Issues to Consider Before Signing an Oil and Gas Lease

- The language below is an example of mineral lease language in a proposed lease agreement that is especially broad and not protective of private property

> below), together with the right to construct and maintain pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas (which right shall include specifically a right-of-way and easement for ingress to and egress from said lands by lessee, or its assignees, agents or permittees, necessary to or associated with the construction and maintenance of such pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures on said lands to produce, save and take care of the oil and gas), and the exclusive right to inject air; gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County of **Laramie**, State of **Wyoming** described as follows, to-wit:

- Do you want the operator constructing pipelines, telephone and electric lines, tanks, ponds, roadways, plants (what kind of plants?) equipment structures etc. etc. Carefully review documents to eliminate any language about " the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface of the stratea, and any and all other rights and privelges necessary, incident to or convenient for the economical operation so of …." That gives this company the right to have an injection well for wastes from other locations and who knows what else on your property. So this is what I mean by a very general and broad agreement that is to the benefit of the company but not the landowner.

- Carefully review the fine print to ensure it is very specific and narrow about what this lease grants the rights to do.

- Beware of language which allows the industry to deduct all their expenses for getting the gas to market. This is a bad deal if you want to get royalties and you see they have deducted all these expenses for getting the gas transported from your royalty.

- Request advance notification and approval for the transfer of any lease to someone else and consider a requirement for payment when leases are transferred.

- Many leases give industry the rights to continue holding the lease if they are drilling but not producing – maybe there should some consideration for your rights as a mineral owner here.

- Watch out for paragraphs or language that give the operator or lessee all the rights to keep this lease and hold onto it even if they are not producing. Industry may propose a shut in payment of $1.00 per year net mineral acre. That is a very low payment for holding onto a lease.

- Be aware and strike any language that grants them the "right to use, free of cost, gas, oil and water produced on said land for its operation thereon"

- Be aware of any language that gives up some rights granted to you in the split estate act and in the Wyoming oil and gas rule. Don't sign away your right to negotiate a surface use and damage agreement when you sign a mineral lease consider language like the following: " the lessee shall negotiate a separate surface use and damage agreement prior to exploring, drilling, producing or constructing any well or associated infrastructure on the aforementioned property governed by this lease."

- Beware of any right that grants the lessor the right to pay for any liens or taxes on the property and then deduct that from money they may owe you.