

**Information & Instructions:: Oil and gas lease transaction summary & formation**

# PREVIEW

1. An oil and gas transaction typically starts with a landsman who seeks to obtain the signing of an oil and gas lease by the person(s) with the executive right (the mineral owner that has the legal capacity and legal ownership to sign a mineral or oil and gas lease).
2. Next, the title work begins. Landsmen and attorneys assure themselves that title is clear and is vested with the persons from whom they have leased the property. Simultaneously, the geologic work begins and a determination is made concerning the feasibility of drilling.
3. Soon thereafter, division orders are prepared, which are designed to ascertain the correct percentage of royalty interest to be paid to the various mineral owners and royalty owners. Division orders have the effect of ratifying and approving an oil and gas lease.
4. Thereafter, production begins. Production may be accompanied by operating or joint venture contracts so that the risk of developing the area is spread among various companies rather than borne by a single individual or company.
5. Assuming that oil is found in paying quantities, the next step under an oil and gas lease is to effect the sale of oil and distribute royalty payments to the royalty and mineral owners.

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