

Information & Instructions:: Summary of oil and gas law

PREVIEW

1. An oil and gas lease does not resemble any other type of lease. Oil and gas leases, as distinguished from other leases, are subject to real property law because courts have held oil and gas leases constitute a conveyance of real property. The lease acts as a severance of the minerals from the real estate, whereas contract law is applicable to commercial leases and contracts.
2. The effect of an oil and gas lease is to give the lessee a real property ownership interest in the oil and gas along with the right to explore and develop the minerals as long as the lease continues. The lease generally continues indefinitely if gas or oil is discovered and continues to be produced in paying quantities. Paying quantities means the producer can sell the oil or gas for a profit over and above the cost to operate the well.
3. Oil and gas law is derived not from statutes or common law, but from court decisions. A huge body of case law has arisen, and due to its size and complexity, oil and gas law has become a specialty.
4. Furthermore, each state has its own oil and gas law. Therefore, no uniform law exists among the states such as the Uniform Commercial Code (UCC).

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