

**Information & Instructions:** Oil and gas lease

# **PREVIEW**

1. The following oil and gas lease is designed to protect the landowner and is equally fair to the producer. It contains the clauses referred to in the above explanatory sections.

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Form: Oil and Gas Lease

# PREVIEW

## OIL AND GAS LEASE

State of Texas

County of \_\_\_\_\_

This agreement is made and entered on \_\_\_\_\_, by and between \_\_\_\_\_ [name], "Lessor", whose address is \_\_\_\_\_, and [name], "Lessee", whose address is \_\_\_\_\_. Lessor and Lessee hereby agree as follows:

1. Lessor, in consideration of Ten and No/100 Dollars (\$ 10.00) and other good and valuable consideration the receipt of which is hereby acknowledged, and of their royalties and other agreements herein provided, hereby grants, leases, and lets exclusively to Lessee, for the sole and only purpose of prospecting and drilling for and producing oil and gas only and, if reasonably necessary for and used solely in connection with production from the lands covered by this lease, of laying pipelines and building tanks on said lands to produce, and transport said oil and gas, on all of the following described land, herein called the "leased premises", situated in [County, Texas]: [insert legal description]. Lessor hereby expressly reserves to [himself or herself] any and all other minerals including but not limited to coal, lignite, oil shale, uranium and any other surface minerals.

2. Subject to the other provisions contained herein, this lease shall remain in force for a term of one year from this date, said term being herein called the "primary term", and so long thereafter as oil or gas or either of them is produced from the leased premises by Lessee in paying quantities.

3. After the termination of the primary term, each producing well Lessee has on the leased premises will continue to be governed by this lease, but only as to the area then assigned as a proration unit to such well by the Railroad Commission of Texas or other governmental regulatory agency. In the absence of such an assigned proration unit, such area shall be forty (40) acres.

4. The portion of the leased premises that continues to be governed by this lease after the primary term shall be in the form of a square or rectangle, with no one side being more than twice the length of another side, with the sides parallel to the sides of the leased premises, with one side coinciding with one side of the leased premises if possible and with the well thereon being located at or near the center of such area.

5. If oil or gas is not being produced from the leased premises at the expiration of the primary term of this lease, but Lessee is then engaged in actual drilling of a well or wells for oil or gas, then this lease shall continue in force so long as drilling operations on such well or wells are being continuously prosecuted by Lessee.

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a. Drilling operations shall be considered to be continuously prosecuted if there is no cessation of actual drilling operations for more than sixty (60) days.

b. If oil or gas shall be discovered and produced from any such well or wells being drilled at the expiration of the primary term of this lease, then this lease shall continue in force so long thereafter as oil or gas is produced from the leased premises by Lessee in paying quantities, limited as to the acreage and time as herein provided.

6. It is hereby agreed that in the event that oil or gas is being produced or obtained from the leased premises after the expiration of the primary term, and such production shall for any reason cease or terminate, Lessee shall have the right at any time within sixty (60) days from the cessation of such production to resume drilling or reworking operations in the effort to make the leased premises again produce oil or gas, in which event this lease shall remain in force so long as such operations are continuously prosecuted and, if they result in production of oil or gas in paying quantities so long thereafter as oil or gas is produced from the leased premises by Lessee, limited as to time and acreage as herein provided. Drilling or reworking operations shall be considered to be continuously prosecuted if there is no cessation of actual drilling or reworking operations for more than sixty (60) days.

7. Lessee covenants and agrees:

a. To pay Lessor, as royalty from oil, [royalty percentage, i.e., one-eighth] of the market value, at the well, of all oil produced and saved from the leased premises.

b. If Lessor so elects, Lessee shall deliver Lessor's stated portion of such oil, free of cost, to Lessor in kind at the wellhead or to the credit of Lessor in the pipeline to which Lessee may connect the wells.

c. To pay Lessor, as royalty from gas, including casinghead gas or other gaseous substances produced and saved from the leased premises or sold or used off the leased premises or in the manufacture of gasoline or other products therefrom, [e.g., one-fifth] of the market value at the well of such gas, provided that on gas sold at the wells pursuant to any contract ratified in writing by Lessor prior to the effective date thereof, the royalty shall be [e.g., one-sixth] of the amount realized from such sale.

d. If Lessor so elects, Lessee shall deliver Lessor's stated portion of such gas, free of cost, to Lessor in kind at the wellhead or to Lessor's credit in the pipeline to which Lessee may connect the wells.

e. If gas from a well producing gas only is not sold, Lessee may pay Lessor, or to Lessor's credit at the Bank of \_\_\_\_\_, a royalty in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) per year, and upon such payment being made, it will be considered that gas is being produced in paying quantities from such well. However, the right of Lessee to make such shut-in gas payments and have it be considered that gas is being produced from such well shall not extend beyond \_\_\_\_\_ years after the termination of the primary term. Any production

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well designated by the Texas Railroad Commission as a gas well may be considered to be producing gas only for the purposes of this subparagraph.

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8. Lessor may have gas free of charge from any gas well on the leased premises for all stoves and inside lights in any houses now on Lessor's land. Lessor shall make his own connections with the well, and Lessor's use of such gas shall be at Lessor's risk and expense at all times.

9. If Lessor owns an interest in the mineral estate in and to the leased premises less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately.

10. Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes, or other liens or interests and other charge on the leased premises in the event of default of payment by Lessor, to be subrogated to the rights of the holder thereof, and to deduct amounts so paid from rentals or other payments due or which may become due under this lease.

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11. This lease is made and accepted without any warranty or covenant of title of any kind whatsoever, express or implied.

12. If Lessor owns no interest in the mineral estate in and to any portion of the leased premises, then this lease shall not apply to or include such portion, and such portion shall not be considered as part of the leased premises for any purpose whatsoever. In no event shall any lands not owned by Lessor be considered to be pooled or unitized with the lands hereby leased.

13. Lessee shall have ingress and egress to and from the leased premises across any land now or hereafter owned by Lessor solely to the extent necessary to the operation of this lease. However, such ingress and egress shall be along such routes as Lessor in his sole discretion shall from time to time designate, whether such routes are along existing roads or over areas where Lessee must build new roads.

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a. Lessee shall repair and maintain, including gravel packing with caliche as needed, all roads traveled in connection with this lease in a manner sufficient to insure that such roads are easily passable at all times and in such manner that such roads do not erode.

b. No roads may be bladed below the level of the surface of the immediately surrounding terrain. New roads shall not exceed [fifteen (15)] feet in width.

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14. Lessee will not damages any of Lessor's fences, gates, or cattle guards.

a. At any location where Lessee must open Lessor's fence, whether such fence is presently existing or built in the future, Lessee shall install and maintain both a substantial gate and a substantial cattle guard capable of restraining livestock and shall secure both sides of such opening by "H" braces constructed of pipe at least four (4) inches in diameter.

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b. Such cattle guards and gates shall be installed immediately after production from the leased premises is commenced and normal ingress and egress routes are established.

c. All such gates, cattle guards, and braces shall be left in place and become the property of Lessor upon the termination of this lease or portion thereof containing the same.

d. All gates will be kept closed at all times.

e. Lessee shall promptly fence all wells, tank batteries, other equipment placed on the leased premises, slush pits, and other areas used by Lessee which may be dangerous or harmful to livestock.

f. All fences erected under this provision shall be sufficient to restrain and prevent damage to livestock, and Lessee shall maintain such fences in said condition.

15. Upon the termination of any operations hereunder, Lessee shall promptly fill and level all slush pits, haul away all debris, and restore the leased premises, as nearly as possible, to the condition at the start of this lease, including, without limitation, replacing topsoil on well and tank battery locations.

16. Unless Lessor otherwise consents in writing, all pipelines installed by Lessee shall be placed parallel to and within twenty (20) feet of roads used by Lessee. At all roads and other places designated by Lessor, Lessee shall bury pipelines below plow depth.

17. All tank batteries shall, to the maximum extent feasible with Lessee's operations hereunder, be grouped together so as to prevent unnecessary travel over the leased premises. Lessee shall construct adequate fire and spillage walls or dams around such tanks.

18. No well shall be drilled or tank battery placed nearer than [five hundred (500)] feet of any house, barn, corral, pond, water tank, or water well or spring now on the leased premises without the prior written consent of Lessor. Lessee shall make every reasonable effort to insure that wells and other equipment placed on the leased premises are as quiet as possible.

19. Lessee agrees that no collecting facilities other than tank batteries and the necessary flow lines shall be erected on the leased premises, that no refining process, equipment, or processing plants or any kind shall be erected or stored thereon, and that no housing structures or warehouse facilities or pipe yards or equipment yards shall be erected on the leased premises, it being the parties' intention that only necessary production, gathering, and delivery facilities shall be erected on the leased premises.

20. Lessee shall use best efforts to insure that any electric poles that Lessee shall cause to be erected in connection with this lease shall be placed along such routes as Lessor shall designate and shall be removed as soon as Lessee's use thereof has ceased.

21. There shall be no firing, discharging or bearing of firearms on the leased premises by Lessee or Lessee's assigns, agents, employees, or contractors.

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22. All slush pits or other pits into which deleterious substances are temporarily placed shall be constructed and sealed in a manner so that such substances cannot escape through or over such pits.

23. Except as otherwise provided herein, Lessee shall have the right at any time during or within [e.g., six (6)] months after the termination of this lease or any portion thereof to remove all machinery and fixtures placed on the leased premises or portion thereof containing such machinery and fixtures, including the right to draw and remove casing, except casing on water wells. Any casing, pipe, or other equipment not removed within [e.g., six (6)] months of the termination of this lease or portion thereof containing such equipment will become the property of Lessor.

24. It is agreed that if any salt water develop in any well or operations of Lessee hereunder, such salt water shall be reinjected into the ground on a manner satisfactory to the Railroad Commission's regulations and so as not to contaminate fresh water formations under the leased premises, or the same shall be removed from the leased premises. Salt or other wastewater produced from any location not within the boundaries of the leased premises shall not be disposed of at any location within those boundaries without the prior written consent of Lessor.

a. Lessee will not have the use of water from Lessor's wells and tanks, and any use of fresh water from Lessor's lands shall be limited to drilling operations, and this only upon Lessor's written consent.

b. Any such water for drilling operations shall be purchased from Lessor, provided Lessor determines that there is sufficient water for that purpose after satisfying all livestock requirements.

c. No fresh or potable water may be used for secondary, tertiary, or other recovery purposes.

d. If Lessee drills any fresh water wells, such wells will be cased and all casing will be left in place and become the property of Lessor after Lessee's use of the same has terminated.

25. Lessee will engage in no drilling operations on the leased premises unless Lessee shall have given Lessor at least thirty (30) days written notice of such proposed drilling and the proposed location.

26. Lessee shall pay Lessor for all damage caused by operations hereunder to lands, crops, grasses, roads, or any other real or personal property of Lessor.

a. For this purpose, grass or grassland will be construed as a growing crop.

b. The term "operations hereunder" as used herein shall include, but is not limited to, all well location, and production, reinjection, operations and exploration of the leased premises.

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27. As agreed damages, but **PREVIEW** without in any way limiting the generality of the foregoing, Lessee shall pay to Lessor in advance the following minimum amounts, which minimum amounts shall be increased at the rate of five percent (5%) per year:

a. \_\_\_\_\_ per well location;

b. \_\_\_\_\_ per tank battery location;

c. \_\_\_\_\_ per rod for all new roads;

d. \_\_\_\_\_ per well per year for use of roads for ingress and egress, whether such roads are new or existing; this obligation shall be in addition to and not in lieu of Lessee's obligations elsewhere herein or defined concerning maintenance of roads;

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e. two (2) times the market value of all Lessor's livestock killed or injured by operations hereunder, without yearly increase as set forth above, it being understood that Lessor's real economic loss resulting from livestock so killed or injured is greater than the market value of such livestock;

f. \_\_\_\_\_ per road for each pipeline.

28. Lessee's obligations relative to damages accruing under the terms of this lease will extend to acts by, and will be binding upon, Lessee's employees, agents, assigns, sublessees, and independent contractors.

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29. Any abstracts of title that Lessee shall order or purchase for use in connection with this lease shall become the property of Lessor as soon as the same have served the purposes for which ordered or purchased by Lessee or as soon as division order title work is completed, whichever occurs first. Prior to such time, Lessor upon proper receipt may borrow such abstracts of title if not inconvenient to Lessee; after such time, Lessee upon proper receipt may borrow such abstracts of title if not inconvenient to Lessor.

30. Lessor shall have access to all prospecting, drilling, and production information concerning the leased premises. Upon Lessor's request, Lessee shall furnish to Lessor, without cost, one copy of all such logs, test reports, data, and information made or obtained in connection with Lessee's prospecting, drilling, and production on the leased premises.

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31. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules, or regulations, and this lease shall not be terminated, in whole or in part, nor shall Lessee be held liable in damages for failure to comply herewith, if compliance is prevented by, or if such failure is the result of, any law, order, rule, or regulation, and if from such cause Lessee is prevented from conducting drilling or reworking operations on or producing oil or gas from the leased premises.

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a. The time while Lessee is so prevented shall not be counted against Lessee, and this lease shall be extended for a length of time equal to that during which Lessee is so prevented from conducting drilling or reworking operations on or producing oil or gas from such leased premises, notwithstanding any other provision hereof.

b. Provided, however, circumstances covered by this paragraph may not extend the life of this lease longer than five (5) cumulative years.

32. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, before production has been secured or after production has been secured, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract.

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Lessee shall then have thirty (30) days after the giving of such notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor.

b. The giving of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after the giving of such notice to Lessee.

c. Neither the giving of such notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder.

33. If, after the expiration of thirty (30) days as set forth above, Lessee still has not fulfilled any of its obligations hereunder regarding curative operations, then Lessor shall have the right, but not the obligation, to perform or cause to be performed such obligations, and upon Lessor's delivery to Lessee of a statement of the actual cost of such performance, Lessee shall be indebted to Lessor in an amount equal to the actual cost of such performance plus [\$ 500.00], such indebtedness to be immediately payable. The remedies afforded Lessor under this subparagraph shall be cumulative and not exclusive of any other remedies Lessor may have hereunder or by law.

34. The estate of either party hereto is expressly assignable in whole or in part, and this lease and all rights, obligations, and covenants of lessor and Lessee hereunder shall inure to the benefit of and be binding upon the heirs, successors, executors, personal representatives, and assigns of Lessor and Lessee.

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35. No change in the ownership of the leased premises or assignment of rentals or royalties shall be binding on Lessee until after Lessee has been furnished with a written transfer or assignment or a certified copy thereof. No change in the ownership of the leasehold estate created by this lease shall be binding on Lessor until after Lessor has been furnished with a written transfer or assignment or a certified copy thereof.

36. The acceptance of any assignment or the transfer of any interest in the leasehold state created by this lease shall constitute the assumption by such assignee or transferee of all or

Lessee's duties and obligations hereunder insofar as that portion of the leased premises covered by such assignment or transfer. However, any such assignment or transfer shall not relieve Lessee of any duties or obligations hereunder except as expressly stated herein.

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37. If this lease shall be assigned as to any portion of the leased premises and the assignee or assignees of such portion shall fail or make default in the payment of the proportionate part of the rents due from [him or her or them], such default shall not operate to defeat or affect this lease insofar as it covers a portion of the leased premises upon which Lessee or any assignees thereof shall make due payment of said rentals.

38. Upon the termination of this lease as to any portion of the leased premises, Lessee shall promptly furnish Lessor a written release thereof duly executed and acknowledged by Lessee and all assignees and transferees of Lessee's interest therein.

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39. Whenever Lessor under the terms hereof has the right to make a request, election, designation, notification, consent, or to take other similar action, Lessor's failure to exercise such right shall not constitute a waiver of such right, and Lessor's exercise of such right at any given time shall not bar Lessor's subsequent exercise of the same right. The failure of Lessor to enforce any then due obligations of Lessee hereunder shall not bar enforcement of any subsequently occurring obligation of Lessee.

40. All obligations hereunder of Lessee to pay any sums of money to Lessor shall be performable in [County, Texas], and all other obligations hereunder of Lessee shall be performable in the county in which the leased premises are located.

41. This lease may be modified only by a separate written instrument duly executed and acknowledged by both Lessor and Lessee. Further, no provision of any division or transfer order or other similar instrument executed by Lessor shall operate to ratify any oil and/or gas lease, pooling or unitization agreement, or sales purchase contract covering the leased premises or production therefrom or to vary or contradict the terms of or diminish the rights of Lessor under this lease.

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42. All notices permitted or required to be given hereunder or by law shall be in writing and shall be made to the addresses hereinabove set forth until Lessor or Lessee notifies the other in writing of any change in address. Such notices shall be considered given upon the deposit of the same with the United States Postal Service, certified, return receipt requested, and with post paid and properly addressed.

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Signed on \_\_\_\_\_.

\_\_\_\_\_  
LESSOR

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# PREVIEW

State of Texas  
County of \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_ by

\_\_\_\_\_.

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\_\_\_\_\_  
Signature of officer

\_\_\_\_\_  
Notary's typed or printed name

My commission expires:

\_\_\_\_\_

[or Notary's Stamp]

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