

Modifying Oil & Gas Documents for Horizontal Drilling

Presented to



The University of Texas School of Law

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Horizontal Wells Leases

- **Primary Term**
 - Typically, the lessee must be conducting operations on the lease or on a unit including the lease in order to continue the lease past the primary term.
 - Not so in the *Manzano* case.
 - Lease near end of its primary term, 8/3
 - Chesapeake spudded a well on the adjoining tract on 7/27; no pooling designation filed.
 - 8/12 bit penetrated the subsurface of the leased tract.

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Horizontal Wells Leases

– Court:

- Two lease provisions extended lease by the commencement of operations off the leased premises:
- ¶5 Defendant is “granted the right . . . to pool or combine this lease....” and “Drilling operations on or production from any part of any such unit shall be considered for *all purposes*, ... as operations conducted upon ... the land described in this lease.

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Horizontal Wells Leases

– Court:

- D timely began “drilling operations” on the tract adjacent to the lease.
- Operations on the off-lease property should be included as “drilling operations.”
- “The intent of the parties ... would permit the drilling of the horizontal well and would allow for the extension of the Lease under the circumstances here presented.”

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Horizontal Wells Leases

– Court:

- Ps “on the strained rationale” that the well had to be solely on the Leased land, they would work a forfeiture on Defendant.
- Find that adjacent property and the Lease property were “pooled” or “combined” in such a way as to make the provisions of paragraph five of the Lease applicable.

– Caution: Probably not a good idea to risk a well based on this case. Contrary to long authority but not involving horizontal wells.

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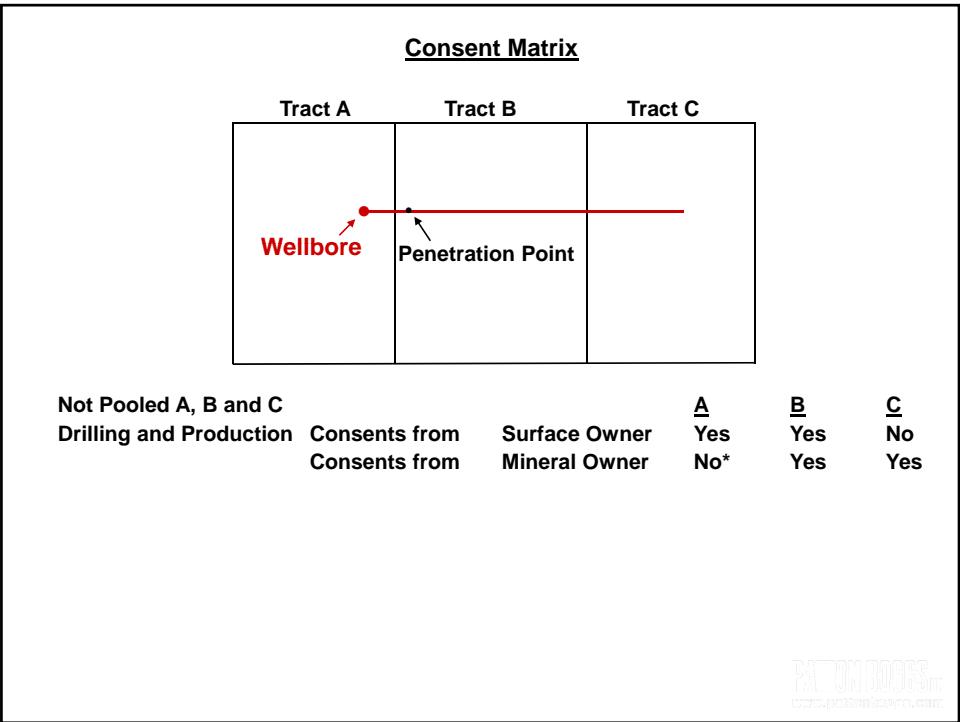
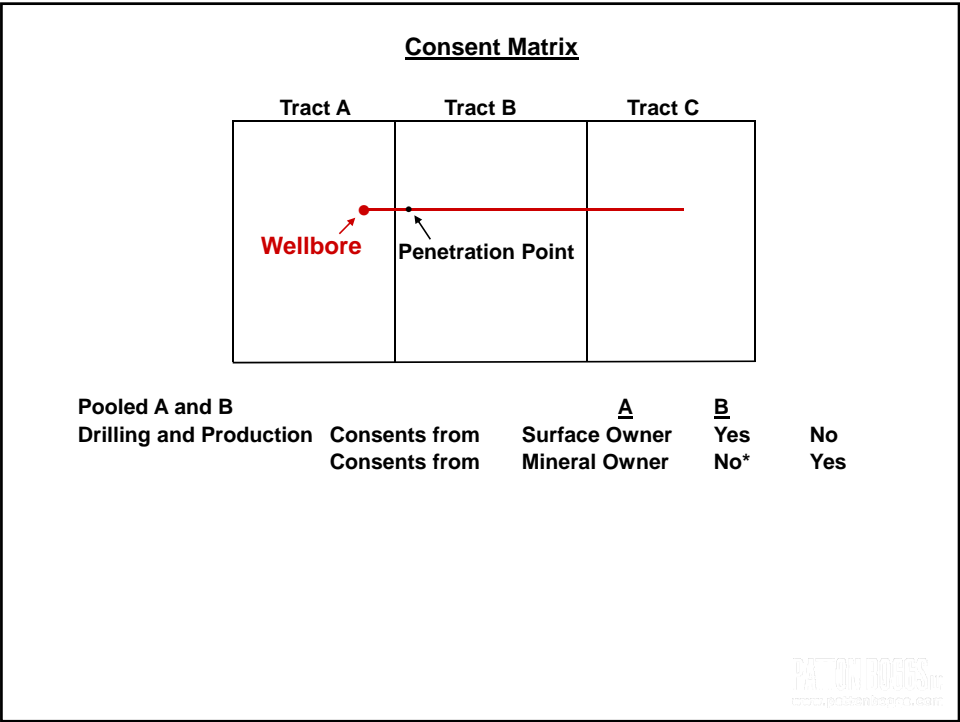
Horizontal Wells Leases

• Granting Clause

– If more than one lease have to pool.

- No grant to use surface for benefit of adjoining tracts.
- Cannot transport oil or gas across tracts.
- With surface owners consent can use adjoining tract as drillsite if no mineral production and does not interfere with mineral owners anticipated use.
- Each tract traversed by the horizontal wellbore is a drillsite tract, and each production point on the wellbore is a drillsite.

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[Dealing with Unleased and Uncommitted Cotenants: Legal Risks of Drilling and Operating without Leases; plus, Modifying Oil and Gas Agreements to Accommodate Horizontal Operations](#)

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