

The Oil & Gas Lease, Part III  
Implied Covenants

Keith B. Hall  
LSU Law School  
(504) 250-2636  
keith.hall@law.lsu.edu

April 13, 2017  
Houston, Texas  
Fundamentals of Oil, Gas and Mineral Law

What are implied covenants?

In context of oil and gas leases ...

- Obligations that bind leaseholder, which are not expressly stated in lease
- Implied covenants generally impose a duty upon lessee to be reasonably active and diligent

Why do implied covenants exist?

Why do implied covenants exist?

- **Courts reason that typically the primary benefit that a lessor hopes to gain from a lease is the payment of royalties**

### Why do implied covenants exist?

- Courts reason that typically the primary benefit that a lessor hopes to gain from a lease is the payment of royalties
- **And the amount of royalties, if any, depends on how much exploration the lessee does, how thoroughly it develops proven formations, and what it does to market product and protect against drainage**

### Why do implied covenants exist?

- **But with respect to the leaseholder, the typical lease does not impose any express duties to act**

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: The Oil and Gas Lease, Part III: Implied Covenants

Also available as part of the eCourse

[2017 Fundamentals of Oil, Gas, and Mineral Law eConference](#)

First appeared as part of the conference materials for the  
2017 Fundamentals of Oil, Gas and Mineral Law session

"The Oil and Gas Lease, Part III: Implied Covenants"