

**LANDOWNER CONSIDERATION CHECKLIST FOR
SURFACE LEASE AND PIPELINE AGREEMENT**

The following considerations apply to a surface lease for a wellsite and a right-of-way agreement for a pipeline (the "Agreements") between a landowner and company.

Issue		Points to Consider
1. Number of wells/pipelines		The Agreement should specify how many wells/pipelines will be placed on the property and whether additional pipelines/wells can be added with the landowners consent.
2. Location	(i) Specification of land area (ii) Containment of operations	The Agreement should have as an attached document a schedule or sketch for the parts or portions of the land which will be subject to the lease or right-of-way, as well as the location of any wellsites or pipelines. In relation to pipelines, the landowner may desire to specify a minimum depth for the pipeline to prevent interference with farm operations. The landowner may also wish to provide that the company will contain its operations to the area specified in the sketch including the travel and movement of personnel, equipment and vehicles.
3. Timelines	(i) Term of agreement (ii) Renewal (iii) Six month development deadline	The Agreement should specify a term for the duration of the Agreement. The Agreement may also provide for a renewal of the Agreement for a certain term provided that the company not be in default of any provisions under the present Agreement. The landowner may also wish to provide that should the company not complete the development necessary for the installation of a well or pipeline within six (6) months after the date the Agreement is concluded, the landowner may terminate the Agreement and require the company to surrender the lands together with a specified administration fee.
4. Compensation	(i) General	Compensation under the Agreement should take into consideration the following provisions: (a) entry fee - \$500.00 per acre, for each acre of land in the easement or right-of-way agreement; minimum \$250.00, maximum \$5,500.00; (b) market value of the land per acre - the market value of the land times the number of acres taken;

Issue		Points to Consider
	<p>(ii) First year rent</p> <p>(iii) Subsequent annual rent</p> <p>(iv) Compensation for damages</p> <p>(v) Landowner costs</p> <p>(vi) Interest on late payments</p>	<p>(c) loss of use of the land per acre;</p> <p>(d) adverse effect, inconvenience and nuisance - compensation for inconveniences related to the installation of the wellsite or pipeline. It is common to lump the value of the land and the general inconvenience together;</p> <p>(e) any other costs which the landowner may raise.</p> <p>The compensation in the first year will likely take into consideration the market value of land plus the other factors described above.</p> <p>The annual rent for following years will only likely take into consideration use, adverse effect and any other considerations. Annual rent for following years usually only applies to a wellsite, although may soon more commonly apply to pipelines.</p> <p>A clause may be inserted into the Agreement to deal with compensation for any damages occurring as a result of the company's activities including damage to crops, machinery, livestock, fences, buildings or other improvements on the landowners land.</p> <p>The landowner may also wish to have the company provide a reasonable sum to compensate the landowner for legal and/or consultation costs as well as the landowner's time in respect to matters relating to the Agreement.</p> <p>The landowner may also wish to have an interest rate set to apply to all late compensation payments made by the company.</p>
5. Construction and Maintenance		<p>The landowner should specify that the company construct and maintain the wellsite or pipeline in a good and workmanlike condition and in accordance with Alberta Environment requirements to minimize environmental impact.</p>
6. Topsoil		<p>The Agreement should specify that the company will conserve all topsoil in a good and workmanlike manner having regard to existing conservation practices under the <i>Conservation & Reclamation Reg.</i> (Alta. Reg. 115/93) and the EPEA, RSA 2000, c. E-12. The landowner may also want the company to store the topsoil on the lands to prevent erosion or contamination of the topsoil.</p>

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7. Drainage		<p>The Agreement should prevent the company from obstructing or impeding the natural drainage of the land adjacent to the wellsite or pipeline. Also, the Agreement should provide that the company will construct or maintain any culverts and other structures to ensure the unimpeded flow of water through natural drainage courses to the landowner's reasonable satisfaction.</p>
8. Fencing		<p>The Agreement should require the company to construct and maintain any fences, locking gates or other works necessary on the land to ensure the safety and prevent straying of livestock during the construction process.</p> <p>If the company needs to move or tear down any of the landowner's fences, the company should be required to replace the fences in substantially the same condition and location as existed prior to removal. Alternatively, the landowner may wish to be compensated for the reasonable costs of repairing or replacing any fences.</p> <p>In the case of a wellsite, the fences should be complete before construction and should be of a permanent nature to prevent trespass into the wellsite. The fences should be in good and substantial condition and all repairs should be promptly completed by the company.</p> <p>The company should also bear responsibility for promptly closing all gates upon the point of entry to the premises.</p>
9. Roadway		<p>Should any roadway be constructed by the company, it should be constructed to a low profile (unless topography dictates otherwise) and if graveled to be topped with rock particles of less than 2 inches in diameter.</p>
10. Weeds	<ul style="list-style-type: none"> (i) General (ii) Soil sterilant (iii) Cleaning of machinery 	<p>The Agreement should provide that the company will prevent obnoxious, nuisance and restricted weeds from growing on or along the subject premises.</p> <p>In its control of all weeds on the subject premises, the company will not use soil sterilant without the written consent of the landowner.</p> <p>The landowner may also wish to have the company wash and clean all machinery, equipment and vehicles prior to entry on the subject premises to prevent the spread of weed seeds and other polluting substances or materials.</p>
11. Seeding		<p>The landowner may wish to have the company prepare adequate cultivated seed beds or plant a certified seed and establish satisfactory perennial growth on or along the subject lands, workspace or any other area that was disturbed or damaged by the company's activities.</p>

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12. Trees		If applicable, the landowner may wish to have the company identify any trees that need to be removed on or along the subject lands and have the company salvage any timber logs, posts or firewood in a manner agreeable to the landowner. The landowner may want to include a penalty for trees that are cut or damaged without the landowner's prior consent.
13. Drilling		In relation to a wellsite, the landowner should insist that the company not drill any water well on the premises without the landowner's prior written consent. Furthermore, both before and after drilling, the landowner should insist that the company properly sample any water wells and water bodies on or near the property and provide the landowner with a certified analysis.
14. Hazardous Substances		The landowner should insist that the company not dispose of any fluids, toxic chemicals, hazardous substances, radioactive material, rocks and/or garbage on the lands or the leased premises without the landowner's prior written consent.
15. Test Flaring		In relation to a wellsite, the landowner should inquire of any alternatives to test flaring such as a high-efficiency incinerator. Should flare testing be necessary, the landowner should negotiate the length of the tests and under what conditions they will be carried out, such as requiring the company to monitor air quality during the flare testing. Furthermore, the landowner may wish to negotiate compensation for any expenses the landowner may incur such as leaving the premises during the time of the test flaring.
16. Removal of Debris		In the case of a pipeline, the landowner may wish to have the company remove all stumps, rocks, roots and other debris from the right-of-way to the landowner's satisfaction, after the pipeline construction is completed.
17. Above Ground Installation		Should any above ground installation be required, the landowner may wish to have the company construct the above installation in an area where it will cause the minimum inconvenience to the landowner's operations and subject to the landowner's prior consent. Any above ground installation should be adequately marked and secure the installation so it is clearly visible to the landowner and its employees. Furthermore, the landowner may wish to negotiate annual compensation for any of the above ground installations

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18. Indemnity		The Agreement should provide for an indemnity clause by which the company will indemnify the landowner from liabilities, damages, costs and actions associated with the construction, operation and maintenance of the wellsite or pipeline.
19. Surrender and Reclamation	<ul style="list-style-type: none"> <li data-bbox="457 449 760 709">(i) Reclamation certificate <li data-bbox="457 720 760 905">(ii) Abandonment or removal <li data-bbox="457 915 760 1073">(iii) Pre-construction assessment report 	<p>The Agreement should specify the conservation and reclamation obligations to be undertaken by the company. Reclamation should occur in a timely fashion and in accordance with proper reclamation and farming practices. Should the landowner wish to include reclamation obligations beyond the requirements of Alberta Environment, these should be negotiated and provided for in the Agreement.</p> <p>In relation to a pipeline, the landowner may wish the Agreement to provide that the pipeline will be removed after abandonment, if possible. Otherwise, the obligations required pursuant to the obtaining of a Reclamation Certificate will generally allow the company to abandon buried pipeline in place.</p> <p>The landowner may also wish to insist that the company provide a pre-construction assessment report which provides a basis of comparison for future reclamation work.</p>
20. Dispute Resolution		The Agreement should set the parameters for the resolution of any dispute which arises between the parties. The landowner may wish include an arbitration clause which allows disputes to be settled under the <i>Alberta Arbitration Act</i> , and without going to court. The landowner may also wish for the Agreement to provide that the company will pay the costs of the arbitration.
21. Notification		The landowner may wish to be immediately notified by the company if there is a leak, spill or other environmental concern associated with a well or pipeline and negotiate any additional compensation for damage. Standards for dealing with leaks and spills are governed by Alberta Environment and the ERCB, however, the landowner may wish to negotiate additional provisions.
22. Temporary Work Space		The company may require temporary work space in order to construct its works. This should be the subject of a separate agreement between the parties, along with appropriate compensation.