



DISCLAIMER

Information provided by the City addresses general issues related to gas drilling and mineral leases and is not intended to provide advice on any specific legal matter or factual situation. This information is not intended to create and its receipt does not constitute a lawyer-client relationship. Readers should not act upon this information without seeking professional legal counsel.

The City does not lease nor provide advice about leasing private property for gas exploration and drilling. Gas companies offering leases for gas exploration and drilling for privately owned minerals, including those with the words "Grand Prairie" as part of their name or logo, are not associated with or endorsed by the City of Grand Prairie.

WHAT SHOULD I DO IF A GAS WELL COMPANY WANTS ME TO SIGN A LEASE?

Do not sign or agree to anything until you understand the terms of the lease agreement or get professional advice.

Mineral leases:

- A mineral lease is a contractual agreement between two entities, the owner of a mineral estate and another party, usually an oil and gas company.
- The lease gives the oil and gas company or individual the right to explore for and develop the minerals that might be found underneath an area described in the lease.
- When you (the lessor) sign a lease you essentially become a partner with the company (the lessee). When a company holds a lease to your mineral property, you cannot lease those mineral rights to another company until the lease term with the first company expires. When the lease terminates, all rights to the minerals revert back to the mineral owner.
- If you intend to only lease your minerals, make sure you are signing a lease, not a document that transfers ownership.

Check out the company presenting you with a lease to sign:

- You may be contacted by a landman. A landman is the company's contact person. A landman researches the deed records to determine mineral ownership, locates the owners, and negotiates the leases with mineral owners.
- Ask if the company that is leasing the land is the company that will be drilling and operating the drilling site.
- Inquire about the experience of the company in the Grand Prairie area. Ask neighbors or other mineral owners and landowners about the company, who is your potential business partner. It is important to know who you are dealing with before entering into a lease.
- Ask for and contact references of other property owners who have dealt or are currently dealing with the particular company.
- To report any complaints related to the actions of a landman, you may contact the American Association of Professional Landmen, 4200 Fossil Creek Blvd., Fort Worth, Texas 76137. The phone number is 817-847-7700.

Before you sign a lease:

- Entering into a lease agreement does not necessarily mean a gas well will be drilled on your property.
- By signing a lease, you are granting a right to others which may be viewed as an encumbrance on the property.
- All the lease terms are negotiable, except the owner's name and the legal description of the property.
- Until you understand the terms of the lease agreement or get professional advice, do not sign or agree to anything.
- Review the lease carefully and ask questions about anything in the lease you do not understand.
- A lease may be a long term commitment, so be sure the forms are in language you understand.
- Read pre-printed lease forms very carefully.

Lease Provisions to Consider:

The lease provisions listed below are not a complete list or explanation of mineral lease terms and are not intended to replace the advice of an attorney or other professional. Mineral owners who are unsure of their rights or do not fully understand the terms of the lease should seek advice from an attorney or other professional who is experienced in Texas oil and gas law before signing any documents.

The following are some, but not all, of the provisions in a typical oil and gas lease:

- **A legal description** of the area and number of acres involved
- **An effective date** of the lease agreement and the anniversary date for the lease. Lease rental payments must be paid on or before this date in order to keep the lease in force.
- **A statement of the primary term of the lease.** The term may be any period of time, but it is commonly between 1 and 10 years. Standard lease provisions may allow for the renewal of the lease or hold it in force without your permission.
- **Lease rentals.** These rentals are paid to maintain the lease during the primary term and vary from lease to lease.
- **Signing bonus.** This is a guaranteed up front payment of money that is usually paid upon the signing of the lease.
- **A royalty clause.** The royalty is the share of the oil and gas production that is reserved to the mineral rights owner. It is usually indicated as a fraction or percentage of the proceeds received from the oil or gas that is produced. Royalty may be received in-kind, which means that the lessor may take physical possession of the oil or gas. Usually; however, the oil or gas is sold to a refinery and the lessor receives payment for his or her share.
- **Payment of royalties.** Often, it is stipulated that payment must be received within 30 days of production, and each 30 days thereafter. Payment of royalties directly to the landowner by the gas purchasing company is desirable, so that there is no delay while the oil or gas company does its accounting.
- **Landowner approval before a lease can be sold** to another company. This prevents the lease from being sold to an undesirable company.
- **Landowner approval in writing of well, tank, access road, and pipeline sites.** If desired, it should be stipulated that written landowner approval must be granted before any construction or drilling occurs. The maximum width of an access road, any pipeline easements, and the size of the well drilling site should also be specified.
- **Payment of damages for property and crops destroyed by the operations.** Many leases contain an indemnification provision, which makes the operator liable for any and all damage and liability resulting from their oil and gas operations.