Book 516, page 551, (Exhibit "5").
- Said lease was assigned by The Peoples Natural Gas company to New York State Natural Gas Corporation by instrument recorded May 27, 1965 in Deed Book 540, page 166, (Exhibit "6").
- Said lease was made subject to a lease modification agreement (authorizing unitization) as executed by Lucy Jane Caliguire to Consolidated Gas Supply Corporation (corporate successor to New York State Natural Gas Corporation) by instrument dated May 20, 1971, recorded June 22, 1971 in Deed Book 624, page 27, (Exhibit "7").

Oil and gas lease for Lease #1:

- 25 acres of the leased premises was made part of the R.M. No. 12 Pool by Unit Operation Designation executed by Consolidated Gas Supply Corporation, as recorded January 12, 1972 in Deed Book 631, page 828, (Exhibit "8"). (The portion of the leased premises which is included within said pool is on the map at Exhibit "19"). (The 50 acre unit includes the acres outlined in yellow and blue on the map at Exhibit "21").
- Said lease was assigned by Consolidated Gas Supply Corporation to Consolidated Gas Transmission corporation (now known Dominion Transmission, Inc.) by instrument recorded April 19, 1984 in Deed Book 894, page 892 (Exhibit "9").

Lease #2

- This lease is known as the MARY Z. DUFFY Lease.
- The lease is shown as the area highlighted in yellow at Exhibit "20".

Oil and gas lease for Lease #2:

- The 70 acre lease from Mary Z. Duffy, widow, to Consolidated Gas Supply Corporation, dated August 14, 1968, recorded August 27, 1968, in Deed Book 584, Page 629 (Exhibit "17").
- A Lease Modification Agreement (authorizing unitization) covering said lease was executed by W. H. Schorman and Thelma Schorman, his wife, to Consolidated Gas Supply Corporation, by instrument dated May 20, 1971, and recorded in Deed Book 623, Page 289 (Exhibit "18").

Oil and gas lease for Lease #2:

- 25 acres of the leased premises was made part of the RM No. 12 Pool by Unit Operation Designation, executed by Consolidated Gas Supply Corporation, dated December 20, 1971, recorded January 12, 1972, in Deed Book 631, Page 828 (Exhibit "8"). (the portion of the leased premises which is included within said pool is shown as the area outlined in yellow on the map at Exhibit "20") (the 50 acres unit includes the areas outlined in yellow and blue on the map at Exhibit "21")
- Said lease was assigned by Consolidated Gas Supply Corporation to Consolidated Gas Transmission Corporation, by instrument dated March 1, 1984, as recorded in Deed Book 849, Page 892.
- Consolidated Gas Transmission Corporation became CNG Transmission Corporation and is now known as Dominion Transmission, Inc.

RM #12 Unit

- A unit operation designation for the RM #12 unit was executed by Consolidated Gas Supply Corporation by instrument dated May 20, 1971, and recorded on January 12, 1972 in Deed Book 631, page 828 (Exhibit "8")
- The unitized premises consist of 25 acres from the Lucy Jane Caliguire lease and 25 acres from the Mary Z. Duffy lease.
- Said unit is shown as the area highlighted in yellow and blue at Exhibit "21".

Problem:

- Calculate the royalty payments on the RM #12 unit well in an apportionment jurisdiction.
- Calculate the royalty payments on the RM unit well for a nonapportionment jurisdiction.

Problem #1 Answer

The following are the correct calculations for workshop problem #1.

Nonapportionment Jurisdiction

Well #1:

Joseph C. Jr. and Patricia Jo Scrips
Oil: 1/8th or 0.125 R.I.
Gas: 1/8th or 0.125 R.I.

Nonapportionment Jurisdiction

Well #2:

- For and during the natural life of John Edwin Mulberger:
 - Oil: 1/8th or 0.125 R.I. (Life Estate)
 - Gas: \$50.00/quarter (Life Estate)
- Following the death of John Edwin Mulberger:
- Vernon R. & Jeanne A. Blystone
 - Oil: 1/8th or 0.125 Remainder Interest
 - Gas: \$50.00/quarter Remainder Interest

Nonapportionment Jurisdiction

Well #3:

- Corey Scrips
 - Oil: 1/16th or 0.625 R.I.
 - Gas: 1/16th or 0.625 R.I.
- Kathy Jo Cook
 - Oil: 1/16th or 0.625 R.I.
 - Gas: 1/16th or 0.625 R.I.

Apportionment Jurisdiction

- Because of the provision stated in the lease from Lease Book 62, page 464, from J.C.Mullberger et ux to The Columbia Natural Gas Co., apportionment of royalties would not apply. The provision stated,

"In case of a conveyance of all or a part of the premises leased, Lessee...Shall apportion the delay rental, in case of any division, according to acreage, and shall deliver all royalty oil and gas well rental to the owner or owners of the particular tract of land upon which the well is located."

Apportionment Jurisdiction

- Consequently, royalties would be payable in the same manner as set forth above for a nonapportionment jurisdiction.
- NOTE: But for the nonapportionment provision in the lease, the calculation of royalties on the leased premises in an apportionment jurisdiction would be as follows:

Apportionment Jurisdiction

On Oil: (Wells #1, #2, and #3)

- JOHN EDWIN MULBERGER c/o Donald G. Boyer
 $23.60 \div 84.77 \times 1/8 \times 8/8 = 0.0348001$ R.I.
(Life Estate)
- Note: The above royalty interest is for the life of John Edwin Mulberger, when his life estate ends the royalty payments will be paid to Vernon R. Blystone and Jeanne A. Blystone, his wife, as follows:

Apportionment Jurisdiction

On Oil: (Wells #1, #2, and #3)

VERNON R. BLYSTONE and JEANNE A. BLYSTONE, his wife

$23.60 \div 84.77 \times 1/8 \times 8/8 = 0.0348001$ R.I.
(Remainder Interest)

- FRED E. BRUNER and MILLICENT M. BRUNER, his wife

$6.23 \div 84.77 \times 1/8 \times 8/8 = 0.0091866$ R.I.

Apportionment Jurisdiction

On Oil: (Wells #1, #2, and #3)

JOSEPH C. SCRIPS, JR., and PATRICIA J. SCRIPS, his wife

$44.93 \div 84.77 \times 1/8 \times 8/8 = 0.0662528$ R.I.

- CORY SCRIPS, a/k/a COREY SCRIPS, and KATHY JO SCRIPS, a/k/a KATHY JO COOK, his wife

$10.01 \div 84.77 \times 1/8 \times 8/8 = 0.0147605$ R.I.

Apportionment Jurisdiction

On Gas: (Wells #1 and #2)

- JOHN EDWIN MULBERGER c/o Donald G. Boyer

$23.60 \div 84.77 \times 1/8 \times 8/8 = 0.0348001$
(Life Estate)

- **Note:** The above royalty interest is for the life of John Edwin Mulberger, when his life estate ends the royalty payments will go to Vernon R. Blystone and Jeanne A. Blystone, his wife, as follows:

Apportionment Jurisdiction

On Gas: (Wells #1 and #2)

- VERNON R. BLYSTONE and JEANNE A. BLYSTONE, his wife
 $23.60 \div 84.77 \times \$50.00 \times 8/8 = \$13.92/\text{quarter}$
(Remainder Interest)

- FRED E. BRUNER and MILLICENT M. BRUNER, his wife

$$6.23 \div 84.77 \times \$50.00 \times 8/8 = \$3.68/\text{quarter}$$

Apportionment Jurisdiction

On Gas: (Wells #1 and #2)

- JOSEPH C. SCRIPS, JR., and PATRICIA J. SCRIPS, his wife
 $44.93 \div 84.77 \times 1/8 \times 8/8 = 0.0662528 \text{ R.I.}$

- CORY SCRIPS, a/k/a COREY SCRIPS, and KATHY JO SCRIPS, a/k/a KATHY JO COOK, his wife

$$10.01 \div 84.77 \times 1/8 \times 8/8 = 0.01476053 \text{ R.I.}$$

Apportionment Jurisdiction

On Gas: (Well #3)

- JOHN EDWIN MULBERGER c/o Donald G. Boyer

$$23.60 \div 84.77 \times 1/8 \times 8/8 = 0.0348001 \text{ R.I.}$$

(Life Estate)

- **Note:** The above royalty interest is for the life of John Edwin Mulberger, when his life estate ends the royalty payments will be paid to Vernon R. Blystone and Jeanne A. Blystone, his wife, as follows:

Apportionment Jurisdiction

On Gas: (Well #3)

- VERNON R. BLYSTONE and JEANNE A. BLYSTONE, his wife

$$23.60 \div 84.77 \times 1/8 \times 8/8 = 0.0348001 \text{ R.I.}$$

(Remainder Interest)

- FRED E. BRUNER and MILLICENT M. BRUNER, his wife

$$6.23 \div 84.77 \times 1/8 \times 8/8 = 0.0091866 \text{ R.I.}$$

Apportionment Jurisdiction

On Gas: (Well #3)

- JOSEPH C. SCRIPS, JR., and PATRICIA J. SCRIPS, his wife

$$44.93 \div 84.77 \times 1/8 \times 8/8 = 0.0662528 \text{ R.I.}$$

- CORY SCRIPS, a/k/a COREY SCRIPS, and KATHY JO SCRIPS, a/k/a KATHY JO COOK, his wife

$$10.01 \div 84.77 \times 1/8 \times 8/8 = 0.0147605 \text{ R.I.}$$

Problem #2 Answer

The following will provide the correct calculations for the unitization problem.

**Apportionment Jurisdiction
LUCY JANE CALIGUIRE LEASE**

- Anthony W. Serge
Oil: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208333$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208333$ R.I.
- Joseph M. Serge
Oil: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208333$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208333$ R.I.
- Pauline E. Caridi
Oil: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208334$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 1/8 \times 8/8 = 0.0208334$ R.I.

**Apportionment Jurisdiction
MARRY Z. DUFFY LEASE**

- Loren M. Byler and Sara E. Byler, his wife
Oil: $(73 \div 77) \times 25/50 \times 1/8 \times 8/8 =$
0.0592532 R.I.
Gas: $(73 \div 77) \times 25/50 \times 1/8 \times 8/8 =$
0.0592532 R.I.
- Melvin E. Troyer and Barbra L. Troyer, his wife
Oil: $(4 \div 77) \times 25/50 \times 1/8 \times 8/8 = 0.0032468$ R.I.
Gas: $(4 \div 77) \times 25/50 \times 1/8 \times 8/8 = 0.0032468$ R.I.

**Nonapportionment Jurisdiction
LUCY JANE CALIGUIRE LEASE**

- Anthony W. Serge
Oil: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208333$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208333$ R.I.
- Joseph M. Serge
Oil: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208333$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208333$ R.I.
- Pauline E. Caridi
Oil: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208334$ R.I.
Gas: $(25 \div 50) \times 1/3 \times 18/8 \times 8/8 = 0.0208334$ R.I.

Nonapportionment Jurisdiction

MARRY Z. DUFFY

- Loren M. Byler and Sara E. Byler, his wife
Oil: $(21 \div 50) \times 1/8 \times 8/8 = 0.0525000$ R.I.
Gas: $(21 \div 50) \times 1/8 \times 8/8 = 0.0525000$ R.I.
- Melvin E. Troyer and Barbara L. Troyer, his wife
Oil: $(4 \div 50) \times 1/8 \times 8/8 = 0.0100000$ R.I.
Gas: $(4 \div 50) \times 1/8 \times 8/8 = 0.0100000$ R.I.
