

Mineral Lease Items for Inclusion

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1. Mineral lease pertains to oil and gas only. (All petroleum and natural gas and related hydrocarbons except coal, lignite and uranium)
2. Primary lease: Terms
 - a. Signing Bonus: \$ _____/acre payable by cashiers check at signing.
 - b. Length: 3 years. If no paying production is established within the 3 year primary term :
 - i. A 2 year option may be included with a second bonus payment of _____/acre or
 - ii. No option for renewal. Leases must be renegotiated.
3. Royalty: _____%
 - a. Royalty payment shall be “cost free” (royalty based on the gross, the O&G Company shall bear the burden of all costs related to production (expenses related to gathering, treating and compressing of gas, marketing, transportation and all other costs to make the product salable as well as marketing costs)
 - b. Any other costs subsequent to production that are removed from the land owner’s royalty shall be reimbursed to the land owner on a quarterly basis.
 - c. Royalty payments will begin within 90 days of the commencement of production and will be received by the land owner by day 95 after commencement of production and on the monthly anniversary of the commencement of production each and every month thereafter.
 - d. Market price or value for determining the royalty shall be established on the higher of the market value at the point of sale or gross proceeds received by the lessee at the point of sale, NOT net proceeds.
 - i. If there is an affiliate sale, the royalty will be based on the higher of gross proceeds or market value at the point of sale.
 - ii. The Land Owner will receive a minimum monthly royalty of \$50.00 per acre per year
 - e. Royalty payments are to be made via cashiers check.
 - f. There needs to be a security interest provision to secure payment of royalties in the lease.
4. Payment of Royalty, Shut in, Lease Rental, and Force Majeure funds in a timely manner (30 days)
 - a. 12% Monthly interest for late payments
 - b. Termination of lease if payment is not received within 180 days or payments are 30 days or more late 4 times (cumulative).
5. In the event of a Force Majeure Clause the following terms must be provided for in the lease:
 - a. The O&G Company must provide timely written notice of any sustained work stoppage. The notice must specify whether the stoppage was pursuant to the force majeure clause or the shut in clause.
 - b. In the event of a work stoppage under the force majeure clause the O&G Company must pay the property owner 5% of the original signing bonus amount per acre per month.
 - c. Operations must resume within 180 days.

6. Lease rental payment: a lease rental payment of \$150.00 per acre per month will be paid to the land owner by the O&G Company each month of the primary term of the lease.
 - a. Upon commencement of production and receipt of royalty payments the lease rental shall cease.
 - b. Lease rental payments are subject to the timely payment provision.
7. If a well is completed and no pipeline is ready within 90 days of completion, or 90 days after the primary term of the lease is expired, the O&G company must pay the property owner shut in royalty of 10% of the original signing bonus per acre per month.
 - a. The O&G Company may hold interest with shut-in payments for a maximum of 2 years (cumulative).
 - b. If production is established during the primary term, the lease will continue into its secondary term and last so long as substances covered by the lease continue to be produced and timely payment provisions within the lease are met.
 - i. The secondary lease will terminate upon the following circumstances:
 1. Shut in payments exceed 2 years cumulatively
 2. Timely payment clause is violated.
 3. Cessation of production for 90 days.
8. Favored nation clause: The average price of all leases in our section will be taken and if the land owners in our association were paid less than the average price per acre the land owner is to receive the difference.
9. No surface rights to be included in this lease.
 - a. This mineral lease expressly excludes the right of the O&G Company or any employee, contract personnel or representative to access to the property for any purpose.
 - b. Surface rights will be negotiated separately.
10. The O&G Company (Lessee) must notify the land owner of any assignment.
 - a. The original lessee will not be released from liability for a default on any assigned portion of the lease or leased area.
 - b. Failure to notify the land owner (lessor) in writing of assignment 30 days prior to assignment will result in automatic termination of the lease.
11. Removal of any liability of warranty on the title for the land. No demand for repayment if the title is flawed.
12. The O&G Company must provide the land owner with a copy of a Title Option once they have done one. This must be requested and will only be done when of if a division order is done.
 - a. In the event of a division order is issued that is not in conformity with the statute or contradicts the lease, the land owner has the right to alter the division order to comply with the lease before executing it. If by making the division order comply with the lease, additional charges are borne by the O&G Company, the additional charges will be paid by the O&G Company in advance.
13. Removal of property owner liability to report to them any top leasing on our acreage.
14. The O&G Company will indemnify and hold harmless the land owner for any and all liability and damage that they may be responsible for. (Should a property owner be sued the O&G Company will be fully responsible including attorney fees and any hazardous waste problems.)
15. Removal of any lease language covering “any other land owned by this lessor under the sections mentioned.”

16. Land owner retains the rights from the surface of the earth to the top of the Haynesville formation. (Potential pays in this section are: Cotton Valley, The Nacatoch, The Ozan (Mecon-Buckrange), the Blossom, the Tokio, the Tuscaloosa, the Fredricksburg, the Paulxy, the Glen Rose, the Anhydrite Sand Stringer, the Hill sand, the upper Glyd formation, the Mitchell sand, the lower Gloyd, the James Lime, the Sligo (Petet Sequence of porosity)m 8-12 pay sands in the Hosston formation.)
17. Vertical Pugh Clause. The O&G Company will get all depths below the Haynesville during the primary term; the land owner will retain all deep zones below the deepest formation being produced during the primary term. After the primary term the O&G Company will only hold from 100 feet below the deepest formation zone they are producing.
18. The O&G Company will keep a log of all zones below the surface pipe to the top of the Haynesville and give the land owner a copy of the log including a porosity log. One copy for each land owner and one copy for the group. This will provide information necessary to determine if the land owner has “pay” in their held shallow zones in this section for no cost to the land owner.
19. Horizontal Pugh clause.
20. The land owner retains acreage that is not in a producing governmental unit nor being actively developed or actually drilled upon.
21. The O&G Company must set up units no larger than 640 acres unless they have asked for larger units and the Louisiana Oil and Gas Board approve their horizontal larger field rule. (It must be proven to be geologically prudent to the state at a hearing).
22. The land owner and his/her agent will be allowed reasonable access mechanisms to the books and records of the drilling and/or producing company in order to evaluate the adequacy of the royalties received and obtain further information.