

Non-Participating Royalty Interest (NPRI)

A Non-Participating Royalty Interest (NPRI) is an interest in oil and gas production which is created from the mineral estate. Like the plain “royalty interest” it is expense-free, bearing no operational costs of production. The term “non-participating” indicates that the interest owner does not share in the bonus, rentals from a lease, nor the right (or obligation) to make decisions regarding execution of those leases (i.e., no executive rights). The owner of a NPRI has fewer rights than does the ‘regular’ royalty owner, who participates in at least one, if not all, of the aforementioned activities.

Overriding Royalty Interest (ORRI)

A royalty in excess of the royalty provided in the Oil & Gas Lease. Usually, an override is added during an intervening assignment. ORRIs are created out of the working interest in a property and do not affect mineral owners. An overriding royalty interest (ORRI) is often kept or assigned to a geologist, landman, brokerage, or any entity that was able to reserve an interest in the properties.

When are Overriding Royalty Interests Assigned?

Overrides, as they are called by the industry, are commonly assigned by a person or entity that assembles a prospect, previous owners of a property who sold and want to retain an interest, or royalty interests can be sold as a means of raising capital.

What are the limits of an Overriding Royalty Interest?

An ORRI is a fractional, undivided interest with the right to participate or receive proceeds from the sale of oil and/or gas. It is not an interest in the minerals, but an interest in the proceeds or revenue from the oil & gas minerals sold. The interest is limited to a specific tract of land and is bound to the term limits of the existing lease. If a lease is allowed to expire, an ORRI is dissolved or expires with the lease. Overrides expire and don’t not continue into perpetuity in the same form as mineral or royalty interests. ORRI are not bound to carry their portion of development or operating costs.

Royalty Interest (RI)

An interest in an oil and natural gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage.

Working Interest (WI)

Interest(s) in a mineral property. A percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit.