energy crisis vs. extension opportunities

Harold R. Liles

In 1970, Bob Lamar, county Extension director of Grady County, took a crash course in oil and gas leases. He was an expert in alfalfa production, dairying, beef production, crops, and other subjects county agents know about. But oil and gas leases were something new for him.

When the era of the "Energy Crisis" began, oil and gas companies stepped up leasing activities to prepare for future drilling. Grady County was right in the center of the activity.

Grady County and 16 other Oklahoma counties are located over the Andarko basin, one of the largest natural gas reservoirs in the United States.

As representatives of the oil and gas companies negotiated terms of mineral leases with landowners, it was evident the owners didn't know the rules of the game. The companies played by the rules, no question about that. But the rules were flexible and final decisions were made by the state Corporation Commission.

Oklahoma's Extension educational efforts in mineral rights management have been successful because they met the needs of the people. It was something new, without precedent.

The commission, like the companies, also went by the rules. They listened to what the concerned parties had to say, and made their decision based on the best presentation. A farmer or rancher appearing before the commission debating against an oil company lawyer was like David going against Goliath.

Management mistakes with these non-renewable resources had far-reaching effects on the landowners. In many cases, the landowners were unable to correct their mistakes.

Some of the problems that got Lamar involved were: excessive well spacing; pipeline and well-site damages to land,

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water, and crops; pollution; and oil and gas lease forms written by company lawyers.

The landowners lack of information and failure to get legal help brought about many management mistakes. This was a brand new situation for most landowners. They were signing leases without knowledge of the long-range effects of the lease.

This is when Bob Lamar started on his crash course.

A small group of mineral owners came to his office asking for mineral leasing information. They'd learned that the terms of leases varied, some paid more than others, some involved more land per well, and some specified protection for land and had guards against pollution. The landowners were seeking help in learning more about these situations.

In checking, Lamar found a lot more dissatisfaction existed than was expressed in his office. Many others had the same questions and needed answers.

Lamar's first step was to organize a few community leaders into a mineral owners association. Next, was the gathering of funds for the association to be represented at Corporation Commission hearings, and third was an educational effort to enable the landowners to deal more fairly with company representatives.

One of Lamar's first contacts proved to be one of his best sources of information and educational presentations—a semi-retired lawyer who had represented some of the biggest companies in many court battles. The lawyer was aware of the mineral owners problems and encouraged Lamar to develop an educational program for them.

It didn't happen overnight, but the total effect was impressive. A new lease was developed giving landowners *a more equitable payment for land and return for gas and* oil produced. Well spacings—the companies wanted as much land as possible under one lease and one well—were held to the minimum allowed by law. The Corporation Commission listened and quite often acted in behalf of the landowners when the association attended the hearings instead of a lonely individual.

News of the success of the Grady County mineral owners organization spread. Soon, mineral owners in neighboring Caddo County asked Lamar and his association officers for help in organizing their own group. Other counties followed suit.

By 1976, the demand for mineral leasing management information was so great the director of Extension in Oklahoma made Lamar, in addition to his other duties, the state leader for mineral resource management. State funds were made available for travel expenses, visuals, and program materials.

The results have been impressive. Lamar has conducted educational meetings in 31 of Oklahoma's 77 counties. Twenty-four county mineral owners associations have been formed, all basically the same as the original in Grady County. Educational efforts continue in the organized counties and those that haven't organized.

In these meetings, almost 5,000 Oklahoma mineral owners have received general information on legislation that affects their holdings, well spacings, pollution control, and court judgments. A fact sheet on mineral rights, co-authored by Lamar and Oklahoma State University law professor Glenn Laughlin, and the model lease form developed in Grady County are given to those attending meetings.

Two facets of the educational programs have definitely *added to the benefits for mineral rights owners—the model* lease and the firm stand on well spacing.

The model lease assures owners a more equitable share of the oil and gas production. Owners are encouraged to study leases with their attorneys before signing.

With the acceptance of the model lease, average lease bonus payments are up 50% and the primary term of leases is down from 5 to 3 years. Some leases are now signed for just 1 year.

Many lease royalty interests, the amount mineral owners receive for production from their land, have increased from one-eighth to three-sixteenths of the production. Requirements of the leases resulted in less pollution damage and higher damage payments on well-sites and pipeline locations.

Well spacing was another subject of disagreement. Oil companies were being granted spacings of 1,440 acres per well by the Oklahoma Corporation Commission. This reduced the mineral owner's share of production and allowed the companies to hold large areas of land without additional drilling.

Working with two major state farm organizations, the mineral owners associations worked with state legislators to pass a bill that limited spacings to 640 acres for gas and 160 acres for oil. The bill became law on May 25, 1977, and carried an emergency clause.

This educational program has also resulted in the development of lay leadership and direction for a large group of Oklahoma mineral owners. A large group of citizens, many who had never contacted Extension before, now ask for useful information on other problems.

Future plans call for the formation of a state mineral owners association and an educational program for mineral owners in eastern Oklahoma whose land contains coal deposits. Future educational programs will be based on the needs of the association and those of individual mineral owners.

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Bob Lamar approached the situation as he had many others in his long Extension career. He learned the needs of the people, equipped them to meet these needs, and succeeded!

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