

***HOT TOPICS IN
OIL AND GAS LAW
Natural Gas Leasing Issues***

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Key Questions for Landowners

1. Do you want any activity on the surface of your property?
2. How many acres do you own?
3. What is the current and intended use of this property?
4. What is the ownership structure?



❖ Caselaw does not address many issues.



Key Questions for Gas Companies

1. Need all acreage?
2. Non-surface?
3. Plans in area – key infrastructure needs?
4. Willing to limit access in any way?



Landowners Must Understand Fundamental Terms

- **Term of Lease**
 - *Babb*
 - *TW Phillips*
- **Activities Authorized by Lease**
 - *Belden & Blake Corp.*
 - *Felmont Oil*
- **Storage**
 - *Jacobs*



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Landowners Must Understand Fundamental Terms (cont'd)

- **Royalties and Bonus Payments**
 - *Kilmer*
 - *Ulmer*
- **Renewal**
- **Unitization**
- **Delay Rental**
 - *Hite*
- **Shut-In**
 - *Mitchell Energy*



- ❖ *Lessor seeks efficiency of production*
- ❖ *Lessee seeks flexibility*

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Understand Gas Extraction

- Well Pad Area
- Frac Pit
- Water Needs
- Waste Production
- Infrastructure
- Transportation/Traffic
- Regulatory Units
- Limited Ability to Enforce Rights



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Environmental Terms

- **Water**
 - *Volume*
 - *Quantity*
 - *Waste*
- **Noise**
- **Waste**
- **Timber and Ag Resources**
- **Hunting Interests**
- **Scenic Value**
- **Restoration of Land**



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Lease & Addendum Must Be Clear

- Language stays current with case developments
- Large secondary market in leases
- Binding parties many years into future
- All parties should be aware/understand terms and obligations/expectations
- Landman representation is not binding



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Conclusions

- Gas company/Lessee should know what rights it is purchasing without ambiguity.
- Landowner/lessor needs to understand all rights transferring and for what monetary benefit.
- In some cases the parties cannot agree.
- Ability to exercise legal rights is heavily weighted.



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