# Mineral & Royalty Interest Types

What each interest owns, who pays, and who signs

## The mineral estate is a bundle of rights

Full mineral ownership is not one right but five, often called the bundle of sticks. Each stick can be separated and owned by a different person, and that is what makes mineral title work what it is.

| The five rights | What it is |
|---|---|
| **Right to develop** | The right to explore for and produce the minerals, with reasonable use of the surface to do it. |
| **Right to lease (executive right)** | The power to negotiate and sign an oil and gas lease. The holder is the executive, and this stick can be severed from the rest. |
| **Right to bonus** | The right to the up-front payment made when a lease is signed. |
| **Right to delay rentals** | The right to the periodic payments that keep an unproduced lease alive under a rental-form lease. |
| **Right to royalty** | The right to a share of production once the well produces. |

When an interest is called participating or non-participating, the question is whether it carries the executive, bonus, and rental sticks, or only the royalty stick.

## The interests you will see

| Interest | What it is | Leasing power | Costs | Revenue |
|---|---|---|---|---|
| **Mineral interest** | Ownership of the minerals, the full bundle unless a stick was severed | Yes, holds the executive right | None, unless it participates as working interest | Bonus, rentals, and royalty |
| **Working interest** | The operating interest created by the lease, held by the lessee or operator | Makes development decisions | Yes, pays all drilling and operating costs | Production, after royalties and costs |
| **Royalty interest** | A share of production reserved by the mineral owner in a lease | No | Cost-free, may bear post-production deductions | Royalty, for the life of the lease |

| Interest | What it is | Leasing power | Costs | Revenue |
| --- | --- | --- | --- | --- |
| **Non-participating royalty (NPRI)** | A royalty carved out of the mineral estate and owned separately | No, and no bonus or rentals | Cost-free | Royalty, whoever leases the minerals |
| **Overriding royalty (ORRI)** | A royalty carved out of the working interest, the leasehold | No | Cost-free | Royalty, for the life of that lease only |

## Mineral versus royalty, the distinction that trips people up

A mineral interest carries the executive right and shares in bonus and rentals. A royalty interest, and an NPRI, do not. The label on a deed is not the last word: courts read the granting and reservation language to decide whether an interest is mineral or royalty, and a fraction "of the minerals" behaves very differently from a fraction "of the royalty."

## Notes for title work

| Topic | Note |
| --- | --- |
| **Follow the executive right** | The power to lease can be severed from the minerals. Confirm who holds it before you take a lease, because a lease from a non-executive owner does not bind the tract. |
| **Mineral or royalty?** | Read the exact words. "One-eighth of the minerals" is a mineral interest; "one-eighth royalty" is a royalty interest. They pay out very differently. |
| **Fixed versus floating NPRI** | An NPRI can be a fixed fraction of production or a fraction of the lease royalty. Which one it is changes the math on every lease. |
| **An override ends with its lease** | An ORRI rides on a specific leasehold. When that lease terminates, the override goes with it, unlike a royalty carved from the minerals. |

> This reference is prepared for use by landmen and title professionals as a working field tool. It is not legal advice and does not substitute for the advice of qualified oil and gas counsel. The law and the exact language of each instrument control, and both turn on the facts of the chain of title. Confirm any conclusion against the instrument and the current law, and refer complex or disputed matters to a licensed attorney in the state involved.