Take-In-Kind Administration

From Election to Revenue Distribution

Erica Honeycutt, CPLTA, CDOA
President & Founder
Honeycutt Solutions

September 9-11, 2026
NADOA 2026 Institute

Erica Honeycutt

President / Founder
Honeycutt Solutions, LLC

A consulting and contract services company that is focused on providing high-quality asset management services to energy companies.

Chief Executive Officer
Lando Solutions, LLC

Software company focused on streamlined and simplified Land Administration solutions.

Over 20+ years' experience working in Land Administration

Certified Professional Lease and Title Analyst (CPLTA)

Certified Division Order Analyst (CDOA)

HONEYCUTT SOLUTIONS

Lando

HONEYCUTT SOLUTIONS

DISCLAIMER

The material provided in this presentation and any related workbooks, and any comments or information provided by the presenter are for **educational purposes only** and nothing conveyed or provided should be considered legal, accounting or tax advise. Please contact your own attorney, accountant or tax professional with any specific questions you have related to the information provided that are of legal, accounting or tax nature.

Honeycutt Solutions, LLC makes no claim, promise, or guarantee of any kind about the accuracy, completeness or adequacy of the content of this presentation/ workbook and expressly disclaims liability for errors and omissions in such content. It is understood that **each situation is fact-specific,** and the appropriate solution in any situation may vary and the materials and information provided may or may not be relevant to any particular situation.

AGENDA

HONEYCUTT SOLUTIONS

From Election to Revenue Distribution

01 TIK Fundamentals

What TIK means, who can elect, and why companies take in kind.

02 Rights & Responsibilities

Governing agreements, election requirements, and cross-functional roles.

03 From Production to Payment

Marketing, measurement, production allocation, revenue, and royalty responsibilities.

04 TIK Calculations

Production allocations, inflated decks, balancing interests, and sample workbooks.

05 Risks & Best Practices

Common challenges, owner impacts, reconciliation, and controls.

ELECTION → PRODUCTION → ALLOCATION → REVENUE → PAYMENT

TAKE-IN-KIND (TIK)

RECEIVE YOUR SHARE IN PHYSICAL PRODUCT

Take-In-Kind (TIK) is the right or election to receive your share of oil, gas, or other production in its physical form rather than having the operator sell it on your behalf and pay you the proceeds.

You take ownership of your share.

You arrange for your own marketing.

You select your purchaser and terms.

Election: Take-In-Kind or Cash Payment

The owner has the right to choose how its share of production will be received.

TAKE-IN-KIND (TIK)

Receive your share of production in kind and take responsibility for marketing, costs, and settlement.

OR

CASH PAYMENT

Receive your share of production in cash as determined under the governing agreements.

Where the TIK Rights Come From

- **Joint Operating Agreement**
- **Unit/Pooling Agreements**
- **Marketing Agreements**
- **Gas Balancing Agreements**
- **Lease**

Affirmative election: The right is not automatic; the owner must **explicitly elect TIK**, usually with notice to the operator and other parties.

Election is by product (Oil, Gas).

HONEYCUTT SOLUTIONS

Who Can Exercise TIK Elections?

Working Interest Owners

The most common parties with the right to elect Take-In-Kind (TIK).

Royalty Interest Owner

(rare)

- Free gas use provision
- Sophisticated mineral owners

TIK election rights are determined by the terms of the agreements.
Always review the specific provisions for each property and interest.

HONEYCUTT SOLUTIONS

WHY COMPANIES ELECT TIK

- Pricing opportunities
- Marketing control
- Midstream integration
- Commercial flexibility
- Contractual commitments

WHAT SHOULD YOU LOOK FOR?

- **Election rights** (all products or specific products only)
  - gas/NGL most common
- Notice requirements/provisions
- Effective dates/deadlines
- Delivery obligations
- Default provisions

Understand the rights and the requirements.
The details in the agreements drive how TIK is exercised and managed.

HONEYCUTT SOLUTIONS

CROSS-FUNCTIONAL COLLABORATION

Successful TIK management requires collaboration across the entire organization.

1 LAND

Negotiate agreements and define Take-In-Kind rights and obligations.

2 MARKETING

Manage purchasers, delivery points, marketing contracts, maintain ownership and election records, and product sales.

3 LAND ADMINISTRATION

Validate TIK rights, maintain ownership and election records, set up TIK interests, and communicate changes.

4 PRODUCTION ACCOUNTING

Allocate production volumes and support balancing and delivery reporting.

5 REVENUE ACCOUNTING

Configure revenue distribution, process settlements, and reconcile purchaser payments.

6 OWNER RELATIONS

Respond to owner inquiries and communicate election, ownership, and payment impacts.

ONE TEAM. ONE PROCESS. ONE RESULT.

Accurate measurement, proper allocations, and timely payments start with effective cross-functional collaboration.

HONEYCUTT SOLUTIONS

Logistics of Electing to TIK

If you are electing to take in kind, you will:

1. **Market & Sell:** Contract with purchaser and negotiate sales terms
2. **Take Delivery**: Establish the custody transfer point (wellhead, LACT, etc.)
1. **Measure & Verify**: Confirm measurement of your share and utilize check meters where appropriate
2. **Transport & Store**: Arrange for applicable gathering, transportation, processing, and storage
3. **Collect Revenue**: Receive settlement for your TIK production from the applicable purchaser
4. **Calculate Revenue**: Determine the appropriate revenue breakout, pricing, and deductions
5. **Address Royalty & Burdens:** Determine payment responsibility and account for royalty, ORRI, and other burdens attributable to your TIK share; calculate and distribute owner forms and royalty
6. **Handle Owner Relations**: Respond to questions regarding pricing, deductions, and payments
7. **Comply**: Address taxes and state-specific requirements, such as Oklahoma's PRSA

Image source: Edwards Automation and Design, “Lease Automatic Custody Transfer (LACT) Unit,” 2025

Taking in kind means taking responsibility, not just taking the revenue.

HONEYCUTT SOLUTIONS

TIK PRODUCTION ALLOCATION

Production is allocated to the parties based on their working interests and TIK elections.

Total Well Production: 100,000 Mcf

75% Operator Marketed – 75,000 Mcf	25% Take In Kind – 25,000 Mcf

SCENARIO

Well produces 100,000 Mcf

Owner	Working Interest	TIK Election
Operator	60%	Markets through Operator
Company B	25%	TAKES IN KIND
Company C	15%	Markets through Operator

Remember:
Production allocation determines **whose molecules** are marketed.
Revenue allocation determines **who gets paid**.

CALCULATIONS

OPERATOR MARKETS – 75,000 Mcf

(60% Operator + 15% Company C)

75% × 100,000 Mcf = 75,000 Mcf

Operator receives purchaser settlement for the 75% operator-marketed share and allocates revenue to:

- Operator
- Company C
- Associated royalty/burden owners

COMPANY B TAKES IN KIND – 25,000 Mcf

25% × 100,000 Mcf = 25,000 Mcf

Company B receives purchaser settlement for its TIK share and allocates revenue to:

- Company B
- Company B's royalty/burden owners

75,000 Mcf + 25,000 Mcf = 100,000 Mcf
All production is accounted for.

This example is simplified. Actual revenue allocation may vary based on royalty burdens, deductions, quality adjustments, contract terms, and other applicable factors.

HONEYCUTT SOLUTIONS

Production Allocations Can Change Monthly

Allocations are based on actual volumes — not static percentages.

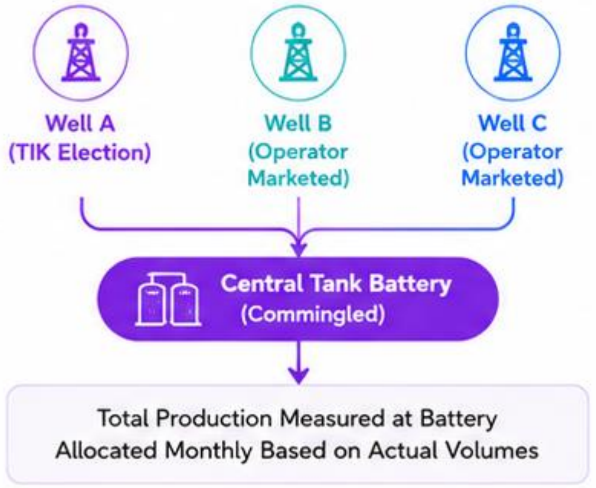
Why Allocations Change

TIK production is allocated based on actual volumes available to each party.

When production is comingled with other units or wells not involved in the TIK election, the TIK party's share can vary each month.

COMINGLED PRODUCTION EXAMPLE

Unit contains multiple wells/units.
Only one participates in TIK.



EXAMPLE: MONTHLY PRODUCTION ALLOCATIONS

Only Well A is subject to TIK. Well B and Well C are marketed by the Operator.
TIK allocations vary each month based on the actual volumes contributed by **Well A.**

Month	Well A (TIK) Mcf	Well B (Operator) Mcf	Well C (Operator) Mcf	Total Commingled Production Mcf	Well A % of Total (TIK Allocation %)	Company B Receives (TIK Volumes) Mcf
January	500	700	800	2,000	25.0%	500
February	300	900	800	2,000	15.0%	300
March	600	600	800	2,000	30.0%	600
April	400	1,000	600	2,000	20.0%	400
May	250	1,150	600	2,000	12.5%	250
TOTAL	**2,050**	**4,350**	**3,600**	**10,000**	**20.5% (avg)**	**2,050**

Key Point

Company B owns a 25% working interest, but the actual TIK production allocation changes each month based on the actuemes available to it.

Always allocate TIK based on measured volumes — not static percentages.

Best Practice

- Track well/unit contributions each month
- Verify allocations on purchaser statements
- Communicate variances and changes promptly

Production allocations are dynamic. Verify monthly. Document and communicate.

HONEYCUTT SOLUTIONS

TIK Calculations: From Normal Deck → Inflated Deck → Balancing Interest Deck

HONEYCUTT SOLUTIONS

1 NORMAL DECK – ONE WELL, ONE 100% DECK

Before the TIK election, we have one 100% revenue deck.

Owner	Working Interest	Revenue Interest	TIK Election
Operator	60.00%	45.00%	Markets through Operator
Company B	25.00%	18.75%	TAKES IN KIND
Company C	15.00%	11.25%	Markets through Operator
Lease Royalty Owners	—	20.00%	25% TIK, 75% Markets through Operator
ORRI Owners	—	5.00%	25% TIK, 75% Markets through Operator
TOTAL	100.00%	100.00%	

Company B has 25% WI, but after its share of burdens, its revenue interest is 18.75%.

2 COMPANY B ELECTS TIK

The production and revenue are split into two buckets.

75% Operator Marketed

Owner	Revenue Interest
Operator	45.00%
Company C	11.25%
Lease Royalty Owners (75%)	15.00%
ORRI Owners (75%)	3.75%
TOTAL	75.00%

100%

25% Company B TIK

Owner	Revenue Interest
Company B	18.75%
Lease Royalty Owners (25%)	5.00%
ORRI Owners (25%)	1.25%
TOTAL	25.00%

No ownership has changed. We are separating revenue by who markets the production.

3 FOLLOW THE BURDENS (TIK BUCKET)

Company B's 25% of production carries its share of the burdens.

Company B Revenue Interest	18.75%
+ Lease Royalty Owners (25% of 20%)	5.00%
+ ORRI Owners (25% of 5%)	1.25%
TOTAL TIK REVENUE BUCKET	25.00%

Company B's 25% production has 25% of the well's revenue interests associated with it.

4 INFLATE THE TIK DECK

Convert the TIK bucket to 100% of that revenue stream.

Formula: Well-Level RI + TIK Share (25%) = Inflated RI

Owner	Well-Level RI	+ 25%	TIK Deck (Inflated RI)
Company B	18.75%	+ 25%	75.00%
Lease Royalty Owners (25%)	5.00%	+ 25%	20.00%
ORRI Owners (25%)	1.25%	+ 25%	5.00%
TOTAL	25.00%		100.00%

Company B didn't suddenly own 75% of the well.
It owns 75% of the revenue attributable to its 25% TIK production stream.

5 & 6 BALANCING INTEREST DECK AND COMPARISON OF FINAL DECKS

Balancing interest represents interests tied to outside decks. With proper configuration, accounting system uses this data to represent actual ownership and inflates payments in background. Balancing interest is ignored.

75% OPERATOR DECK

Owner	Revenue Interest
Operator	45.00%
Company C	11.25%
Lease Royalty Owners (75%)	15.00%
ORRI Owners (75%)	3.75%
Balancing Interest	25.00%
TOTAL	100.00%

25% TIK DECK

Owner	Revenue Interest
Company B	18.75%
Lease Royalty Owners (25%)	5.00%
ORRI Owners (25%)	1.25%
Balancing Interest	75.00%
TOTAL	100.00%

KEY TAKEAWAY: Inflation changes the denominator. Balancing fills the remainder. Neither changes the underlying ownership.

Confusing your Royalty Owners

Multiple DO's

Several division orders across multiple interests and properties.

Multiple Checks

Separate payments for different products, interests, and parties.

Difficult to Calculate Ownership Breakout

Complex ownership structures make accurate breakdowns challenging.

Operator, TIK party, different products with different interests, inflated decks

Adds to increased owner relations calls/emails....

Does your OR team know how to explain?

What are some ways we can eliminate confusion?

Let's talk about solutions to simplify and improve our process.

HONEYCUTT SOLUTIONS

Common TIK Challenges

Ownership & Decks

- Operator + TIK ownership records
- Multiple/inflated DO decks
- Royalty & burden breakout
- Product-specific interests

Production & Measurement

- Monthly production allocations
- Multiple TIK parties
- Imbalances & adjustments
- Measurement differences

Revenue & Compliance

- Multiple purchasers/payments
- Pricing & deduction differences
- PRSA/state-specific requirements
- Royalty payment responsibility

Administration

- Election/effective-date changes
- Multiple systems & owner IDs
- Reconciliation
- Owner confusion & inquiries

HONEYCUTT SOLUTIONS

If You Remember Nothing Else...

1

TIK changes responsibility — not underlying ownership.

Marketing, payment and administrative responsibilities may shift.

2

Follow the production. Follow the burdens.

Know who markets each share and who is responsible for the associated interests.

3

The math must tell the same story.

Ownership → Production → Purchaser Settlement → Revenue

4

Communication is critical.

Land, Marketing, Production Accounting, Revenue Accounting and Owner Relations must stay aligned.

Successful TIK administration requires accurate ownership, accurate measurement, consistent calculations and strong cross-functional communication.

TIK Best Practices

Clear data. Consistent processes. Better results.

01 Capture Accurate Ownership & Elections

- Record TIK elections by well, product and effective date.
- Maintain accurate ownership in the land system.
- Validate burdens (royalty, ORRI, etc.) by working interest owner.

02 Build the Right Revenue Views

- Separate production by marketing party and product.
- Follow the burdens to each TIK production stream.
- Use effective dates to drive the correct deck.

03 Calculate with Consistency

- Apply consistent inflation logic when needed.
- Use balancing interests when not all interests are individually calculated.
- Reconcile totals – each revenue deck must equal 100%.

04 Control Changes Proactively

- Track election starts, ends and changes by effective date.
- Communicate changes across land, production, marketing and accounting.
- Review changes before they impact payments.

05 Strengthen Cross-Functional Communication

- Align Land, Production, Marketing, Accounting and Revenue teams.
- Share deck structure, purchasers and payment responsibility.
- Escalate issues early and document decisions.

06 Reconcile & Validate Regularly

- Reconcile ownership, production and revenue by well and product.
- Compare statements and volumes across all parties.
- Investigate and resolve variances promptly.

07 Ensure Reporting Transparency

- Show the deck, math and assumptions on owner statements.
- Clearly explain inflation and balancing interest usage.
- Provide contact information for questions and owner inquiries.

08 Maintain Data Integrity

- Use consistent owner IDs and property identifiers across all systems.
- Validate data interfaces and effective date logic.
- Establish data governance and quality controls.

Great TIK administration starts with clean data, strong processes and clear communication.
Do it right the first time — so owners get paid accurately and on time.

HONEYCUTT SOLUTIONS

HONEYCUTT SOLUTIONS

THANK YOU!

We appreciate your time and
look forward to connecting with you.

Erica@HoneycuttSolutions.com

(720) 790-1300

LET'S CONNECT
on LinkedIn!

Search for Erica Honeycutt on LinkedIn

Comment on post