

PRODUCTION SHARING AGREEMENTS

The General Land Office (“GLO”) will enter into Production Sharing Agreements (“PSA”) and similar type agreements if they are found to be in the best interest of the State. The procedure for obtaining GLO approval is to submit the proposed form of PSA accompanied by the prescribed \$500.00 processing fee. The submittal letter for the PSA should reference the State Lease number for any State Leases involved and the GLO unit number for any units if applicable.

If GLO staff determines that the PSA is in the best interest of the State, the PSA will be recommended for approval before the School Land Board (“Board”). The Board must approve a PSA if it includes a mineral or royalty interest dedicated to the Permanent School Fund. Once approved by the Board the PSA will be signed by the Commissioner and returned to the applicant.

If the PSA is for a Highway Right-of-Way (“HROW”) lease or pooled unit that only includes HROW mineral or royalty interests the PSA, if found to be in the best interest of the State, will be submitted directly to the Commissioner for execution and then returned to the applicant.

The GLO should be provided with a recorded copy of the PSA once it is filed of record or a fully executed copy if the PSA submitted to the GLO was not signed by the Lessee and the PSA is not going to be filed of record.

After an oil or gas well is drilled subject to the terms of the PSA (“Sharing Well”), the GLO must be provided with the “Allocation Factor”, “Horizontal Drainhole Area” or other pertinent information so the GLO will have the correct royalty decimal for the Sharing Well and can set up its lease records such that the Lessee can properly pay royalties and file royalty reports on the Sharing Well.