

# Lease Language

What do all those words mean?

---

# Outside of the Lease

- Lease Bonuses-upfront advance for signing
- Based on the number of acres and percentage you own-ie you own 50% of 100 acres-your “net mineral acres” = 50 This 50 is the number of acres they will multiply x the dollar per acre value
- Ranging from \$1,000 - \$26,000 per net mineral acre in this area.

# Primary Term

- Leased for specific number of years-unless....
- They drill and produce minerals-then...
- Until the wells are no longer producing economically
- Going time frame here-about 3 years

# Royalty

- Oil-usually % x's value-free of costs
- Gas-usually % x's market value at the wellhead. This language means they will take all costs from the wellsite to where they sell the gas
- Negotiate free of costs for gas
- Going rates-now as high as 25%, with usual about 18% of "gross proceeds"

# Land Description

- Try to make separate leases for separate sections-1 well will hold all acres or
- Clause that returns undeveloped sections to you to lease again to someone who will develop them

## Own the Minerals and the Surface?

- Lease signing is the time to do surface agreement negotiations
- Plants, compressor stations, injection wells, other equipment storage should not be part of your lease-this should be a separate negotiated contract later

# Shut-In Payments

- Look at how long they can shut in, before they must make a specified payment-say \$100 per net mineral acre-annually-every 6 months-keeps the lease in effect as long as they pay
- Should have an outside limit-like 2 years

# Liability

- Make sure the lessee or operator is liable for any damages, oil spills, clean-up, etc and not you-indemnification