

What are “Drilling Operations”?

“In Sundown Energy LP, et al. v. HJSA No. 3, Ltd. P’ship the term ‘drilling operations’ meant that activities other than spudding-in new wells were sufficient to satisfy a continuous operations clause,” write Charles Sartain and Rusty Tucker *Gray Reed’s Energy and the Law*.

“In a lease in Ward County, 19,570 acres from the surface to the base of the Pennsylvanian formation were ‘Producing Areas’. The remainder covered all depths as to 10,880 acres plus depths in the Producing Areas below the Pennsylvanian. During the primary term, production in paying quantities from anywhere on the leased premises would maintain the entire lease. At the end of the primary term lessee Sundown was required to reassign its rights in each tract not then held by production unless Sundown was engaged in a ‘continuous drilling program.’”

Read the post.