Pugh Clauses

Contractual and statutory · Oklahoma and Texas

What a Pugh clause does

A Pugh clause breaks a lease into parts so that production or operations on one part do not hold the whole lease past the primary term. Without one, a single unit well, or a small pooled unit, can hold every acre and every depth the lease covers for as long as that one well produces. The clause lets the undeveloped acreage or the deeper formations fall away and return to the mineral owner. It is named for Lawrence G. Pugh, a Louisiana lawyer who wrote the first version in 1947.

The two directions

Type	What it releases
Horizontal Pugh (acreage)	At the end of the primary term, the lease terminates as to all acreage outside the producing or pooled unit. The owner gets back the land that is not actually being developed, while the unit acreage stays held.
Vertical Pugh (depth)	The lease terminates as to depths or formations below, or outside of, the producing interval, commonly everything deeper than a set distance below the deepest producing zone. The owner gets back the deep rights that are not being produced.

A lessor wants a Pugh clause so a small amount of production cannot tie up a large lease indefinitely. An operator resists it, or seeks the narrowest version, because it forces continued drilling or a release.

Oklahoma has a statutory Pugh clause

Oklahoma is one of the few states that writes a horizontal Pugh clause into the statute, so it applies even when the lease itself has none. Under 52 O.S. § 87.1(b), where the Corporation Commission has created a drilling and spacing unit of 160 acres or more, no leasehold interest outside that spacing unit may be held by production from the unit for more than 90 days beyond the end of the primary term. The outside acreage releases by operation of law. The provision has been in force since 1977.

The statutory Pugh clause	Detail
Where it comes from	52 O.S. § 87.1(b), effective 1977.
What it releases	Leasehold acreage *outside* the spacing unit.
The trigger	A spacing unit of **160 acres or more**, held by production from that unit, past 90 days beyond the primary term.
What it does not do	It does not release acreage inside the unit, does not sever depths, and does not reach spacing units smaller than 160 acres. It only bites after the primary term ends.

Why a contractual Pugh clause still matters in Oklahoma

The statute is narrow, so a negotiated Pugh clause still does real work. It can reach spacing units smaller than 160 acres, sever deep rights that the statute never touches, and set a tighter release than the 90-day statutory window. On acreage that is not in a 160-acre-or-larger unit, the statutory clause offers no help at all.

Texas has no statutory Pugh clause

Texas does not provide a statutory Pugh clause. If a Texas lease has a pooling clause and the operator pools even a small part of the tract into a producing unit, production from that unit can hold the entire lease past the primary term. The only reliable way to sever undeveloped acreage or deep rights in Texas is to negotiate a Pugh clause into the lease. Texas landowners often pair it with a continuous-development or retained-acreage clause to force ongoing drilling or a release.

Notes for lease and title work

Topic	Note
Read the lease first	Check whether the lease contains a Pugh clause and whether it is horizontal, vertical, or both. The clause language controls over any general rule of thumb.
Oklahoma acreage	For land held by a unit well, check the spacing unit size and the primary term date. If the unit is 160 acres or more, acreage outside it should have released 90 days after the primary term under § 87.1(b), even with no clause in the lease.
Depths	Neither the Oklahoma statute nor a horizontal Pugh clause releases deep rights. Look for a separate vertical or depth clause if the deep formations are the question.
Texas acreage	Assume undeveloped acreage and deep rights stay held unless the lease has an express Pugh clause. Do not rely on any statute to release them.

> This reference is prepared for use by landmen and title professionals as a working field tool. It is not legal advice and does not substitute for the advice of qualified oil and gas counsel. Doctrines and statutes change and turn on the exact language of each instrument and the facts of each chain of title. Confirm any conclusion against the current statutes and case law, and refer complex or disputed matters to a licensed attorney in the state involved. Citations are to 52 O.S. § 87.1(b) and general oil and gas lease authority.