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NADOA Model Form Division Order

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Foreword iii

History of Standardized Division Order 1

Benefits of a Model Form Division Order 3

The Model Form Division Order 5

Use and Definition of Fields 7

Issuing the Model Form Division Order 11

Executing the Model Form Division Order 23

Discussion of Model Form Clauses 25

Special Needs/Special Clauses 29

State Statutes Matrix 31

Acknowledgements 36

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Disclaimer

This Model Form Division Order and the information contained in this publication are not intended as specific legal advice. Use and reliance upon this Model Form and the information contained herein should be undertaken only in conjunction with the advice and consent of your legal counsel. Further, this Model Form Division Order and the contents of this publication are not intended to influence the user as to whom to do business with, nor to effect a division of markets or affect prices paid for oil and gas.

Foreword

During recent years, there have been many changes in the use and intent of the Oil and Gas Division Order. State statutes and case law have more narrowly defined the division order and, in some cases, eliminated the requirement that owners execute the division order prior to receiving payment. In addition, many companies have simplified their division orders and payment process, resulting in the division order being used more as owner notification and confirmation of interest rather than a sales contract.

As states and companies were independently simplifying the division order, the National Association of Division Order Analysts recognized the need for a division order that industry could adopt as a standard. Improving the division order process through industry's use of a Model Form Division Order offers benefits to both royalty owners and oil and gas producers and purchasers. In developing the Model Form Division Order, NADOA worked to address the concerns of royalty owners, while maintaining the usefulness of the document for oil and gas companies responsible for disbursing production proceeds.

In drafting the NADOA Model Form Division Order, NADOA requested and received comments and suggestions from a wide variety of attorneys, royalty owners and other oil and gas professionals. NADOA was especially privileged to have received written comments from Owen L. Anderson, Eugene Kuntz Professor in Oil, Gas & Natural Resources, The University of Oklahoma College of Law, and Ernest E. Smith, Rex G. Baker Centennial Chair in Natural Resources Law, School of Law, The University of Texas at Austin. Professor Anderson acknowledged that "Promoting uniformity in Division Orders will promote oil and gas development on fee lands and provide much needed efficiency. Hopefully, your efforts will lead to further efforts toward uniformity of other domestic oil and gas forms." Professor Smith commended the group's efforts as "...an excellent job in researching and drafting the proposed form." Additionally, Professor Smith stated "...the Model Form complies with the intent of the states' statutes."

While NADOA recognizes that not every company, interest owner, or organization will adopt and implement the NADOA Model Form Division Order, it, nevertheless, is an important step in simplifying the division order and payment process. The purpose of these materials is to provide a guideline for producers, purchasers and royalty owners using the Model Form Division Order. The Model Form and these guidelines are not intended as legal advice. For specifics as to the legal ramifications, each payor and payee should seek its own legal counsel.

NADOA appreciates the efforts of the many individuals and companies who proposed, drafted and commented on the Model Form Division Order. Because of the consolidated efforts of these participants, the NADOA Model Form was made possible.

Achievements

The subject of a standardized division order was first addressed by a group sponsored by the National Association of Division Order Analysts (NADOA) in January 1987. This group included major and independent producers, oil and gas purchasers, and representatives from the National Association of Royalty Owners (NARO). The members of the committee recognized the need for an industry consensus of division order terms to facilitate the payment of royalties.

The group focused on the needs and concerns of both the companies and royalty owners. Some of the concerns included:

+ every payor had an individualized form
+ terms were viewed as favorable only to payor
+ execution could modify terms of lease
+ perception that one purpose of division order process was to delay payments

In an attempt to accommodate their own needs, payees would often modify the forms by striking language and inserting their own clauses. Government action was the tool of division order standardization being used at the time. A concerted industry effort to standardize was seen by the group as a preferred method of resolving issues.

Many of the essential clauses were identified by the group. They determined that these clauses were necessary to the business driven by the division order. Some of these clauses identified at the time:

+ Warranty of Title
+ Terms of Sale
+ Terminable Interest / Notice of Transfer
+ Indemnification / Authority to Withhold Payment

This committee reported their progress at the Fall 1987 NADOA Annual Institute. In their report, they provided a discussion of the clauses as well as this history of their efforts. However, many companies at the time of this initial effort continued to embrace their highly individualized forms and processes for the division orders. Although great progress had been made, the momentum of the effort was at this point halted.

Post 1987 Trends

Several post 1987 trends moved industry to again seek a Model Form Division Order. These were:

+ more statutes enacted to define division orders
+ case law defining use of division orders
+ increased individual efforts to simplify division orders and the division order process
+ desire to improve working relationships between groups

Statutes:

While statutorily defined division orders had been implemented prior to the 1987 work of the NADOA committee, further statutes were effected after 1987. States enacting division order statutes after included Oklahoma, North Dakota and Texas. (See Appendix for Division Order Statutes) Most significant of the statutory division orders enacted was the Texas division order. This statute provides a "recipe" for an acceptable oil or gas division order and an example form for an oil division order. After the enactment of this statute, some companies revised their forms to follow the Texas "recipe" or form.

History of the Standardized Division Order

Case Law:

The major case which further defined the use of division orders was litigated in Oklahoma. This case is cited as Hull v. Sun Refining and Marketing Company, 789 P.2d 1272 (Okla. 1989). Oklahoma attorney, Clark Musser, provided this synopsis of the case in the NADOA 17th Annual Institute Journal:

> A royalty owner's refusal to execute a division order does not relieve the purchaser from the obligation to distribute proceeds to the owner. Such proceeds can be suspended if the royalty owner does not have marketable title as defined by Title Standard 4.1 of the Oklahoma Bar Association's title Examination standards. Non-payment for any reason other than a lack of marketable title entitles the owner to 12% interest per annum ...

Simplification Efforts:

During the 1980's and 1990's companies reviewing their processes moved to simplify division orders and the division order process in several ways, including:

1. recognition of a division order as a confirmation of interest in some cases rather than as a prerequisite for payment
2. increased turnover in properties through acquisitions and mergers fostered the practice of relying on another's division order rather than reissuing additional division orders
3. increased frequency of payee issuing own division order to eliminate time spent reviewing and revising payor's non-standard clauses

Customer Service:

Besides efforts to simplify processes, companies also embarked on customer service strategies. Identified as customers, payees who were modifying their forms were seen as desiring a more simple division order form. Many companies complied with forms which included only very basic provisions. In addition, greater emphasis is being placed on the working relationships between all of industry, whether producer, purchaser or royalty owner. Focused efforts to improve relationships have been based in the professional/trade associations, NADOA and NARO.

Renewed Efforts

With the post 1987 trends of statutory and industry simplification of the division order by definition and process, NADOA determined the need for a Model Form Division Order was imperative. States and companies were each continuing to simplify the division order process, but in their own way. It was recognized by NADOA that without such an effort to create a widely accepted division order, there would be a continued problem of differences between states and companies. Industry could not achieve the maximum benefits of the simplification process without a single industry Model Form.

The committee was reorganized by NADOA in December 1994. The goal of the committee was established as follows: To develop a Model Form Division Order which NADOA, as an association, can endorse as an industry standard. Committee milestones were as follows:

+ Draft Model Form Division Order, point paper and matrix sent to attorneys for review April/May 1995.
+ Completed the draft and implementation plan May 1995.
+ Draft Model Form Division Order, point paper and matrix submitted to the Officers and Board of Directors of NADOA for review June 1995.
+ Draft Model Form Division Order presented to NADOA and other professional/ trade associations in Summer 1995.
+ Model Form Division Order revised based on feedback from presentations and surveys in August 1995.
+ Model Form Division Order endorsed by NADOA Officers and Board of Directors September 1995.

Process Improvement

Division Order Process Using Individualized Company Forms

1. Payor issues own form of division order
2. Payee receives division order
3. Payee reviews property information
4. Payee reviews terms of division order / sends to attorney for review
5. Payee alters division order to acceptable format
6. Payee returns altered division order
7. Payor reviews alterations made to division order
8. Payor accepts division order as changed or returns altered division order as unacceptable
9. Payor/Payee may to debate terms of division order
10. Payor pays Payee based on accepted division order

Division Order Process Using Model Form Division Order

1. Payor issues Model Form of Division Order
2. Payee receives Model Form Division Order
3. Payee reviews property information
6. Payee returns Model Form Division Order
8. Payor accepts Model Form Division Order
10. Payor pays Payee based on form division order

Note: Model Form Division Order eliminates steps 4, 5, 7 and 9.

NOTE: Some companies place owners in pay prior to Division Order execution because (1) they have confidence in the title documents in their possession, (2) they rely on divisions of interests furnished by other companies, (3) they want to capture the benefit of reduced processing of returned division orders and/or (4) they use the lease or other agreements as their payment basis.

Survey Results

In developing the Model Form Division Order, NADOA circulated a survey to it's members, NARO representatives and other oil and gas professionals to get input on the draft. Approximately 100 surveys were returned. The survey results, as compiled below, were used to help revise the draft Model Form in order to maximize its acceptance and ultimate usage.

Overall acceptance of the Model Form was very high, with nearly 90% of the Payors and Payees seeing benefit in the new form and indicating a willingness to use it if published. Specific survey responses associated with benefits included:

FASTER ACCEPTANCE	82%
TIME SAVINGS	86%
EASIER TO UNDERSTAND	69%
IMPROVED INFORMATION	83%

Specific items regarding what respondents liked about the new form include:

SHORT	80%
UNDERSTANDABLE	78%
STANDARDIZED	84%

Constructive suggestions that were considered before publishing a final Model Form Division Order included:

ADEQUACY IN ONE SPECIFIC AREA	29%
AUTHORITY TO SUSPEND/INDEMNIFICATION	8%

Benefits of a Model Form Division Order

Finally, while the survey results from payors and payees were not identical, responses from both groups were very similar. Based on these results, it is believed that use of the Model Form Division Order will provide benefits to both payers and payors.

Improved Working Relationships

As illustrated in the survey results, the Model Form Division Order simplifies the division order and payment process in addition to providing more commonly understood terms. Less review can mean faster processing and quicker payments. Fewer misunderstood terms reduces litigation and less burdensome legislation. Confidence in the process ensures a stronger working relationship. More division orders should be executed because of the greater simplicity.

Useful Information for Royalty Owners

All payees benefit from the Model Form Division Order. Useful information provided in the division order for the payee includes:

- effective date of production
- payor's name and address (where to contact payor with questions)
- property name and description
- decimal of ownership and type of interest
- reminder to furnish tax identification number to avoid 31 % federal withholding
- simplified division order terms
- guidelines for the notification of change process
- notice that lease terms will not be altered
- payment timing and information

In practice, there are situations where an executed division order is required as title assurance or is used in lieu of full title curative. When an executed division order is an acceptable alternative to full curative, it can be more efficient for both the payor and payee. For example, expensive ancillary probate may be required as full curative for a minimum proceeds interest. If a division order directing payment is executed by the heirs, it can eliminate the need for probate as a prerequisite to the affected payment. This is a decision for each payor and payee to make based on the facts of their specific situation.

Also, in some states, the offering of a division order or ownership type letter establishes the interest as a security interest which can provide special standing for them in cases of bankruptcy.

DIVISION ORDER

To: Date:

Property Number: Effective Date:
Property Name:
Operator:
County and State:

Property
Description:

Production: _____ Oil _____ Gas _____ Other: _____

Owner Name and Address:	OWNER NUMBER: Type of Interest: Decimal Interest:

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by _____ (Payor).
(Company Name)

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals , or pay whichever occurs first, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and Payor may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses:

Owner(s) Signature(s): _____ _____

Owner(s) Tax I.D. Number(s): _____ _____

Owner Daytime Telephone #: _____ _____
Owner FAX Telephone #: _____ _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 31% tax withholding and will not be refundable by Payor

DIVISION ORDER

To: *(PAYOR NAME)*
(PAYOR ADDRESS)
(PAYOR PHONE/FAX#)

Date: *(DATE D.O. ISSUED)*

Property Number: *(PAYOR'S PROPERTY NUMBER)* Effective Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*
(this space can be enlarged or an exhibit used)

Production: _____ Oil _____ Gas _____ Other: _____

Owner Name and Address: *(PAYEE'S NAME & ADDRESS)*

OWNER NUMBER: *(INTEREST OWNER NUMBER)*

Type of Interest: *(OWNERSHIP INTEREST TYPE)*
Decimal Interest: *(OWNERSHIP DECIMAL) (AND/OR FRACTION)*

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by *(company name/payor)*.

(Company name/payor) shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

(Company name/payor) is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse (company name) any amount attributable to an interest to which the undersigned is not entitled.

(Company name/payor) may accrue proceeds until the total amount equals *$(amount)*, or pay *(time period)*, whichever occurs first, or as required by applicable state statute.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

In addition to the terms and conditions of this Division Order, the undersigned and *(company name/payor)* may have certain statutory rights under the laws of the state in which the property is located.

Special Clauses: *(None or See Exhibit "A")*

Owner(s) Signature(s): _____ *(OWNER NAME)* _____ *(OWNER NAME)*

Owner(s) Tax I.D. Number(s): _____ _____

Owner Daytime Telephone #: _____ _____
Owner FAX Telephone #: _____ _____

Federal Law requires you to furnish your Social Security or Taxpayer Identification Number.
Failure to comply will result in 31% tax withholding and will not be refundable by *(Company name/payor)*.

Use and Definition of Fields

The Model Form Division Order contains several blank fields for completion prior to mailing the Division Order to the interest owner. Following are definitions of the fields that, when completed properly, will ensure both the payee (interest owner) and payor that the proceeds from the oil or gas production are being paid correctly:

(PAYOR) - the name and address of the person who is paying. It may also be helpful to include the payor's telephone number and a fax number, if available, should the payee have any questions regarding the information contained in the Division Order.

(DATE D.O. ISSUED) - the actual date the Division Order is prepared and sent to the payee. This date is helpful to both the payee and the payor so that a specific Division Order can be identified and reviewed if questions arise.

(EFFECTIVE DATE) - the day when sales first occurred or when the payee's interest is effective in the payor's accounting system. This date identifies the earliest date which will be included in payments subject to this Division Order. For new wells, it is preferable to include an actual date, rather than using "date of first sales" (DOFS) or "date of first production" (DOFP).

(PAYOR'S PROPERTY NUMBER) - the property, lease or division order number used by the payor that will actually appear on the check detail when payment is made to the payee. This number can then be readily identified by the payee and referred to when making an inquiry. If the payor requires other numbers within their computer, accounting, or filing systems, these numbers should be listed elsewhere on the form for internal reference only.

(PROPERTY NAME) - the property, lease or well name in which the payee owns an interest and from which proceeds will be received. The property name should be the same as, or as close as possible to, that used by the operator for reporting production volumes to the State.

(PROPERTY OPERATOR) - the operator of the property, lease or well. Identifying the operator is particularly important when the payor is not the operator. Knowing the operator's name can help the payee to obtain information, such as production volumes which are available at the state agencies.

(COUNTY / STATE) - the county (or parish) and state where the property, lease or well is located.

(PROPERTY DESCRIPTION) - the description of the property from which production proceeds are being paid pursuant to this Division Order. The property description should be meaningful to the payee so that the payee can determine that the interest is correct.

(PRODUCTION) - the type of production (oil, gas, sulfur, helium, etc.) for which the payor is making distribution under this Division Order. Since different payors may distribute proceeds from different types of production or ownership can be different for various products, it is important that the type of production be included on the Division Order. Products other than oil or gas should be listed.

(PAYEE'S NAME & ADDRESS) - the payee's name and address. The owner should verify the spelling of their name and the correctness of their address. The address listed should be the address to which the check payment (or payment detail if the payee has elected to have their payment electronically deposited to their bank) will be mailed.

Use and Definition of Fields

(INTEREST OWNER NUMBER) - the payor's identifying number for the payee. This should be the interest owner number which will appear on the payee's check detail and to which the payee may refer when making inquiries.

(OWNER INTEREST TYPE) - the type of ownership (working, royalty or overriding royalty) owned by the payee.

(OWNERSHIP DECIMAL) - the decimal of ownership being credited to the payee. If inflated decimals are being used or only a portion of the royalty is being paid, this should be clearly identified to the payee. The preferable method for clarification of inflation or partial payment is on the division order. It is also helpful to the payee if ownership fractions are listed in this field.

(SPECIAL CLAUSES) - any special clauses required for proper payment direction. If multiple clauses are required, they should be included on an attachment and "See Exhibit A" printed following "Special Clauses". The use of special clauses is addressed in more detail in the Special Needs/Special Clauses section. If special clauses are listed within the other Model Form clauses or in any other portion of the Division Order, the form no longer meets the requirements for the NADOA Model Form Division Order.

If no special clauses are required, "None" should be printed following "Special Clauses:" so that the division order terms and payment direction are clear to the payee.

(OWNER(S) SIGNATURE(S) & OWNER NAME) - The payee(s)' name should be listed below the area where the owner(s) sign the Division Order to agree to the terms and payment direction established by the Division Order. If two payees are required to sign the form, each owner's name should be listed separately below the signature line.

(OWNER TAXPAYER I.D. NUMBER) - If the payor has previously received the Social Security or Taxpayer Identification Number for the payee, it should be printed in the space below the owner's name so the payee can verify that the payor has the correct Tax I.D. Number. If the Tax I.D. Number is missing from the payor's records, the field should be left blank. The Tax I.D. number or confirmation of this number is requested in the cover letter mailed with the Division Order. This number must be furnished by the payee to prevent the payor from withholding 31 % tax on the payments subject to this Division Order as required by the IRS.

(OWNER DAYTIME FAX TELEPHONE NUMBERS) - This is an optional field provided for the payee to furnish telephone numbers where the payee can be reached by the payor should questions arise regarding the ownership interest, payment address or other related information.

The format and language of the Model Form Division Order were carefully drafted in consideration of the various state statutes and to streamline processing for both payors and payees. The Model Form Division Order is divided into four areas:

1. The top portion contains well/lease information and identifies the payee(s). Long property descriptions, multiple properties, and/or multiple payees may be identified on exhibits.

2. The second portion contains the Model Form Division Order clauses. To maintain Model Form Division Order status, the language in these clauses may not be altered.

3. "Special Clauses" may be used for any non-standard provisions required for proper payment direction. Special clauses may also be listed on an exhibit.

4. The bottom portion contains the signatory block.

Format Variations

Company systems may require minor reformatting changes, not language changes. Examples of the types of format changes which may occur include:

- Type style and font
- Paper size and color
- Margins and spacing
- With or without NADOA logo
- With or without a Company logo
- Barcoding or internal routing/file information
- Company name or term "Payor"

Using the Form

Guidelines for completing the Model Form Division Order include:

- The form, as it appears in this publication, may be copied, reproduced or computer generated. Preprinted blank forms may be purchased from Kraftbilt, PO Box 800, Tulsa, Oklahoma 74101. (NADOA receives no income from the sale of these forms.)
- If additional space is needed for any information, such as legal descriptions or payee listings, exhibits should be used. Exhibit pages should clearly identify the property as shown on the division order. (See "Exhibits" on the next page.)
- The name, address, owner number, decimal and type of interest should be clearly identified for each payee.
- If inflated decimals are used, it is helpful to show both the owner's inflated decimal and the owner's actual decimal or to clearly identify the inflation factor on the division order. If only a portion of the royalty is being paid, this also should be clearly identified for the payee. Fractions and interest calculations may also be shown.
- Alterations may not be made to the Model Form clauses in order to maintain Model Form Division Order status.
- Additional clauses may not be added to the body of the form, except in the area designated as "Special Clauses:". Any special clause should be identified as a "Special Clause:", whether as a section of the division order or on an exhibit.
- The Model Form can be used as a transfer order using an exhibit, as needed, to designate buyer/seller information.
- Two signature areas are provided. If additional signatures are required, an exhibit should be used for additional signatory lines, designating the appropriate names and legal capacities of the parties.
- Division orders prepared in accordance with these guidelines should be designated as the "NADOA Model Form Division Order (Adopted 9/95)".
- Substantial alterations made because of systems restrictions must be approved by the NADOA Forms Committee.

Issuing the Model Form Division Order

Exhibits

There will be various situations where an exhibit to the division order is necessary. Some of these include:

- new wells or setups where the payor elects to list all owners on the exhibit
- properties where the legal description is lengthy
- when special clauses are used
- as some system generated division orders may require
- where a change in ownership covers multiple properties

Several example exhibits are included on the next page for the following situations:

1. Multiple Owners
2. Before Payout and After Payout Situation
3. Lengthy Description
4. Transfer Order
5. Exhibit for Special Clause(s)
6. Multiple Signatures
7. Multiple Properties

Note: When using more than one exhibit, assign consecutive lettering, e.g., A, B, C...

Cover Letters

Communication with the payee is a very important part of the division order process. Cover letters can provide assistance to the payee and expedite execution. The following information and instructions about executing the division order are provided as suggestions:

- request to review, sign and return the division order
  Please review, sign and return the enclosed division orders.

- purpose of the division order
  ...to provide you information about your ownership and obtain a certification from you that you are the correct person to whom payments for this(these) interest(s) should be made

- explanation that two copies are enclosed (one to execute and return; the other for payee's files)
  After you have reviewed the division order, please sign one of the two copies enclosed and return to us. The other copy of the division order should be retained for your records.

- instructions to review carefully and note any changes in ownership information (support interest changes w/ documentation)
  Review your decimal interest in the property(s) described. Also review the terms of the division order.

- request for Taxpayer Identification number
  Supply and/or verify your Social Security or Tax Identification Number. Without your correct tax identification number, we have to withhold and pay 31% of your money to the Internal Revenue Service.

- advice on the use of the property and interest owner numbers
  The property number(s) will be listed on your check detail identifying your payment for this(these) interest(s). Your owner number is your identifying number with our company. Please refer to this number when making inquiries about payments or your interest(s)

- payor's address and telephone number (and direct deposit instructions, if appropriate)
  Make sure your payment address is correct. If you want your money directly deposited into your bank, please include a copy of a voided blank check or deposit slip. We still need your mailing address (not bank) for your check detail.

Cover Letters (continued)

- statement that the NADOA Model Form Division Order is being used
  Our division order conforms to the Model Form Division Order endorsed by the National Association of Division Order Analysts.

- description of accrual process (State Statute) being used
  Payments are made upon accrual of $100 for all of the properties paid you by our company or annually, if amounts are greater than $10. Amounts less than $10 are paid either upon accrual after the first year or when we cease paying you for your interests. Should you require payments on a more frequent basis, please contact us and we will remit to you as frequently as provided by State statutes. Our payment date is on the 25th of each month.

NOTE: If a special clause is included, it should be so noted in the cover letter. Also, if any alterations are made to the language or other content of the Model Form besides special clauses being inserted, the cover letter may not state that it is the NADOA Model Form.

Exhibit A

Property Number: *(PAYOR'S PROPERTY NUMBER)*
Property Name: *(PROPERTY NAME)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

Date: *(EFFECTIVE DATE)*
Effective Date: *(EFFECTIVE DATE)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

OWNER NUMBER	OWNER NAME OWNER ADDRESS	TYPE OF INTEREST	DECIMAL INTEREST

(SPACE VARIABLE AS REQUIRED BY NUMBER OF OWNERS)

Sample Exhibit 2 - BPO or APO Situation

Exhibit A

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

OWNER NUMBER	OWNER NAME OWNER ADDRESS	TYPE OF INTEREST	DECIMAL INTEREST BPO	 APO

Sample Exhibit 3 - Description Only

Exhibit A

Property Number: *(PAYOR'S PROPERTY NUMBER)*
Property Name: *(PROPERTY NAME)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

Date: *(EFFECTIVE DATE)*
Effective Date: *(EFFECTIVE DATE)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

Exhibit A

Property Number: *(PAYOR'S PROPERTY NUMBER)*
Property Name: *(PROPERTY NAME)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

Date: *(EFFECTIVE DATE)*
Effective Date: *(EFFECTIVE DATE)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

OWNER NUMBER	OWNER NAME OWNER ADDRESS	TYPE OF INTEREST	DECIMAL INTEREST

Transferor:

(List assigning party and interest.)

Transferee:

(List assignee and interest assigned.)

Exhibit A

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

SPECIAL CLAUSE(S):

Signature Page Attachment

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Owner(s) Signature(s):	*(OWNER NAME)*	*(OWNER NAME)*
Owner(s) Tax I.D. Number(s):		
Owner Daytime Telephone #:		
Owner FAX Telephone #:		

Sample Exhibit 7 - Multiple Properties

Exhibit A

Owner Number: *(INTEREST OWNER NUMBER)*
Owner Name: *(PAYOR'S NAME)*

PROPERTY LISTING

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____
Type of Interest: *(OWNERSHIP INTEREST TYPE)*
Decimal Interest: *(OWNERSHIP DECIMAL AND/OR FRACTION)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

****

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____
Type of Interest: *(OWNERSHIP INTEREST TYPE)*
Decimal Interest: *(OWNERSHIP DECIMAL AND/OR FRACTION)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

****

Property Number: *(PAYOR'S PROPERTY NUMBER)* Date: *(EFFECTIVE DATE)*
Property Name: *(PROPERTY NAME)* Effective Date: *(EFFECTIVE DATE)*
Operator: *(PROPERTY OPERATOR)*
County and State: *(COUNTY / STATE)*
Production: _____ Oil _____ Gas _____ Other: _____
Type of Interest: *(OWNERSHIP INTEREST TYPE)*
Decimal Interest: *(OWNERSHIP DECIMAL AND/OR FRACTION)*

Property Description: *(PROPERTY LEGAL DESCRIPTION)*

(SPACE VARIABLE AS REQUIRED BY LENGTH OF LEGAL DESCRIPTION)

The format and language of the Model Form Division Order were carefully drafted in consideration of the various state statutes and to streamline processing for both payors and payees. The Model Form Division Order is divided into four areas:

1. The top portion contains well/lease information and identifies the payee(s). Long property descriptions, multiple properties, and/or multiple payees may be identified on exhibits.

2. The second portion contains the Model Form Division Order clauses. To maintain Model Form Division Order status, the language in these clauses may not be altered.

3. "Special Clauses" may be used for any non-standard provisions required for proper payment direction. Special clauses may also be listed on an exhibit.

4. The bottom portion contains the signatory block.

Format Variations

Because individual companies systems may require MINOR reformatting, all Model Form Division Orders may not appear the same. Company systems may require minor reformatting changes, not language changes. Examples of the types of format changes which may occur include:

- Type style and font
- Paper size and color
- Margins and spacing
- With or without NADOA logo
- With or without a Company logo
- Barcoding or internal routing/file information
- Company name or term "Payor"

Each company using the Model Form Division Order may require flexibility due to its particular method of preparation of division orders. The special clauses, are not intended for use as a method of changing the statutory rights of the payees. The standard division order clauses may not be altered to maintain Model Form Division Order status. You can compare the division orders which you are sent with the one included in these materials.

Using the Form

Guidelines for executing the Model Form Division Order:

- The form may be copied or reproduced.

- Some terms are used interchangeably, such as:

  + Remitter / Payor / Purchaser
  + Property Number / Division Order Number / Lease Identification Number

- No alterations may be made to the Standard Clauses in order to maintain Model Form Division Order status.

- No additional clauses may be added to the body of the form.

Executing the Model Form Division Order

Review for Accuracy

Payees should review the following areas for accuracy:

- Name and address
- Social Security or Tax Identification Number
- Decimal Interest / Type of Interest
- Property / Legal Description (including county and state)

If part of the information is inaccurate or not included, payee should strike and change or insert correct information. If changing information other than address or tax identification number, payee should include supporting documentation. For example, if half of interest has been sold, the interest should be changed and a copy of the recorded assignment(s) transferring half of the interest should be enclosed with the signed and returned division order. Other examples of support documentation include probate proceedings, marriage certificates, court orders, trusts agreements, etc.

Special Clauses

Special clauses may be included when identified in the "Special Clause" section. The special clause(s) may be added in the "Special Clause" section of the Model Form Division Order or may be attached as an Exhibit. Before signing the division order, it is the payee's responsibility to carefully review any Special Clause(s) included in the Model Form Division Order or attached as an exhibit. If the payee does not fully understand the effect of the Special Clause(s), they should attempt to clarify with their payor and/or seek legal or other professional assistance.

Exhibits

Exhibits may be used if additional space is needed, such as a lengthy legal description. Any exhibit(s) should clearly identify the property as shown on the division order. Any exhibit(s) attached to the Model Form Division Order must be clearly indicated that it is attached.

Signature

- The Model Form Division Order may be executed in counterparts unless otherwise specified in cover letter
- The Model Form Division Order does not require a witness signature.
- The payee should sign as indicated by the name/company printed beneath the signature space or as shown on the exhibit, unless you have corrected and attached documentation.

Using the Model Form Division Order as a Transfer Order

The payor may use the Model Form Division Order as a transfer order using an attachment as needed to designate transferor/transferee information. This is an acceptable use of the Model Form Division Order (See Sample Exhibit 4).

Other Division Order Forms

Payors may issue other division order forms with different language. While other forms are not endorsed by NADOA as the Model Form Division Order, they may comply with a specific state statute. An option for some payees is to replace other division order forms with the NADOA Model Form Division Order. Whether or not to use the Model Form Division Order as a replacement is the payee's choice as it is a payor's decision whether or not to accept such a replacement.

In designing the NADOA Model Form Division Order, NADOA's primary objective was to provide adequate assurance to the purchaser, or payor, that production proceeds are being properly paid while simplifying the document for royalty owners, or payees, by eliminating confusing and outdated legal provisions.

Below is a discussion of each of the clauses, or provisions, included in the Model Form Division Order, as well as some of the eliminated clauses which have historically been included in company division orders:

Certification Of Ownership

The undersigned certifies the ownership of the decimal interest in production or proceeds as described above payable by (company name).

The Division Order identifies the decimal interest of the payee (interest owner) of crude oil produced and sold to the payor (purchaser) or of the payee's share of gas proceeds required to be distributed by the payor (purchaser/operator/working interest owner). The Division Order gives the payee an opportunity to examine his interest decimal, and if it is incorrect, to notify the payor to correct it.

By signing the Division Order (or by accepting subsequent payments made by the payor subject to this Division Order), the payee has indicated his concurrence with the payor's determination of the payee's decimal interest and that he is the rightful owner of the interest set out on the Division Order.

Historically, division orders used by many companies have contained the words "warrants", "certifies" or "guarantees". Payees have indicated a preference for the word "acknowledge" or "verify". Statutes vary as to whether the word "warrants", "certifies", "guarantees", or "acknowledges" is appropriately required for the division order. It was determined that "certifies" is the most comprehensive word to cover all these situations. "Certifies" also provides adequate assurance to the payor while eliminating some of the negative connotations associated with "warrants" or "guarantees" for the payee. In addition, the language of this clause provides an assurance that the payee is the rightful owner of the interest in the property and "verifies" or "acknowledges" does not adequately perform that function.

The payee is not being asked to certify his legal title in the property, only his decimal interest in production or proceeds. For many companies, this is a more accurate representation of the actual payment process since there are situations where the payor does not pay the legal title owner. Reasons for this may be that the payor accepts an unrecorded affidavit of heirship outlining the intestate transfer of a very small decimal interest in a property, but the county records do not reflect these heirs as the actual legal title owners. Note that this phrase does not exclude the legal title in the property, it just provides for the general exception.

The phrase "...payable by (company name)" was included to indicate that the purchaser, or payor, is paying the interest owner for their share of the oil produced or gas proceeds. By signing the Division Order (or by accepting subsequent payments made by the payor subject to this Division Order), the payee has indicated their concurrence that they are selling their oil to the purchaser (rather than electing to take their share of the oil production in kind).

In some division orders used by purchasers, there is a clause setting out terms of sale. However, in today's business environment, the Division Order is more often used as a notification to owners and certification of interest rather than a crude sales contract. Therefore, the language has been simplified and the terms of sale clause eliminated, to transform the division order into an instrument of estoppel rather than a contract of purchase and sale.

Notice Of Transfer

(Company name) shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Discussion of Model Form Clauses

Title ownership in oil and gas mineral interests can be bought, sold or transferred to new owners at any time. Without an understanding that the payee (interest owner) will notify the payor (purchaser), in writing, of any change in ownership or payment information, the payor might continue to distribute proceeds to the incorrect owner or address. The Division Order places the responsibility of notification of any change on the payee and limits the payor's liability for payments made to the transferor prior to receipt of written notification. The clause also benefits the payee by ensuring that the payor will not make changes to the payee's interest without proper written notification.

Most division orders issued by companies limit the notification responsibilities to changes in title ownership. The NADOA Model Form Division Order expands the notification to payment information, including changes in decimal interest and payment address. The additional information was included to ensure that the payee was clear on what information is required by the payor in issuing payments.

The phrase "decimal interest" includes any change in payment percentage, including changes as a result of mortgage payoffs, tax liens, sliding scale leases, etc., and is not limited to title ownership.

The phrase "payment address" is intended to include the address to which the payor issues payments. The payment address normally is the mailing address to which the payee's check and related payment detail is issued. However, if the payee has authorized the payor to electronically transfer funds (EFT) into the payee's bank account, the payee must also notify the payor of any change in bank or bank account information to ensure the payments are deposited timely. Additionally, with EFT authorization, the payee must furnish the payor with a second address to which the payment detail is to be mailed.

Authority To Suspend / Indemnification

(Company Name) is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse (company name) any amount attributable to an interest to which the undersigned is not entitled.

This clause provides a mechanism wherein the payor can suspend funds when the payor is unsure of the legal payee (owner) of the interest. For example, a payor could be provided conflicting ownership information and have two payees demanding payment. Or a payor could be provided false information and this clause would provide an avenue for the payor to be reimbursed any mispaid funds.

In addition, a purchaser could report corrected volumes and recoup money from the payor which the payor must recoup from the payees. Volumes may be difficult to reconcile or values may have changes at no fault of the payor or purchaser. Funds which are not owned by the payee must be reimbursed to the payor. And either party, payor or payee, could make a mistake when setting forth or verifying interest. Any payments not due the payee must be refunded to the payor.

This clause attempts to balance payor needs with payee's objectives. The indemnification language was modeled after that provided in Tex. Nat. Res. Code Ann. Section 91.402(c) [Texas Division Order Statute]. It was meant to be simple, yet cover all the payee needs.

Timing Of Payments

(Company name) may accrue proceeds until the total amount equals $ (amount), or pay (time period), whichever occurs first, or as required by applicable state statute.

Each state has different laws and regulations regarding the settlement, or payment, of oil and gas proceeds. While all states require settlements to interest owners to be made monthly, most states allow payors to accumulate amounts (threshold ranges from $25 to $100) or issue payments semi-annually or annually if the accumulated threshold is not met. In addition, each company responsible for issuing payments to interest owners has their own internal procedures of when payments are issued and what dollar values are accumulated.

The Division Order clarifies the minimum dollar amount and time period the payor uses for accumulating small amounts due the payee. The accumulated proceeds are the total amount due to an interest owner by a payee for all properties, not the total dollar amount due for the specific property subject to this Division Order.

The Timing of Payments clause benefits the payor by allowing the accumulation of small dollar amounts and reducing the number of checks issued by the payor. As a result, the payor's costs are reduced when issuing small payments. The clause also benefits the payee by identifying the payment parameters used by the payor, ensuring that the payee understands when payments will be received.

Effect On Lease Agreement

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

During the past years, there have been many questions regarding the legality of division orders which contain clauses that supersede or change the express terms of the oil and gas lease. While case law in some states support the legality of such division orders, royalty owners have long argued that some companies deliberately issue division orders that amend lease clauses and then refuse to issue payments to interest owners until the division order is signed.

To alleviate royalty owners' concerns, the NADOA Model Form contains language specifying that the Division Order does not amend the lease or other agreements. This is the same language contained in the Texas Division Order Statute as well as other statutes. The purpose of the language is to provide clear notice that any provision of the Division Order which contradicts any clause of the payee's oil and gas lease is invalid to the extent of the contradiction.

Statutory Rights

In addition to the terms and conditions of this Division Order, the undersigned and (company name) may have certain statutory rights under the laws of the state in which the property is located.

Payees (interest owners) and payors (producers and purchasers) have numerous rights under the laws of the state in which the producing property is located. Some states, for example, require that a payor may not suspend or withhold payments pending the payee's execution of the division order. Other state statutes specifically address when payments are to be made and what information identifying the payments must be supplied to the payee with the payment. Additionally, statutes may specify if interest, and what interest rate, is to be paid on late payments where the payee has marketable title to the property.

While all state statutes cannot be adequately addressed herein, the Division Order advises both the payee and payor that they may have certain other statutory rights under state laws.

In issuing Division Orders, payors (purchasers, operators and/or producers), from time to time, need some flexibility to accommodate unique payment and title situations. The NADOA Model Form Division Order provides the flexibility through the use of special clauses.

If the use of a Special Clause is necessary, it may be inserted directly in the space provided after the body of the NADOA Model Form Division Order following "Special Clauses:" or may be included on an attached exhibit. If Special Clauses are attached to the Division Order, "See Exhibit A" must be printed on the Model Form Division Order following "Special Clauses:" (an example of the use of an exhibit for Special Clauses is shown on Sample Exhibit 5).

If additional provisions are included in the Special Clause portion (or printed on an attached exhibit), this becomes a signal to the payee that additional, non-standard terms are required and made a part of the NADOA Model Form Division Order and should be reviewed carefully.

While the inclusion of any Special Clause should be used at the payor's discretion to meet a specific need, their use is not intended to alter the intent of the NADOA Model Form Division Order by including confusing or unnecessary legal provisions. Additionally, Special Clauses should not amend lease agreements or violate state statutory rights.

If used properly, special clauses offer benefits to both payees and payors. For example, the title curative clause might be useful when confirmation of interest is necessary but funds to be paid are small. The clause's use could eliminate additional costly title curative expenses for the payee and provide the payor with a resolution to an outstanding title ownership issue. Of course, a similar confirmation may be inappropriate for larger amounts.

The following Special Clauses are provided as ***EXAMPLES ONLY*** and are not a part of the NADOA Model Form Division Order. Each payor should feel free to use these examples or draft their own clause language to accommodate the specific situation. To ensure that the use of one of the following examples meets the specific requirements, each payor and payee should seek its own legal counsel.

100% Indemnification

(Company name) will remit 100% of the proceeds to the undersigned from this Property under our purchase contract. The undersigned shall account and pay to the royalty owners and/or other persons entitled for their share of the proceeds. By execution of this Division Order, the undersigned assumes responsibility for disbursement of all proceeds under this Division Order, and (company name) is relieved of all such responsibility as payor.

Life Estate

This interest is a life estate payable to the life tenant and will remain in effect during the lifetime of (owner name). Thereafter, the interest is to be credited (equally, 1/3, etc.) among (list remaindermen). By executing this Division Order, the parties agree to notify (company name) in writing upon termination of this life estate. In the absence of such written notice, (company name) shall not be held liable for any payments made in this manner.

Term

It is the responsibility of the undersigned to notify (company name) of all changes of interest contingent on payment of money or expiration of time. All such changes shall be effective the first day of the month following receipt of such notice.

Special Needs/Special Clauses

Mortgage

It is understood and agreed that this interest is subject to a (mortgage, deed of trust, etc.) and assignment of runs has been made from (owner name). The (lien holder) shall be paid all proceeds until (company name) is notified in writing of the cancellation of said (mortgage, deed of trust, etc.). Thereafter, payments shall be made to (owner name). In the absence of such written notice, (company name) shall not be held liable for any payments made in this manner.

Payment Direction

By executing this Division Order, (owner A) hereby authorizes (company name) to make settlements to (owner B) until further notice. In the absence of such written notice, (company name) shall not be held liable for any payments made in this manner.

Title Curative

Payment of proceeds for this interest is contingent upon the undersigned properly executing this Division Order and/or furnishing satisfactory title documents to (company name) to resolve outstanding title ownership issues in the Property.

MATRIX OF DIVISION ORDER STATUTES BY STATE

State	Alters Lease?	Form Requirements?	Parties	Execution Required for Payment?	Failure to Execute Eliminates Interest?	
Alabama AL Code Ann Sec 9-17-33	N/A	No	Issued by: + Purchaser + Operator + Owner-Right to Drill/Prod	No	N/A	
Arizona AZ Revised Statutes Ann. Sec. 27-536	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
Arkansas AR Code Ann Sec 15-74-101	N/A	Yes - Gas from gas wells only (see forms)	+ Between + Purchasers and Owner of Production + Purchasers or Owners of Production and Royalty Owners	No		
Colorado CO Revised Statutes Ann. Sec. 34-60-118 & 118.5	N/A	Yes - (see forms)	Between Payee and Payor	Yes - if request is reasonable	Yes	Order for unit operations does not terminate tract division order
Indiana Ann IN Code 32-5-9-1	N/A	N/A	Between Oil Purchaser and Seller	Yes	Yes	
Kansas KS Statutes Ann Sec 55-1306 & 84-9-319	No	Yes- (see forms)	Between Purchaser / Operator and Interest Owners	N/A	N/A	+ Order for unit operations does not terminate tract division order + Issuance of D/O recognizes security interest of owner and establishes certain priorities
Louisiana LSA-R.S. 31:138.1, 210.1, 211, 212.23, & 212.31	No	Yes - (see forms)	Between Purchaser and: + Operator + Royalty Owners + Other Persons having an interest in production	No	N/A	

Statutes were not located where states are not listed. If you know of new or changed statutes from the ones listed, please contact the NADOA Forms Committee Chairman.

MATRIX OF DIVISION ORDER STATUTES BY STATE

State	Alters Lease?	Form Requirements?	Parties	Execution Required for Payment?	Failure to Execute Eliminates Interest?	
Michigan M.C.L.A. 319.372	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
Mississippi MS ST Code 1972, Section 53-3-39	N/A	N/A	Between Payor and Royalty Owner	N/A	N/A	Interest on late royalty proceeds may not be waived or reduced unless a royalty owner signs a statutory statement at the bottom of the division order.
Montana MCA 82-10-110	No	Yes - (see forms)	Between lessor and holder of proceeds from the sale of oil, gas, casinghead gas, or other related hydrocarbons	No	No	
Nebraska Neb.Rev.St. Section 57-910-08	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
Nevada N.R.S. 522.024	N/A	Yes - (see forms)	Between purchaser of the production (oil or gas) and owners	Yes	N/A	
New Mexico NMSA 1978, s 48-9-6	N/A	Yes - (see forms)	Between Payor and Person Entitled to Payment	Yes - if reasonable	Yes - if reasonable	Order for unit operations does not terminate tract division order
New York McKinney's ECL Section 23-0901	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
North Dakota NDCC, 47-16-39.3	No	Yes - (see forms)	+ Operator + Royalty Owners + Other Owners of Interest	No	No	
Oklahoma 52 Okl.St.Ann. Sections 548.5 & 570.11	No	Yes - (see forms)	Between first purchaser or hold of proceeds and persons legally entitled to payment	No	No	

Statutes were not located where states are not listed. If you know of new or changed statutes from the ones listed, please contact the NADOA Forms Committee Chairman.

MATRIX OF DIVISION ORDER STATUTES BY STATE

State	Alters Lease?	Form Requirements?	Parties	Execution Required for Payment?	Failure to Execute Eliminates Interest?	
Oregon O.R.S. s 520.320	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
South Carolina SC ST Code 1976 Sec48-43-350	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
South Dakota SDCL 45-9-50	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
Texas TX BUS & COM Sec 9.319 & TX NAT RES Sec 91.401, 91.402 & 91.403	No	Yes - (see forms)	Direction to payor from payee	Yes *	Yes *	+ Security interest is provided in favor of interest owners by act of issuing division order or other voluntary communication * if contents comply w/ law or statutory form
Utah U.C.A. 1953 s 40-6-8 & -9	No	Yes - (see forms)	Person entitled to payment and payor	Yes *	Yes *	* if form is in compliance + Order for unit operations does not terminate tract division order
Vermont 29 V.S.A. Sec 525	N/A	N/A	Between Purchaser and Seller	N/A	N/A	Order for unit operations does not terminate tract division order
Washington WA ST 78.52.335 & 78.52.010	N/A	Yes - (see forms)	Between Purchaser and Seller / Royalty Owners	N/A	N/A	Order for unit operations does not terminate tract division order
West Virginia WV ST s 22-21-17	N/A	Yes - (see forms)	Issued by review board	N/A	N/A	For coalbed methane only
Wyoming W.S.1977 s 30-5-110 & 305	No	N/A	Owners	No	No	+ If a division order does alter or amend the terms of the lease, it is invalid as to those portions. + Order for unit operations does not terminate tract division order

Statutes were not located where states are not listed. If you know of new or changed statutes from the ones listed, please contact the NADOA Forms Committee Chairman.

State	Form Requirements
Alabama	+ Directs distribution of value from sale of oil, gas, and other liquid hydrocarbons + Prepared by issuer based on DOTO or other generally acceptable legal documents
Arizona	N/A
Arkansas	Form must contain on the first page: + Name / Address of the owner of royalties + Space for owner's tax id number or other info needed by IRS or other govt agency + Space for owner's signature + Acreage under which the royalty owner has an interest + Fractional or decimal interest owned by the royalty owner in the pool + Total amount of the net mineral acres in the area subject to the division order
Colorado	Form contains: + Confirmation in writing of the payee's fractional interest in the proceeds
Indiana	N/A
Kansas	Acknowledement of accuracy of: + Name of interest owner + Address of interest owner + Tax identification number + Quantum and type of interest Also includes property description.
Louisiana	Form contains: + Contract of sale + Directs purchaser to pay for value of production + Proportions of payment based on ownership shown in title opinion
Michigan	N/A
Mississippi	N/A
Montana	Form must be in writing and contains: + Warranty of division of interest + Name, address, and tax id of each interest owner to whom disbursements are made + Change of ownership notice + Other terms necessary to facilitate the transaction (optional)
Nebraska	N/A
Nevada	Written instrument which: + directs distribution of the proceeds from the sale of the production from an oil and gas well among owners of interest in production + includes name and address of each of those owners
New Mexico	Division Order or Transfer Order forms contain: + Acknowledgment of the proper interest to which payee claims to be entitled + Mailing address to which payment is to be directed + May contain other reasonable terms
New York	N/A

Statutes were not located where states are not listed. If you know of new or changed statutes from the ones listed, please contact the NADOA Forms Committee Chairman.

State	Form Requirements
North Dakota	Form contains: + Directions to the purchaser of oil or gas to pay for the products taken in the proportions set out in the division order
Oklahoma	Form contains in writing: + Warranty of interest + Name, address and tax id of each interest owner + Change of ownership notice
Oregon	N/A
South Carolina	N/A
South Dakota	N/A
Texas	Form contents which may be required include: + Effective date + Property description + Fractional and/or decimal interest + Certification of title to share of production claimed + Change of ownership 30 day notification (unless otherwise agreed to) + Indemnification by payee to payor if payee's title is unmerchantable + Authorization to suspend payment in event of title dispute or adverse claims + Name, address and taxpayer id no. + Provisions for valuation and timing of settlements + Notification that other statutory rights may be available to a payee w/ regard to payments Statutory Form for Oil Payments - See statute (Note - the statutory form provides more clauses and greater detail than are required in the form contents portion of the statute.)
Utah	Division order or transfer order contents include: + Acknowledgment of proper interest claimed by payee + Mailing address for payment
Vermont	N/A
Washington	Instrument which: + shows the percentage of royalty among royalty owners
West Virginia	Set out (coalbed methane only): + the net revenue interest of each working interest owner, including each carried interest owner and the royalty interest of each coalbed methane owner
Wyoming	N/A

Statutes were not located where states are not listed. If you know of new or changed statutes from the ones listed, please contact the NADOA Forms Committee Chairman.

ACKNOWLEDGEMENTS

The foregoing Model Form Division Order is the culmination of the efforts of a subcommittee of the National Association of Division Order Analysts, comprised of Division Order Analysts, Division Order Managers, Royalty Owners, and Attorneys, who, with the advice and consent of the Board of Directors of the NADOA, have attempted to increase the level of communication among and between owners of an interest in oil and gas wells, and those who operate and buy and sell the production from these wells. The Model Form Division Order is intended to create a lingua franca (common language) among all those who deal with this instrument in order to accurately pay and be paid for oil and gas production.

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MODEL FORM DIVISION ORDER COMMITTEE

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Joe Anderson	Amerada Hess Corp.
Tina Bonner, CMM	National Association of Royalty Owners
Richard Chapman, CMM	National Association of Royalty Owners
Lynda Clinger, CDOA	Koch Industries, Inc.
Tracy Elm, CDOA, RLP	GPM Gas Corp.
Barbara Gilliam, CDOA	OXY USA, Inc.
Martha Hamby, CDOA	Fina Oil & Chemical
Jon Love	Total Petroleum, Inc.
Chris Nightingale, CDOA	Kerr McGee Refining
Sara Tays, CDOA, CMM	Exxon Company, U.S.A.
Rand Valentin	Exxon Company, U.S.A.

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TO CONTACT THE NADOA FORMS COMMITTEE, WRITE NADOA AT THE FOLLOWING ADDRESS:

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