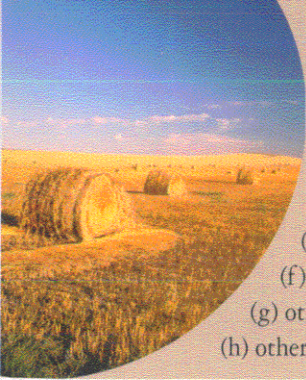


NEGOTIATING A BRITISH COLUMBIA SURFACE LEASE

This pamphlet provides landowners with a basic overview of what to consider when negotiating a surface lease.

Some of the factors are also relevant when negotiating a right of way agreement used for pipeline projects.



The Petroleum & Natural Gas Act (the Act) says that the Company has to, “pay compensation to the landowner for loss or damage caused” and lists factors for consideration in Part 3 Section 21

- (a) the compulsory aspect of the entry, occupation or use,
- (b) the value of the land and the owner’s loss of a right or profit with respect to the land,
- (c) temporary and permanent damage from the entry, occupation or use,
- (d) compensation for severance,
- (e) compensation for nuisance and disturbance from the entry, occupation or use,
- (f) money previously paid to an owner for entry, occupation or use,
- (g) other factors the board considers applicable, and
- (h) other factors or criteria established by regulation.

MEDIATION AND ARBITRATION

If the landowner and company can not reach agreement on terms of surface lease, the company may make application to the Mediation & Arbitration Board for a right of entry.

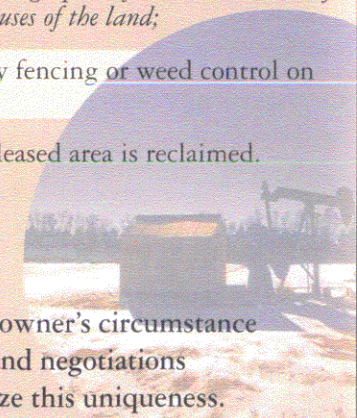
Contact the board for more information.

SCHEDULE A of the surface lease

This section of the lease agreement covers the individual conditions negotiated between the Company and the Landowner.

The following is a sampling of items that would go into Schedule A.

- Water sampling and flow testing of nearby water wells or springs;
- Control of noise/odors so as not to cause a nuisance or disturbance to the landowner or neighbours;
- Dust control in times of high traffic volumes resulting from the company’s operations;
- Fencing and gates during and after construction;
- Location of and responsibility for damages to powerlines installed for the company
- Receipt of all reports concerning the land that are filed with any other party e.g. presite assessment, topsoil storage, potable water testing, spills of materials that may be harmful to the future uses of the land;
- Option to contract any fencing or weed control on the surface lease; or
- Replacing trees when leased area is reclaimed.



Each site and landowner’s circumstance are unique and negotiations should recognize this uniqueness.

POINTS FOR DISCUSSION

If conditions are similar, land agents will usually open their negotiations based on surface leases with others in the area.

The following is a point form guide to help landowners in their negotiations with the company.

The Adjacent Land

- Restricted use of or access to adjacent land
- Extra farming time and soil compaction caused by extra turning going around the lease
- Importation of foreign weeds
- Dust on hay or pasture from increased traffic
- Impact on operations such as certified organic farming
- Corrosion of fence lines from H₂S emissions
- Gravel from access roads migrating onto fields
- Impact on recreational activities like hunting, wildlife viewing, snow machining, trail riding...
- Environmental liability when applying for a mortgage
- Loss of privacy
(the longer the access road, the greater this loss may be)
- Trespass by unauthorized traffic after development of access roads to the leased area
- Loss of enjoyment on lands due to noise, smells, visual aesthetics, H₂S concerns etc

The Leased Area

- Land value at the time of the taking or renegotiating; however, as the company is usually taking a small area, the value may be somewhat higher
- Impact on soil – there will be an observable impact on soil structure and texture caused by the admixing and compaction of soil layers during construction and operation of leased area
- Restrictions on use of the leased area after the Certificate of Restoration is issued
- Alteration of an existing habitat or land use
- Virgin land will be altered
- Loss of annual gross profit on the leased area
- Wood value at the time of the taking

General

- Time spent negotiating the agreement and in the ongoing relationship with the company
(phone calls, periodic on site attendance...)
- Landowner has no control of who the tenant will be or when the lease will start
- Landowner has limited influence on the general location of the leased area
- Right of entry will be ongoing until a Certificate of Restoration is issued
- The cumulative effect of surface leases in the area should be considered

WHEN THE LAND AGENT CALLS...

•Take time!

Listen to the Company's offer, and then spend a minimum of 2 days considering the offer, including site specific items for Schedule A.

The surface lease document may remain in effect for decades – it does not have to be signed until you are satisfied with the terms.


•Keep records!

Note the date, time spent, brief description of the conversation or action and who the company representative was for each phone call, meeting or requested visit to the leased site.

•Get informed!

Talk to neighbours who have leases on their property. Ask if they are willing to share their experiences and what compensation they received for the right of entry and annually thereafter. Similarly comparable circumstances are especially important. Become aware of government regulations and policies that affect your surface rights.

THE SURFACE LEASE



There is a standard B.C. Surface Lease that was developed in 1996 by a committee of local landowners and land agents and chaired by the Ministry of Energy Mines and Petroleum. Ask if the surface lease the company is using is exactly the same and if not, what is different and why they are using a different lease form.

Schedule A, which forms part of the surface lease, is the appropriate place to record individual site concerns. Every action or condition that is agreed to should be in the contract.

SURFACE RIGHTS INFORMATION

The petroleum industry has become a major contributor to the economy of British Columbia. Indications are positive for continuing strong growth. The brisk rate of drilling, has also meant an increase in the number of landowners who are negotiating surface leases with petroleum companies needing access to the petroleum and natural gas rights they have acquired.

All stakeholders – industry, landowners and government agencies, recognized the lack of surface rights information for landowners. To address the issue, a committee facilitated by the Ministry of Agriculture, Food & Fisheries and comprised of local landowners who have existing leases on their property, industry, land agents, representatives from the Mediation & Arbitration Board, the BC Land Reserve Commission and the Oil and Gas Commission has been formed.

The first step has been jointly compiling the information in this pamphlet. Assistance in production costs of this edition has been provided by the Peace River Regional District.

We encourage suggestions for improving information available to landowners. Please pass your thoughts along to:

1. The land agent who gave you this draft
2. The contacts listed below
3. or tel: (250)787-9141 / fax: (250)785-9139

FOR ADDITIONAL INFORMATION

- Oil and Gas Commission
tel: (250)261-5700 fax: (250)261-5744
- Ministry of Agriculture, Food & Fisheries
tel: (250)787-3240 fax: (250)787-3299
- Mediation & Arbitration Board
tel: (250)787-3403
fax: (250)787-3228
- Land Reserve Commission
tel: (604)660-7000
fax: (604)660-7033

Internet

Oil and Gas Commission site:

www.ogc.gov.bc.ca

also has also has links to all of the above.

