

## Minimum Rules for the Examination and Review of Oil and Gas Leases

### A. Remuneration:

Royalty Clause :

1. 3/8<sup>th</sup> (37.5%)
2. Definition of proceeds
3. Accounting and Audit for gas and oil proceeds
4. Sale without removal of the gas
5. No insider dealing and no self dealing, indirect or direct by lessee or well owner

Signing Bonus: \$300 per Acre

Annual delay rental payments: \$ 25 per Acre

Free Gas:

1. Total cubic feet per year
2. Payment for unused free gas
3. Cost and responsibility for pipes and regulators
4. Front End or Hind End of lease period
5. Trust Fund for maintenance

Compulsory Integration (Guaranteed 1/8<sup>th</sup> without a lease, chance to get additional 7/8<sup>th</sup>) vs

Royalty Clause

1. 7/8<sup>th</sup> rule vs. Royalty Clause

### B. Use of the Property:

1. Use of Surface
  - a. Siting of Well
    - \* size of site
    - \* placement of site
    - \* maintenance of site
  - b. Roads
  - c. Pipelines: John Lacey of Ag & Markets
  - d. Equipment
  - e. Waste
    - \* pollution
    - \* disposal or keeping on site
  - f. Reclamation
  - g. Storage
  - h. Release of Surface Rights around Improvements
  - i. Damage
    - \* to remaining resources
    - \* to improvements
  - j. Soil and soil hydrology
2. Use of Subsurface
  - a. Waste
  - b. Storage
  - c. Damage to other resources
3. Use of Resources:
  - a. Water
  - b. Gravel
  - c. Timber
  - d. Electricity
  - e. Gas and Oil
  - f. All other resources

### C. Legal:

1. Grant
    - a. Lease vs contract
    - b. Mortgage rights
  2. Indemnifications
  3. Force Majeure
  4. Assignments
    - a. Continuing Liability
    - b. Proportionate payment according to acreage if Lessee sells leases
  5. Title
  6. Contract and Lease
    - a. Fiduciary
    - b. Eviction
    - c. Statute of Limitations
  7. Disputes:
    - a. Venue
    - b. Choice of Law
    - c. Jurisdiction
    - d. Arbitration
    - e. Litigation
    - f. Attorney Fees
  8. Unitization
  9. Government Regulations
  10. Taxes
  11. Engineering: Calibration of Meters and No by-pass of the meter
- ### D. Expiration and Termination
- a. Length of Term
  - b. Causes of termination
  - c. Surrender of Lease
  - d. Drill or Surrender Clause

**R** Remuneration  
**U** Use of the Property  
**L** Legal  
**E** Expiration and Termination

**Note: This process must be done in series. Do not proceed to the next step until the previous step has been fully negotiated.**