

Who Can Sign an Oil and Gas Lease?

Land Ownership Affects Oil and Gas Leasing Signing Rights

Michigan Land Ownership

Sometimes, cropland and mineral rights owners do not realize that how real estate is owned, such as joint tenants, tenants in common, divided separate ownership or through an LLC affects who has the rights to negotiate an oil and gas lease.

Joint tenants cannot negotiate their own separate leases. If a husband and wife own a property as joint tenants, it means that if one joint tenant passes away, the surviving joint tenant becomes the sole owner. Because the property is owned jointly, all joint tenants must agree to sign an oil and gas lease. If one refuses to sign, the lease will not be consummated.

Divided, separate ownership:

Let's say you own the surface estate of a property, along with 50% of the mineral rights. Joe retained 50% of the mineral rights when he sold the property to you. This is a situation where two people each

own a divided 50% of the minerals. Previous surface owner Joe negotiates his own lease for his 50%. You and Joe each negotiate and sign your own lease. You and Joe can also choose to work together and block up your mineral rights and negotiate the lease together and each sign an identical, separate lease.

Tenants in common are sometimes confused with joint tenants. There is a tremendous difference. If two people own 80 acres as tenants in common, each owns 50% and each negotiates their own separate lease. Tenants in common negotiate a lease for their proportionate ownership of the property. If the eventual drilling permit requests an 80 acre drilling unit, all 80 acres must be under a lease or compulsory pooling order to obtain the drilling permit to drill the well. When real estate is owned as tenants in common, each person's share becomes part of their

Land ownership affects negotiation and signing

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Tenants in common can negotiate their own separate lease.

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Partnerships would be treated in a similar manner as joint tenants with all parties being required to sign.

Limited Partnership could have a General Partner negotiate the Lease without the requirement or say of a Limited Partner.

Corporation owns mineral rights, the corporate by-laws should state who has the authority to bind the company.



estate at death. The estate plan for that person determines how their share of the property is distributed.

If a **Limited Liability Company (LLC)** owns property, the operating agreement should state which member or members have the authority to bind the company. If the operating agreement states that all members must agree to bind the company and all do not agree to lease the mineral rights, leasing will not happen. Or, certain decisions, such as binding the company may require a majority vote, it depends on what the operating agreement says. Additionally, they should have meeting minutes or a resolution approving entering into a lease.

Sometimes, one of the members is appointed manager, with the authority to bind the company. In that case, only the decision of the manager is needed to obligate the assets of the LLC for a loan, or in this case to sign an oil and gas lease. Here again, this should also be a topic of a normal company meeting and the decision documented by meeting minutes or a resolution.

A manager can also be hired and be given these types of powers in the operating agreement. By the way, the LLC does not have to own property; it can be just a “naked” operating entity.

Partnerships would be treated in a similar manner as joint tenants with all parties being required to sign. A Family Limited Partnership or Limited Partnership could have a General Partner negotiate the Lease without the requirement or say of a Limited Partner.

If a **Corporation** owns mineral rights, the corporate by-laws should state who has the authority, or what method will be used to bind the corporation. The corporate by-laws are very similar to the LLC operating agreement. The same procedures and documentation is used by the corporation as the LLC.

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