



Current Report

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OIL AND GAS WELL SITE AND RIGHT-OF-WAY PAYMENTS (1980 SURVEYS)

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The last five years has seen a dramatic increase in drilling of oil and gas wells in many parts of the state. The well site and resulting pipe lines create a need for information as to what is an equitable payment for crop damage, surface damages, and easements for buried pipelines. The typical lease authorizes the lessee to explore for oil and gas and use the surface for the operation. It usually states that payment will be made for crop damages. Some leases include a clause which states that both crop and surface damages will be paid. In an attempt to secure some up-dated information in these areas a survey was distributed in late 1980. This survey was a followup of a similar survey completed in 1978.

Interpretation of the Tables

The number of completed surveys lends itself better to reporting all of the results on a statewide basis. In some cases this may explain the relative wide ranges in payments. The number of reports obtained, the average payment, and the highest and lowest payment are shown in the tables. The number of observations was insufficient to allow statistical analysis. Because of the number of observations, these results are by no means all in-

clusive of the payments that may have been made across the state. These observations should be looked on as indications of payments that have been made, realizing the number of observations greatly limit the conclusions which can be drawn from the survey. All observations from the survey were limited to well sites that have been drilled in the last five years. Over 70% of the observations were from the last three years.

Drill Site Locations

There were 185 surveys completed and returned. Of the 185, 121 had a drill site on them in the last five years. The drilling had occurred on 86 of these locations since 1978. The highest damage reported for a location covering 1-5 acres was \$12,000, while the lowest was \$40.00 (See Table 1). The majority of the surveys were completed by individuals who owned the surface and mineral interest.

The payments made for locations covering 5-10 acres were comparable to the payments on the smaller locations when considering the additional land utilized. The highest damages reported was \$6,000, while the lowest was \$1750. Fifty nine reported damages were settled before drilling started, 19 while drilling and 37 after drilling was completed.

Table 1: Site Location Damage Payments and Water Sales

<u>Location Size</u>	<u>Number of Observations</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
1 - 5 Acres	81	12,000	40	2,474
5 - 10 Acres	10	6,000 ^{A/}	1750	4,041
Water Sales, per day	87	100 ^{B/}	10	

A/ One court settlement was reported at \$50,000, which is being appealed.

B/ Lump sum payments reported as high as \$3,000 per well for water.

Three respondents reported the amount of their damages were settled in court. The highest settlement was \$50,000 which was being appealed. Two of the three individuals reported that they had received more money after court costs and attorney fees were paid than originally offered.

There were 87 responses from individuals who had sold water for drilling purposes. The range on a per day basis was from \$100 to \$10. The most common rates were \$25 to \$50 per day. Drought conditions affected the price. Lump sum payments were reported in a number of cases. The majority of the water was from ponds (60 observations) and wells (19 observations).

Description of Site Location

The payments for the site location can vary depending on the location size, type of land and type of crop damaged. Payments made in excess of crop damage should be considered surface damages for income tax purposes. Table 1 indicates the range of damages paid by location size. A shallow well requires a relative small area while the wells in excess of 15,000 feet normally require several acres.

The majority of the site damage occurred on upland with a large

portion of the upland in pasture. Because many of the locations included both upland and bottomland and also cropland and pastureland, it was not feasible to report separate payments for the various types of land damaged.

There also was no attempt to breakdown the site damages paid by the type of crop damaged. There were 61 surveys which indicated growing crops had been damaged. The crops damaged included wheat, alfalfa, cotton, rye, bermuda and native grass. Most of the reported observations were for damages on wheat or native grass. The other damaged crops only had 2 or 3 observations.

Although most of these surveys came from individuals who owned both the surface and mineral rights, a serious problem can occur between landowner and tenant where the land is rented, or where the surface and mineral rights are not owned by the same individual. The landowner and tenant should not accept a payment in full unless they have both agreed on the division of the damage payment and the amount to be received. A division of damages clause should be put in existing land lease arrangements. Some authorities suggest that the agricultural lease be subject to oil and gas exploration.

Three out of 99 indicated they were wey

paid for permanent structure after the wells were completed. The payments ranged from \$500 to \$7000. In most cases cattle guards and fencing were provided free when needed.

Pipeline Easements Under an Existing Lease

An easement may be granted under an existing oil and gas lease or it can be given for a pipeline that is not covered by an existing lease. For a more complete discussion of easements and what actually constitutes an easement see OSU Fact Sheet 9409. A publication is being written on "Considerations in Negotiating Land Easements".

The price paid for oil and gas pipeline easements has increased over the years. Much of this can be attributed to the increased value of land in Oklahoma. Since 1960, land prices have increased about 9% per year. Based on the value of land, prices paid for easements today may not be as high as first appears.

Table 2 shows the survey results for easements under an existing lease. There were 81 observations where a pipeline had been placed on the property under the conditions of an existing lease. Of these 60 individuals were paid, 6 were not paid and 15 gave no answer. The highest payment reported was \$66 per rod and the lowest payment was \$2.00 per rod.

There was no attempt to determine the range of damages paid for the various crops or by the type and size of line laid. The main crops damaged as reported were: wheat, alfalfa, cotton, milo, bermuda and native grass. The lines were generally 4 to 8 inch gas lines.

Easements Not Covered by an Existing Lease

Owners giving easements on land not covered by an existing lease are normally paid for the right-of-way and for the damages to the growing crops. This is not always the case, since many times the individual will be paid only one amount, with no distinction made between damages and the payment for the right-of-way. This makes it particularly hard to determine the payments made for these.

Right-of-way easements payments had been made to 64 individuals. The range of the payments was from \$66.00 to \$1.00 per rod. Many of the surveys indicated an equal payment for the right-of-way and damages. This would indicate that probably only one payment was made for both. No attempt was made to check all of the surveys individually.

The width of these right-of-way easements ranged from 10 feet to 60 feet with the majority being 50 feet. Most of the surveys indicated that damages were paid, but in most cases it was not clear what amount was paid for the damages. The range given for damages was \$66.00 to \$2.00 per rod. Again, these were all nearly identical to the amounts that had

Table 2: Easements Under An Existing Lease

	<u>Observations</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
Damages Paid	60	\$66.00	\$2.00	\$21.78
Land Type ^{1/}				
Cropland	43			
Pastureland	52			

^{1/} The sum of the types of land gives does not equal the total number of observations. This is due to the fact that many of the pipelines damaged both cropland and pastureland on the same individual.

been paid for the right-of-way. The majority of the surveys indicated damages occurred to wheat or grass. There were 5 surveys that indicated court action was involved in settlement and 2 surveys indicated they received more through court action after attorney fees and court costs were paid. The other 3 surveys did not indicate whether they received more or less through court action.

Summary

This survey was conducted to provide information on payments that have been made for well site damages and easements for pipelines. This data should give the individual a range of payments that have been made in Oklahoma in the last five years. One must always remember these reported settlements are only a small portion of the actual number of locations and easements in Oklahoma in the last five years. You should also remember that these amounts are always negotiable between the individual and the oil or pipeline company. If you have questions about an easement or other agreement, you may want to seek legal advice.

Oklahoma Wildlife Commission Charges on Departmental Lands

1. Oil Well Location - \$300 to \$1200 per acre, depending on value of land.
2. Pipeline - \$1100 per acre for gas or fresh water. \$2200 for oil or salt water.
3. Power lines (a) \$10 per rod (b) \$50 single post (c) \$65 double post (d) \$55 guy wires.
4. Siesmograph - \$50 per hole
5. Tank batteries, lact units, separators: \$300.
6. Vibrosies - Eastern part of state (a) \$150 per mile conducted along roadway (b) \$200 per mile when conducted in fields.
7. Vibrosies - Western part of state (a) \$300 per mile conducted along roadway (b) \$600 per mile when conducted in fields.
8. Use of water out of ponds or lakes: \$50 per day.
9. Drilling Water Well: \$200.
10. Roadway \$300 per acre (width of road x length \div by 43,560 ft.)
11. Borrowing abstract: Deposit \$2.00 per page, plus \$50 for abstractor's certificate.