



### **Practical Pointers Series**

## **GAS EXPLORATION, EXTRACTION AND CONSERVATION**

### **GAS EXTRACTION LEASE PROVISIONS TO BE ADDRESSED TO PRESERVE CONSERVATION VALUES AND ENSURE FAIR PAYMENT**

Experts suggest that anyone negotiating a gas extraction lease should address these issues, and others not addressed in this limited sampling of important considerations. Leases and surface agreements contain many other provisions as well that require attention. The following provisions affect conservation values and payments.

These pointers are not a substitute for obtaining competent legal advice. The Land Trust Alliance only offers these pointers as a compilation of the experiences of experts in the area of gas exploration. **Land trusts and landowners need to discuss any gas extraction leases or agreements with separate legal counsel experienced in mineral and gas issues.**

This is a short summary list of some provisions that a land trust or landowner may want to consider. It is not an exhaustive list and does not contain many other important provisions that should be addressed. Check with appropriate state agencies for more comprehensive examples.

This Practical Pointer is a companion piece to two other Practical Pointers entitled “Gas Exploration, Extraction and Conservation” and “Excerpts From Code and Section 170(H) Regulations That May Affect Mineral Interest Issues” and should be used as a group and not individually.

#### **Conservation and Environmental**

- Prohibit any permanent surface destruction and limit surface impact to a small localized area or provide for subsurface extraction only
- Specify the gas or minerals to be extracted and specifically state that these are the only ones permitted and all others are excluded
- Do not grant unrestricted rights to use the surface, specify the rights and prohibit all others
- Specifically state how water is to be disposed of to avoid spreading it on the surface or disposing of it in wells to prevent salt and other contamination issues
- Specify whether the oil company may use water from the property for operations and, if yes, obtain payment for that use as well as the use of oil and gas for operations, and also specify that any use cannot interfere with the landowner’s operations or damage in any way the property’s conservation values

- Provide for water testing before, during and after operations by an independent laboratory
- Confine ingress and egress, uses, road width and location, and surfacing, as well as road removal
- Specify buffers from homes and sensitive conservation areas
- Specify concurrent agricultural and forestry uses of the surface area, as well as any necessary protection of livestock
- Limit or prohibit use of other minerals from the property for road or other construction
- Specify the location, dimensions, scope, scale and foundations of all structures, roads and pipelines and whether they breach fences, drainage systems or other improvements
- Specify restoration and removal of structures and equipment
- Provide for restoration after operations are complete and property management during operations
- Prohibit housing or commercial structures
- Require prior written consent for seismic operations and blasting

## **Financial**

- Require compensation for all surface damage, crop loss or other damages, and the specific computation method and method and timing of payment (consider requiring a bond)
- Address how royalties are calculated (market, proceeds and in kind) based on how the different methods affect your land trust and the landowner
- Ensures that the oil company bears all costs during both production and extraction phases
- Define when drilling is completed and what triggers well plugging, site restoration, road removal, structure and equipment removal, and pipeline removal
- Address how gas extraction will affect landowner property taxes and negotiate to cover the cost
- Ensure that failure to make full and timely payments cancels the lease and triggers restoration and removal

## **DISCLAIMER**

Land Trust Alliance materials are furnished as tools to help land trusts. They are provided with the understanding that the Land Trust Alliance is not engaged in rendering legal, accounting or other professional counsel. If legal advice or other expert assistance is required, the services of competent professionals should be sought. The Land Trust Alliance is solely responsible for the contents of this series.