
K-Notes: Oil and Gas Lease Agreement

from Anadarko

Watch for one-sided language

Oil and gas leases between private landowners and huge oil and gas development companies are extremely one sided in favor of the producer.



“The bad royalty clause is where we are in the Appalachian Basin...the landowners have not seen a dime.”

Chris White

Managing Partner,
Eques

“You’re basically saying whatever [they] need to do and deem necessary, [they] have the right to do and that’s a horrible partnership.”

KEY TAKEAWAYS

- **Expansive language is a trap**

Look out for expansive language that includes more than the landowner is expecting. Especially when it carries the terms further than whatever current oil and gas is being discussed.

- **Check the ancillary rights clause**

Often, the ancillary rights clause can give producers a blank check to do whatever they want. To protect the landowner’s rights, make sure this clause does not allow the producer to go beyond what would be considered a normal scope.

- **Make the royalties section clear**

If there is going to be a royalties system that only allows the landowner 20% of a fraction of the royalties, at the very least make that extremely clear so the landowner knows what they are getting into.

- **Draft definite terms of cancellation of lease**

To prevent the lease from continuing on and on in an abusive manner, draft language that defines clearly when and how the lease can be terminated by the landowner. This will give them more power as they partner with the producer.