

QUESTIONS YOU MIGHT WANT TO GET ANSWERED BY THE DEVELOPER BEFORE SIGNING A GAS & OIL LEASE

(Ask for these questions to be answered *in writing*)



Where will the well pad site be? How big will it be?

How many gas wells are planned for this pad?

Is there potential for additional pad sites to be placed on or near my property?

Will the company agree to limit the # of pads on my property to the spacings allowed by law at the time the lease is signed?

Will the gas company grant more than the setback distance from my home/water source that is set as a minimum by current state law or county ordinance?

Besides the well, what other equipment will be installed on the pad site?

What measures will be taken to keep the pad site clear of weeds, trash, and extraneous vehicles/equipment?

What is the anticipated life term for this pad site? Will the well be capped if inactive?

When will the well pad site be restored to its original condition? Is bonding for this?

Will fresh (potable) water be trucked in and wastewater trucked out from this pad site?

Will the well/s be drilled conventionally (vertically) or unconventionally (diagonally or horizontally)?

How many trucks will access this pad site during the drilling, and for how many days?

What access route will company trucks use across my property? How often after drilling?
If company trucks will use my driveway or established road on my property, will the company sign a road maintenance agreement for regular upkeep?

Will the company limit the non-emergency access to my property for its employees and subcontractors to daylight hours? To what hours, on what schedule?

Who is responsible for damage to my property in case of an accident involving gas extraction activities?

What baseline water and air monitoring will the company undertake before drilling?

Will the company accept a clause requiring that drilling muds and “produced” fluids that come up from the boreholes be removed from my property (agree not to establish a reserve pit on my property)?

If there *is* to be a reserve pit associated with this pad site, who would monitor it and the soil containing it, and on what schedule?

How is soil surrounding the drill pad site protected from contaminants used during drilling? From herbicides used to keep pads weed-free?

Southwest Idaho has radioactivity in its soil. How is disturbed radioactive soil going to be tested for?

Is the company required to submit a soil remediation plan for my property in the event of soil contamination? How/where is contaminated soil to be disposed of?

Will the company guarantee that deep well injection of wastewater will not be carried out on my property?

What about flaring? What fire-suppression equipment does the company keep at the site?

Is there an existing pipeline associated with this pad site? If not, will one be built across my land? Will it be on the surface or buried, and at what depth?

Will the pipeline company need to access my property? If so, where, for how long/how often, and on what schedule?

Will there be a compression station associated with this pad site? If not, will there be a compression station within one mile of my home? What air quality monitoring is done?

What new noise levels will there be within my hearing range during drilling and afterwards, both during the day and at night? How will noise levels be tested? Will the company agree to shield noise-producing equipment if it is a nuisance to me and reduces my property values?

What new lighting will there be on my property at night? Will the company agree to shield it from being directed toward my house and any animal compound?

Will dust or odors be factors in drilling and whatever activities will come afterward?

If I rent my home/land, how will the gas company interface with the renters?

QUESTIONS YOU MAY WANT TO ASK A LAWYER AND/OR TAX ATTORNEY BEFORE SIGNING A GAS & OIL LEASE



Questions for a lawyer:

When I lease my minerals, what does that include? Am I leasing more than just natural gas? Can I lease *only* my natural gas?

When do my remaining gas/minerals belong to me again?

Once I sign a lease, when do the terms of the lease expire? Isn't a 5-year lease that can be automatically extended by the gas company really a 10-year lease?

If the gas company chooses not to produce the gas in the well associated with my property for market reasons, or any other, will that automatically extend the term of the lease?

If the production of this well ceases for a period of time, will the well be capped and the pad site restored? What period of non-production will trigger capping/restoring? What sort of bonding should I expect the company to maintain to cover this?

As the mineral owner, am I protected from legal action in case of an accident caused due to company activities?

Is there a "hold harmless" clause in my contract that prevents me from holding the gas company accountable for harms to my home, water source, air, health, or property values that their activities might cause?

If I sign a lease after being "force-pooled," what rights and liabilities do I take on?

Questions for a tax preparer/attorney:

Are my royalty checks and any signing bonus I receive subject to income tax? As unearned income? What effect will this have on my tax debt overall?

What monies received by the company will be subject to the extra 1% property tax by the county?

Will I be taxed annually on the potential value of my minerals, through property and school taxes?

Will I be obligated to pay this tax only on *produced* gas and not on gas flared away?

PROPERTY DEVALUATION: THANKS TO GAS & OIL DEVELOPMENT

[From: <http://www.fwwweekly.com/2006/11/29/drilling-through-peace-and-property/>]

"Carl Fors wanted out. The noise and vibration from the gas well behind his house were enough to make the plates in his cupboard bounce. The repeated loud screeches at night – like fingernails scraped down a chalkboard – sometimes made sleep impossible. A neighbor in the Chapel Creek area on Fort Worth's western border described it as a piercing alarm clock that started going off in the middle of the night, but one that you couldn't shut off. The worst noises stopped when the drilling was completed, but trucks and other heavy equipment operating on the well site continued to be a problem. Then they started building the gas compressor station several blocks away, which eventually added the powerful hum of its huge turbines to the noise. ...**So Fors called a real estate agent to put his house on the market. The person wasn't interested. He called another one with the same result...**

*"There's a house for sale across the street from me, but no one's even looking at it," Sandra Wood said. 'They look at the house and at the things towering over the houses, and they just drive away.' Try calling the city and asking them to pay to repair tires and shock absorbers ruined by hitting crater-sized potholes created by the trucks hauling pipes, rigs, and water on streets that weren't meant to bear such loads. ... 'The trucks are coming in and out all night. And the lights are so bright...' [Another resident] said one lot next to a drilling site was formerly valued at \$75,000 but is now listed as being worth \$1... **'Your neighborhood is forever changed.'***

"...What would happen if every property owner affected by drilling began hiring lawyers to protest... appraisals and forcing...reductions [as one split estate landowner in TX did]? The impact on local government budgets could be extraordinary."

Appraised value has nothing to do with inability to sell a home, only with prices that nearby homes have sold for. (And eventually the appraised values go down, when people are forced to sell for a fraction of what their property used to be worth.)

[From: <http://www.dallasnews.com/incoming/20100918-Drilling-can-dig-into-land-value-9345.ece>]

"One year to the day after a company set up its drilling rigs on their land in eastern Wise County, Tim and Christine Ruggiero confirmed the depth of their loss. Originally on the 2010 tax rolls for \$257,330, their home and 10-acre horse property are now worth \$75,240.

"...Said Patsy Slimp, a...former real estate agent: 'I could not sell this house in a clear conscience.' ...An independent appraiser based in Denton valued the family's home in December at \$78,000 – after one large spill of drilling mud but before a litany of other environmental problems began."

[From: <http://ecowatch.com/2013/11/13/fracking-american-dream-drilling-decreases-property-value/>]

"A study conducted by researchers at Duke University found that the risks and potential liabilities of drilling outweigh economic benefits like lease payments and potential economic development in Washington County, PA. Even though lease payments can add overall value to homes with wells drilled on them, the possibility of contaminated water decreases property value by an average of 24 percent. The boost that comes from signing a lease offsets the increases, leaving a net decrease in value of 13%."

*"Boulder, CO, real estate agent Nanner Fisher, who has lived in the area since 1983, told the *Boulder iJournal* that selling properties near drilling operations is difficult. **'For the most part, if there is a well that's visible when you show a property, [the prospective buyer] will ask to look for something else.** A lot of it is the visual effect of the well site,' she said. 'And, they think if you can see it, it's gotta be close enough that it's not healthy...'"*