

# MINERAL RIGHTS LEASE

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This Mineral Rights Lease (this "**Lease**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[LESSOR LEGAL NAME], an individual residing at / a [STATE] [ENTITY TYPE] with an address at [LESSOR ADDRESS], who owns or controls the mineral estate described below ("**Lessor**"); and

[LESSEE LEGAL NAME], a [STATE] [ENTITY TYPE, e.g. limited liability company] with its principal place of business at [LESSEE ADDRESS] ("**Lessee**").

Lessor and Lessee are each a "**Party**" and together the "**Parties**."

**Recitals.** Lessor owns or controls an interest in the oil, gas, and/or other minerals in, on, and under the land described in this Lease, and wishes to lease the right to explore for, develop, and produce those minerals. Lessee wishes to acquire that right and to pay Lessor the bonus, rentals, and royalties described below. This Lease grants development rights only and does not convey fee ownership of the surface or of the mineral estate. In consideration of the mutual promises below and the sums paid, the Parties agree as follows.

## 1. Grant, Leased Premises, and Substances

1.1 **Grant.** Lessor leases exclusively to Lessee, for the purposes stated in this Lease, the [OIL AND GAS / SPECIFIED MINERALS] in and under the land described in Section 1.2 (the "**Leased Premises**"), together with the rights of ingress, egress, exploration, drilling, mining, and operating reasonably necessary to develop and produce the Leased Substances, subject to the surface-use limits in Section 6.

1.2 **Description of Leased Premises.** The Leased Premises consist of the lands located in [COUNTY, STATE], more particularly described as: [LEGAL DESCRIPTION — metes and bounds, lot/block, or governmental survey section/township/range], containing approximately [NUMBER] acres, more or less (the "**Land**"). The recorded instrument or plat reference is [BOOK/PAGE OR INSTRUMENT NUMBER].

1.3 **Leased Substances.** "**Leased Substances**" means [OIL, GAS, CASINGHEAD GAS, AND ASSOCIATED HYDROCARBONS / THE SPECIFIED MINERALS LISTED HERE] and excludes [e.g. coal, lignite, sand, gravel, water, or other minerals expressly reserved by Lessor].

1.4 **Mineral interest covered.** This Lease covers Lessor's interest whether or not correctly described, and covers any reversionary or after-acquired interest in the Land. If Lessor owns less than the full mineral estate, royalties and rentals will be paid in the proportion that Lessor's interest bears to the whole, as addressed in Section 9.4.

## 2. Term

2.1 **Primary term.** This Lease is for a primary term of [NUMBER] years from the Effective Date (the "**Primary Term**").

**2.2 Secondary term — habendum.** This Lease continues beyond the Primary Term for so long thereafter as Leased Substances are produced in paying quantities from the Leased Premises or from lands pooled or unitized with it, or for so long as operations are continuously conducted under Section 2.3 or 2.4 (the "**Secondary Term**").

**2.3 Continuous operations.** If, at or after the end of the Primary Term, Lessee is engaged in drilling, reworking, or other operations, this Lease remains in force so long as no more than **[NUMBER, e.g. 90]** consecutive days elapse between the completion or abandonment of one well or operation and the commencement of the next.

**2.4 Shut-in royalty.** If a well capable of producing Leased Substances in paying quantities is shut in and no royalty is otherwise payable, Lessee may maintain this Lease by paying or tendering a shut-in royalty of **[\$ AMOUNT]** per well per year, payable within **[NUMBER]** days after shut-in and annually thereafter, for a maximum of **[NUMBER]** consecutive years.

### 3. Bonus, Delay Rental, and Royalties

**3.1 Lease bonus.** Lessee will pay Lessor a one-time bonus of **[\$ AMOUNT]** upon execution of this Lease, receipt of which is acknowledged subject to clearance of payment.

**3.2 Delay rental.** **[OPTION A — PAID-UP LEASE: This is a paid-up lease and no delay rentals are due during the Primary Term.] [OPTION B: If operations are not commenced within twelve months of the Effective Date, this Lease terminates unless Lessee pays a delay rental of [\$ AMOUNT] on or before each anniversary to defer the commencement of operations for an additional twelve months.]**

**3.3 Royalty on oil and liquids.** Lessee will pay Lessor a royalty of **[FRACTION, e.g. 1/8, 3/16, or 1/5]** of the gross proceeds (or, at Lessee's election where permitted, market value at the wellhead) of all oil and liquid hydrocarbons produced and saved from the Leased Premises.

**3.4 Royalty on gas.** Lessee will pay Lessor a royalty of **[FRACTION]** of the gross proceeds received by Lessee from the sale of gas produced and sold from the Leased Premises.

**3.5 Deductions.** **[Specify whether royalties are "cost-free" / paid on gross proceeds, or net of post-production costs such as gathering, compression, processing, and transportation. This term materially affects Lessor's payments and should be negotiated with counsel.]**

**3.6 Payment timing and interest.** Royalties accrue from first sale and are due within **[NUMBER, e.g. 60]** days after the end of the month of production. Royalties not paid when due accrue interest at the lesser of **[RATE]** or the maximum rate permitted by applicable law.

**3.7 Division orders and audit.** Lessee may require a division order confirming ownership before payment. Lessor may, on reasonable notice and no more than once per year, audit Lessee's records relevant to royalty calculations for the prior **[NUMBER]** years.

### 4. Pooling and Unitization

**4.1 Right to pool.** Lessee may pool or combine the Leased Premises, or any part or horizon, with other lands to form a drilling or production unit not exceeding **[NUMBER]** acres for an oil well or **[NUMBER]** acres for a gas well, plus a tolerance of **[PERCENT]%**, or such larger unit as permitted or required by the applicable regulatory authority or field rules.

**4.2 Allocation.** Production from a pooled unit is treated as production from the Leased Premises, and Lessor's royalty is based on the proportion that the acreage of the Leased Premises placed in the unit bears to the total unit acreage.

**4.3 Unit designation.** Pooling is effective when Lessee records a written declaration of pooling describing the unit. Lessee may revise units to conform to spacing or allocation orders.

## 5. Operations, Diligence, and Plugging

**5.1 Standard of operations.** Lessee will conduct all operations in a good and workmanlike manner, in compliance with applicable laws, regulations, and field rules, and using equipment and practices consistent with prudent industry standards.

**5.2 Permits and compliance.** Lessee is responsible for obtaining all permits, bonds, and approvals required for its operations and for compliance with environmental, conservation, and safety requirements applicable to the operations.

**5.3 Plugging and abandonment.** Upon ceasing to produce, Lessee will plug and abandon wells and reclaim disturbed areas in accordance with applicable regulatory requirements at Lessee's sole cost.

**5.4 Liens and indemnity for operations.** Lessee will keep the Leased Premises free of liens arising from its operations and will indemnify Lessor against claims, damages, and liabilities arising from Lessee's operations, except to the extent caused by Lessor.

## 6. Surface Use and Damages

**6.1 Reasonable surface use.** Lessee's use of the surface is limited to that reasonably necessary for operations. Where Lessor owns the surface, Lessee will consult with Lessor on the location of wells, roads, pipelines, and facilities to minimize interference.

**6.2 Setbacks.** No well, tank, or surface facility will be located within [NUMBER] feet of any residence, barn, or water well existing on the Effective Date without Lessor's written consent, except where a regulatory order requires otherwise.

**6.3 Surface damages.** Lessee will pay Lessor for actual damages to growing crops, timber, livestock, fences, improvements, and the surface caused by Lessee's operations, as agreed or, failing agreement, as determined under Section 11.

**6.4 Water and roads.** Lessee will not use Lessor's fresh water without consent, will gate and maintain access roads it uses, and will restore the surface as nearly as practicable to its prior condition on completion or abandonment.

## 7. Title, Taxes, and Mortgages

**7.1 Title warranty.** [Specify whether Lessor leases with a special/limited warranty, a general warranty, or "without warranty." This materially affects Lessor's exposure.] Lessee may, at its option, pay or discharge any tax, mortgage, or lien on the Leased Premises and be subrogated to it, and may apply royalties otherwise owed toward reimbursement.

**7.2 Taxes.** Lessor will pay ad valorem taxes on the Land and the mineral estate. Lessee will pay taxes on its leasehold, equipment, and production (including severance or production taxes) as required by law.

**7.3 Proportionate reduction.** If Lessor owns an interest in the Leased Substances less than the entire fee, royalties and any rentals payable to Lessor are reduced proportionately, as provided in Section 9.4.

## 8. Assignment

**8.1 Assignment by Lessee.** Lessee may assign this Lease in whole or in part. No change in ownership binds Lessee for payment purposes until Lessee receives written notice and copies of the recorded instruments evidencing the transfer.

**8.2 Assignment by Lessor.** A change in ownership of the Leased Premises or of royalties does not enlarge Lessee's obligations or diminish its rights. Lessee may withhold payment to a successor until it receives satisfactory evidence of title.

**8.3 Division of leasehold.** If the leasehold is divided among assignees, a default by one assignee does not affect the rights of others, and rentals or shut-in payments may be apportioned among the divided tracts.

## 9. Force Majeure, Default, and Proportionate Reduction

**9.1 Force majeure.** If Lessee is prevented from conducting operations or producing by force majeure — including acts of God, war, regulatory orders, inability to obtain permits or equipment, or other causes beyond Lessee's reasonable control — the affected obligations are suspended and the Lease term is extended for the period of suspension, plus **[NUMBER]** days.

**9.2 Notice and cure.** This Lease may not be terminated for breach until Lessor gives Lessee written notice describing the breach and Lessee fails to commence to cure within **[NUMBER, e.g. 60]** days. Where the breach concerns conduct of operations, this Lease will not terminate as to producing portions.

**9.3 Release of unused acreage.** On request after the Primary Term, Lessee will release of record any portion of the Leased Premises not held by production, pooling, or continuous operations.

**9.4 Proportionate reduction.** All payments to Lessor are subject to proportionate reduction so that Lessor receives payment only on the mineral interest Lessor actually owns in the Leased Premises.

## 10. Representations and Warranties

**10.1 By Lessor.** Lessor represents that, to Lessor's knowledge, Lessor owns or controls the mineral interest leased, has authority to enter this Lease, and has not granted a conflicting lease that remains in effect on the Effective Date.

**10.2 By Lessee.** Lessee represents that it has the authority, financial capacity, and licensing necessary to perform, and that it will maintain insurance and regulatory bonds as required for its operations.

**10.3 No other promises.** Neither Party relies on any representation not stated in this Lease.

## 11. General Provisions

**11.1 Governing law and venue.** This Lease is governed by the laws of the State of **[STATE]**, without regard to its conflict-of-laws rules, and disputes are subject to the exclusive jurisdiction of the state and federal courts located in **[COUNTY, STATE]**.

**11.2 Dispute resolution.** Before filing suit, the Parties will attempt in good faith to resolve any dispute through direct discussion within **[NUMBER]** days of written notice. Disputes over the amount of surface damages may, at either Party's election, be submitted to **[APPRAISAL / MEDIATION / ARBITRATION — discuss with counsel]**.

**11.3 Notices.** Notices must be in writing and sent to the addresses above (or as updated in writing) and are effective on receipt or on the date of attempted delivery if refused.

**11.4 Recording.** Either Party may record this Lease or a memorandum of it. The Parties will execute a memorandum suitable for recording on request.

11.5 **Entire agreement; amendment.** This Lease is the entire agreement between the Parties on its subject and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

11.6 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

11.7 **Binding effect.** This Lease binds and benefits the Parties and their respective heirs, successors, and permitted assigns.

11.8 **Counterparts and electronic signature.** This Lease may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement. The Parties will execute an acknowledgment before a notary if required for recording.

**IN WITNESS WHEREOF**, the Parties have executed this Lease as of the Effective Date.

**LESSOR**

**LESSEE**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: **[NAME]**

Printed name: **[NAME]**

Title: **[TITLE / N/A]**

Title: **[TITLE]**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Acknowledgment (for recording, if required).** State of **[STATE]**, County of **[COUNTY]**. This instrument was acknowledged before me on **[DATE]** by **[NAME(S)]**. Notary Public: \_\_\_\_\_ My commission expires: **[DATE]**.

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