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OIL AND GAS LEASING

Leasing of minerals occurs in different ways, depending on whether the minerals are owned by private citizens, or federal or state governments. In both situations, the owner of the minerals may be different than the owner of the lands that lie above the minerals. This situation is known as "split estate," i.e., the mineral and surface estates are owned by different parties.

- [leasing of publicly owned minerals](#)
- [federal lease maps and information](#)
- [leasing of privately owned minerals](#)

Leasing Public Minerals for Oil and Gas Development

Landowner Notification

The direct notification of individuals who own or lease land located above publicly owned minerals typically does not happen when the leasing of state or federal minerals occurs. Consequently, often surface owners do not realize that the mineral rights have been leased to a company that may use their land to access and produce the oil and gas underneath their property.

Some states do have processes for posting notices about lease sales on state lands. For example, the state agency in Montana will post notices on its web site, in local newspapers and they will send information about leases to a mailing list.³⁹⁵

The Interstate Oil and Gas Compact Commission has produced a table that summarizes [state oil and gas leasing information](#), including how the state agencies notify the public about lease sales. This table is available at:

Federal Lease Sale Information and Maps

[Earthjustice](#) has taken BLM data and produced user-friendly maps of current BLM lease sales. OGAP has posted these maps on our [oil and gas leasing maps](#) page.

The BLM posts federal lease sale information and more general maps on various web sites:

- [Colorado BLM site.](#)
- [Montana, North and South Dakota BLM site.](#)
- [New Mexico, Oklahoma, Kansas, Texas BLM site.](#)
- [Utah BLM site.](#)
- [Wyoming BLM site.](#)

Leasing Private Minerals for Oil and Gas Development

When minerals are owned by a private citizen or entity, oil and gas companies must lease the minerals prior to drilling for oil and gas.

A mineral lease is a contractual agreement between the owner of a mineral estate (known as the lessor), and another party such as an oil and gas company (the lessee). The lease gives an oil or gas company the right to explore for and develop the oil and gas deposits in the area described in the lease.

When you (the lessor) sign a lease you essentially become a partner with that 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.

As with any partnership, open communication is necessary to maintain a successful relationship. A lease may be something that you may have to live with for many years - perhaps the rest of your life. Consequently, it is in your best interest to maintain a business-like relationship.

- Get everything in writing, and keep the lease in a safe, but easily accessible place. In the event the lease is lost, you should be able to obtain a copy of the lease from the county recorder's office.
- Do your research. Ask neighbors, government agency staff or other mineral owners and landowners about the company, your potential business partner. It is important to know who you are dealing with before entering into a lease.

COMMUNITY VOICES

Custer National Forest, MT

"Rancher Not Informed about Mineral Leasing" is Jeanie Alderson's story about what it means when the federal government owns the minerals below private land - mainly, that surface owners have little or no input into the leasing process or decisions that will greatly affect their lives and livelihoods.



For more information and tips on leasing your minerals, download or order [Chapter 3](#) of OGAP's landowners guide to oil and gas. Also, see the "For More Information" section below, for links to various groups that provide information on mineral leasing and royalty issues.

FOR MORE INFORMATION

Leasing of Public Minerals

- Information on the **federal leasing process** can be found at the Bureau of Land Management (BLM) [Colorado web site](#). Regulations that govern the BLM's oil and gas leasing program may be found in [Title 43](#), Parts 3000 and 3100 of the *Code of Federal Regulations*. General regulations pertaining to oil and gas development on federal lands are found in [Part 3160](#).
- Environmental Working Group. [Who Owns the West? Oil and Gas Leases web site](#). This site contains an investigative report on the leasing of federal minerals; interactive maps; state reports; and information on where the leasing has occurred and who owns the leases.
- [Links to other organizations](#) that are working to protect public lands from the effects of oil and gas development.
- [Preserving Our Public Lands: A citizen's guide to understanding and participating in oil and gas decisions affecting our public lands](#). A valuable resource citizens wanting to affect the way oil and gas development occurs on public lands.

Leasing of Private Minerals

- [The Real Estate Center at Texas A&M University](#) has information for mineral owners and surface owners. Topics include: Negotiating Leases; Scrutinizing Royalty Payments; Recovery of Surface Damages and Remediation Costs; Subdivision Drill Sites, and more.
- [The National Association of Royalty Owners](#) is geared toward mineral owners. They have free brochures, and paid publications on mineral deeds, leasing, How to Survive Force Pooling, and other topics.
- [Michigan Land Use Institute](#) has produced a Leasing Packet for Michigan Property Owners, which includes educational information, tips on negotiating a lease, and model language for a lease addendum. The leasing packet is free to Institute members, and is \$15 for non-members. Phone: 231-882-4723
- The Ohio Department of Natural Resources has produced a brochure entitled [Landowners Guide on Oil and Gas Leasing](#).
- The Pennsylvania Department of Environmental Protection has produced a fact sheet called [Landowners and Oil and Gas Leases in Pennsylvania](#).
- [A Landowner's Guide to Oil and Gas Leasing](#) is a brochure produced by the New York State Department of Environmental Conservation, Division of Mineral Resources.
- Purdue University Agricultural Economics Department has produced a guide called [Negotiating Oil and Gas Leases on Indiana Farmland](#).
- [Land and Leasing](#). This manual, produced by PETEX Publications, is for landowners, landmen, lawyers, and investors as well as all oil company employees. It takes a layperson's approach to the legal aspects of land-ownership, transfer, and leasing, privately owned land; state and federal lands; preparations for drilling, producing, and selling; agreements to explore and develop leased properties; and pooling, unitization, and release. It uses examples from Alaska, California, Louisiana, and Canada, Kansas, Michigan, New Mexico, North Dakota, Oklahoma, Texas, and Wyoming. 1984, 287 pp. \$21.

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