



MICHIGAN DEPARTMENT OF NATURAL RESOURCES MINERALS MANAGEMENT SECTION MINERAL LEASE CLASSIFICATIONS

How are parcels classified for potential mineral leasing?

Upon receiving a request for a mineral lease, parcels are reviewed by a multidisciplinary team at the Department of Natural Resources and other professionals including staff from the Department of Environment, Great Lakes, and Energy. The purpose of the review is to determine the most appropriate level of surface use that should be allowed for development activities.

The following four lease classification categories are used:

- Nonleasable (NL) – The NL category prohibits the leasing of the parcel’s mineral rights. It is used when there are no means to adequately protect surface resources; when deed restrictions prohibit leasing; or when state statute prohibits leasing (e.g., Great Lakes Bottomlands lease prohibition).¹
- Leasable Nondevelopment (LND) – The LND category allows for a parcel’s mineral rights to be leased, but it does not allow the parcel’s land surface to be used for development purposes without separate written permission. This classification is typically applied to a variety of sensitive lands, such as public parks, recreation areas, wetlands, and sand dunes.²
- Leasable Development with Restrictions (LDR) – The LDR category allows for a parcel’s mineral rights to be leased and also allows surface use³ after all necessary permits and permissions have been obtained. In addition to standard lease provisions (see separate FAQ document), LDR leases contain other specific restrictions (stipulations). Examples of such restrictions include Kirtland’s Warbler habitat management area time restrictions, or recreational trails setback restrictions.
- Leasable Development (LD) – The LD category allows for mineral rights to be leased and allows surface use³ after all necessary permits and permissions have been granted. The Lessee must follow all standard lease provisions and obtain all necessary permissions before commencing surface activities.

Lease classifications do not convey a right to drill a well, explore, mine, or produce to a Lessee. It is only the first of many steps required in the production process. A lease, regardless of its associated classification, merely grants a Lessee the exclusive right to pursue development of the leased mineral rights if they choose to do so.

¹Use of the NL classification puts the State of Michigan’s oil and gas resources at risk for drainage.

Drainage of oil and gas, in a geologic formation, occurs when a producing well is placed near the unleased oil and gas rights. The oil and gas resource beneath the unleased parcel could be removed (or “drained”) and the people of the State of Michigan would not receive any compensation for the oil and gas produced.

²The LND classification prevents drainage of the oil and gas resource from occurring while still protecting other valuable resources from the impacts of surface development.

³Surface use does not necessarily mean development will be allowed on the parcel.