
OIL AND GAS LAND MANAGEMENT COMMISSION

Standard lease

- Requires the standard oil and gas lease used by state agencies to include an option to extend the primary term of the lease for an additional five years (rather than three years as under current law) by tendering to the state agency the same bonus paid when first entering into the lease.
- Requires the standard lease also to include specific provisions governing the payment of rentals and bonus amounts; tolling of the lease term; shut-in royalty payments; and deferments.

Bids and leases for exploration on state-owned land

- Requires a state agency, when entering into a lease with a person for the exploration and development of oil and gas on state-owned land, to fully execute the lease within 30 days after the Oil and Gas Land Management Commission selects the person with the highest and best bid.
- Prohibits a state agency and the Commission from charging any additional fee (that is not specifically authorized or required) to a person bidding or entering into a lease to explore and develop oil and gas on state-owned land.
- Allows the person so bidding to offer an extra gross landowner royalty in addition to the required $\frac{1}{8}$ gross landowner royalty amount and any proposed lease bonus.

Oil and gas leases

(R.C. 155.33 and 155.34)

Standard lease

The bill requires the standard oil and gas lease used by state agencies to include an option to extend the primary term of the lease for an additional five years, instead of three years under current law, by tendering to the state agency the same bonus paid when first entering into the lease. It also requires the standard lease to include a shut-in provision, which is a lease term that allows the lessee to maintain the lease by making specified “shut-in” royalty payments on a well even if well production is halted. Additionally, it requires the standard lease to include the following specific provisions, notwithstanding any other provision of the lease to the contrary:

1. “Lessee is entitled to pay any advanced delay rentals/bonus amounts owed under this Lease within 60 calendar days after Lessee receives a copy of this Lease executed by Lessor.”
2. “In the event that a parcel subject to this Lease was acquired or improved through, or is otherwise encumbered by, a federal grant program, the Primary Term of the Lease shall be tolled until the requirements of the program, and any related grant documents, have been fully satisfied by Lessor and Lessor notifies Lessee in writing of same.”

3. "In the event that a parcel subject to this Lease was acquired or improved through, or is otherwise encumbered by, a federal grant program, Lessee may defer payment of all sums otherwise due and owing under this Lease until the requirements of the program, and any related grant documents, have been fully satisfied by Lessor and Lessor notifies Lessee in writing of same."

4. "In the event that litigation of any kind or character is filed by a third party that may adversely impact Lessee's ability to conduct operations under the Lease, including an appeal before a court or the oil and gas commission, the Primary Term of the Lease shall be tolled until such time as there is a final, nonappealable order entered in such litigation."

5. "In the event that litigation of any kind or character is filed by a third party that may adversely impact Lessee's ability to conduct operations under the Lease, including an appeal before a court or the oil and gas commission, Lessee may defer payment of all sums otherwise due and owing under this Lease until a final, nonappealable order is entered in such litigation."

Bids and leases for exploration on state-owned land

The bill requires a state agency, when entering into a lease with a person for the exploration and development of oil and gas on state-owned land, to fully execute the lease within 30 days after the Oil and Gas Land Management Commission selects the person with the highest and best bid. Current law requires a state agency to enter into a lease with the person selected by the Commission who submits the highest and best bid, taking into account the financial responsibility of the prospective lessee and the ability of the prospective lessee to perform its obligations under the lease, but does not specify the length of time within which the lease must be executed.

The bill also prohibits a state agency (generally ODNR) and the Commission from charging any additional fee (that is not specifically authorized or required) to a person bidding or entering into a lease to explore and develop oil and gas on state-owned land. However, it allows *the person so bidding* to offer an extra gross landowner royalty in addition to the required $\frac{1}{8}$ gross landowner royalty amount and any proposed lease bonus.