

Leasing Your Mineral Rights

Should you sign on the dotted line?

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Disclaimer

Nothing contained within this presentation should be construed as legal advice or guidance.

This information is research based and provided for general information purposes only.

One should always consult with a properly licensed attorney when addressing legal questions or issues.

Rule of Thumb

- The “landman” is not your friend.
 - General rule of thumb
- Must have access to your own information and independent sources of expertise.
- Look at all possible outcomes when considering leasing and producing.

Suggestions

- Without consulting an experienced and licensed attorney:
 - Don't cash a check
 - Don't deposit a bank draft
 - Don't sign a lease
- With advice from your attorney:
 - Ask for the “best” lease up front

Questions to Ask

- Is there a “real market” for what I can lease?
 - Conditions under which lease can be exercised
 - Number of potential lessors
 - %'s and areas of rights
 - Number of other lessees

- Am I only talking to one person?

Questions to Ask

- **Does the attorney...**
 - Understand the law — and the natural gas production industry?
 - Have business experience negotiating leases?
 - Represent other mineral rights owners in my area?

- **Has the attorney represented leasing companies previously?**
 - Ask names of companies who have been represented in the past and names of companies currently represented by that attorney

 - Consider obtaining separate representation from family members if concerned about your interests being represented properly

 - Look out for conflicts of interest with any attorney

Overview of Current Conditions

- Certain practices in North Carolina are not currently legal that would allow practical development of shale gas plays.
- Other plays are rapidly developing in the U.S. and around the world.
 - This could result in lower demand and lower prices paid for mineral rights.
- There may be limits on crews/rigs/materials while other areas are under development, which can delay well drilling and gas production in new areas.

Overview of Current Conditions

- **There is no real market right now.**
 - Need competition between lessees
 - Need production and infrastructure
 - Need real time data about volumes and quality of gas produced

Will conditions change?

- Laws and regulations
- Price of gas
- Number of wells drilled
- Output of wells

Any of these can change at any time.

Should I sign a lease now? Or... At what point should I sign?

- Look at what conditions may change.
- Look at your own individual circumstances.
 - Current benefits and costs of leasing now
 - Future benefits and costs of leasing later
- Would you get greater benefit (financial, better lease terms) in the future?
- Are there other arrangements?
 - E.g. Working interest (“Going unleased”)

Resources

- County register of deeds office
- Tax office
 - Who's paying the taxes on mineral rights?
- North Carolina Geological Survey
- United States Geological Survey

Resources

- Cornell University Cooperative Extension
<http://cce.cornell.edu/Community/Pages/NaturalGas.aspx>
- Michigan State Cooperative Extension
- http://www.msue.msu.edu/portal/default.cfm?pageset_id=580675
- Pennsylvania Cooperative Extension
<http://extension.psu.edu/naturalgas>
- geology.com