



**BRITISH
COLUMBIA**

Ministry of Employment
and Investment

INFORMATION LETTER

ENERGY AND MINERALS DIVISION

EMD97-17

SUBJECT: STANDARD SURFACE LEASE

A British Columbia Surface Lease Committee, including Peace Region landowners and members of the Canadian Association of Petroleum Landmen, have developed a standard surface lease. The document is marked "Endorsed by Surface Lease Committee" and is intended for use throughout British Columbia when an oil company leases private land, primarily for drilling an oil or gas well. The Committee believes that a standard document will assure landowners that they are being offered the same terms as other persons in the community.

The Energy and Minerals Division congratulates the members of the British Columbia Surface Lease Committee for this significant achievement and supports their goal of bringing a standard document into common use.

Copies of the lease document are available from:

Canadian Association of Petroleum Landmen
1900, 500 - 4th Avenue SW
Calgary, AB T2P 2V6
Telephone: Toll Free 1-800-439-7990
Facsimile: (250) 785-0644

OR

Ministry of Employment and Investment:

Regional Oil and Gas Operations
PO Box 6880
Fort St. John, BC V1J 4J3
Telephone: (250) 262-3300
Facsimile: (250) 787-3445

Petroleum Lands Branch
PO Box 9326, Stn. Prov. Gov't
Victoria, BC V8W 9N3
Telephone: (250) 932-0332
Facsimile: (250) 952-0331

Persons using the standard form surface lease document should be aware that, regardless of the terms of that document, the attached Surface Lease Regulation applies to all surface leases.

Peter Ostergaard
Assistant Deputy Minister
Energy and Minerals Division

Attachment
October 21, 1997

For further information contact:

Gerald German
Commissioner
Petroleum Lands Branch
PO Box 9326, Stn. Prov. Gov't
Victoria, British Columbia
V8W 9N3

Telephone: (250) 952-0334
Facsimile: (250) 952-0331

Petroleum and Natural Gas Act

SURFACE LEASE REGULATION

[Consolidated January 31, 1984.]

1. Every surface lease (hereinafter referred to as the "lease") that is hereafter made in respect of the rights to the surface of land other than the surface rights of Crown land shall contain, inter alia, the following terms and conditions with whatever changes in wording are necessary as to names, offices and the like:

- (a) no surface area covered by the lease shall be used for purposes other than those set out in the lease unless the grantor of the lease consents in writing to such other use;
- (b) no surface area covered by the lease shall be reduced except with the consent in writing of the grantor and grantee;
- (c) if the grantee of the lease fails or neglects to pay rentals or to make payments pursuant to the terms thereof and such default shall continue for a period of 90 days after demand therefore shall have been made, the grantor may terminate the lease;
- (d) the grantee of the lease may, upon not less than 90 days notice to the grantor, terminate the lease on or after the expiration of the second year of its term.

[Provisions of the Petroleum and Natural Gas Act relevant to the enactment of this regulation: section 31 (a)]

**LAND TITLE ACT
FORM C**

(Section 219.9)

Province of
British Columbia

GENERAL DOCUMENT

(This area for Land Title Office use)

1. APPLICATION: (Name, address, phone number and signature of applicant, applicants solicitor or agent)

Administrator

Company File No. _____

2. PARCEL IDENTIFIER(S) AND LEGAL DESCRIPTION(S) OF LAND:

Parcel Identifier(s) and Legal Description(s) of Land:

3. NATURE OF INTEREST:*

**DESCRIPTION
INTEREST**

DOCUMENT REFERENCE
(page and paragraph)

PERSON ENTITLED TO

Surface Lease with
Right of Renewal
Part on Plan _____

Entire Document

TRANSFeree

4. TERMS: Part 2 of this Instrument consists of (select one only)

- (a) Filed Standard Charge Terms
- (b) Express Charge Terms
- (c) Release

D.F. No.

Annexed as Part 2

There is no Part 2 of this Instrument

A selection of (a) includes any additional or modified terms referred to in item 7 or in a schedule annexed to this instrument. If (c) is selected, the charge described in item 3 is released or discharged as a charge on the land described in item 2.

5. TRANSFEROR(S):*

6. TRANSFEREE(S): (Including occupation(s), postal Address(es) and postal code(s))

7. EXECUTION(S):** By Signing this document you are affecting the land in the manner described in item 3.

Officers Signature(s)

Execution

**Date Transferor
Party(ies) Signatures(s)**

Y / M / D

As to all Signatures

/ /

Address of Officer

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1979, c. 116, to take affidavits for use in British Columbia and certifies the matters set out in Part

5

of the *Land Title Act* as they pertain to the execution of this instrument.

- * If space insufficient, enter "SEE SCHEDULE" attach schedule in Form E.
- ** If space insufficient, continue executions on additional page(s) in Form D.

PART 2

TERMS OF INSTRUMENT

PROVINCE OF BRITISH COLUMBIA

SURFACE LEASE

“Endorsed by
Surface Lease
Committee”



C.A.P.L.
1997

This Agreement made this _____ day of _____, _____

BETWEEN:

(hereinafter called the “Owner”)

AND:

(hereinafter called the “Company”)

WHEREAS:

A. The Owner is the registered owner (or entitled to become the registered owner under an agreement for sale, unregistered transfer, or otherwise) of and in that parcel of land in the Province of British Columbia described as:

Parcel Identifier:

Description:

(the “Lands”)

B. The Owner has agreed to grant an option to lease a portion of the Lands on the terms set out herein.

OPTION TO LEASE

1. In consideration of the sum of \$ _____ (_____), the Owner grants to the Company:

- (a) An Option to Lease that part of the Lands described either:
 - (i) as shown outlined in bold on the sketch attached hereto; provided however, that in the event that the Company registers a reference plan of the Leased Area shown on the attached sketch, the Company shall complete Subclause (a)(ii) below, and in such event the description of the Leased Area in Subclause (a)(ii) shall supersede and replace the description in this Subclause,
 - or
 - (ii) as shown on a reference plan in the Land Titles Office at Prince George, British Columbia, as Plan Number _____, which area corresponds to the sketch attached hereto outlined in bold (the "Leased Area") for a term of 20 years commencing on the date of execution of this Agreement for any and all purposes as may be necessary or incidental for the exploration, development, production and storage of petroleum, natural gas, related hydrocarbons and substances and admixtures produced in association therewith, abandonment and restoration, as is necessary for the operation and maintenance of the Company's undertaking.
- (b) the right to enter upon the Lands and conduct land surveys for the purpose of surveying the Leased Area.

2. This Option may be exercised within 180 days of the date hereof by delivery to the Owner of a cheque made payable to the Owner in the sum of \$ _____ (\$ _____) for damages to the Leased Area, inconvenience and disturbance to the Owner, signing consideration, and Annual Consideration, which includes loss of use and severance of the Leased Area. No further documentation is required to be executed or delivered by the Company to confirm the exercise of the Lease.

LEASE TERMS

Annual Consideration

3. The Company shall pay to the Owner as annual consideration in advance the sum of \$ _____ (the "Annual Consideration") commencing on the first anniversary date of the signing of this Lease and continuing on each anniversary date for the term of the Lease.

Use

4. The Annual Consideration shall include use of the Leased Area by the Company for the drilling and operation of a single well or a substitute well if required by the Company. Before a change in use is implemented, the Owner must be notified.

For the purposes of this clause, a change in use shall include:

- (a) development of an additional well (other than a substitute well);
- (b) construction and operation of a multi well satellite, battery or other structure servicing numerous wells, or the removal of such operations;
- (c) construction and operation of compressor facilities, or the removal of such facilities;
- (d) construction and operation of a plant or processing facility or the removal of such facilities;
- (e) construction, operation or servicing of additional facilities using existing access roads.

If a change in use of the Leased Area results in an adverse effect on either party to this Agreement, then that party shall have the right to renegotiate the Annual Consideration by serving written notice upon the other. The notice shall include the specific change of use and a proposed Annual Consideration believed to be fair in the circumstances. The change in Annual Consideration will be effective as of the next anniversary date of the Lease. Renegotiations under this clause shall not apply if the next anniversary date is the date upon which the Annual Consideration is reviewed in accordance with Section 19 of this Lease.

5. The Company shall operate and maintain the Leased Area in accordance with good oil field and environmental practices.

Fencing

6. If reasonably required and requested by the Owner, the Company shall erect on the boundary of the Leased Area or part thereof, a good substantial fence and livestock guard or gate. The Company shall replace any existing fences it has moved for its purposes and repair all fences which it may damage. The Company shall ensure that its agents and servants close and lock all gates as required by the Owner.

Topsoil

7. The Company shall conserve the top soil in accordance with good oil field, environmental and farm practices, and the applicable legislation.

Weed Control

8. The Company shall be responsible for the general maintenance and weed control of the Leased Area. Soil sterilants may be used only with the consent of the Owner in writing, and only in accordance with applicable legislation.

Roadways

9. All roadways on the Leased Area shall be used only for the rights granted, and the Owner or his authorized agents shall have free access to the Leased Area to gain access to adjacent lands, provided that such use shall be at the Owner's or his agent's sole risk and the Owner or his agent shall be responsible for any damage caused by such use, normal wear and tear excepted.

Taxes

10. The Company shall promptly pay and satisfy all taxes, that may be assessed or levied against the Leased Lands as a result of its use and occupation of the Leased Lands.

11. If the Owner is a non-resident of Canada, the Owner agrees that the Company may deduct income, withholding or other taxes from any payment to the Owner in compliance with the provisions of the Income Tax Act, tax agreements or treaties or other statutes of Canada or its Provinces as are from time to time enacted and amended, whereupon the timely remittance by the Company of the balance of the payment to the Owner shall be deemed to constitute full performance by the Company in respect of such payment.

Discharge of Encumbrances

12. The Company may, at its option and with the Owners consent, pay any taxes, which may be assessed against the Lands from time to time if the Owner is about to forfeit title pursuant to Province of British Columbia Tax Act. The Company shall set off the amounts so paid against any sums payable to the Owner by the Company under the terms of this Lease.

Removal Equipment and Material

13. At all times during the term or any renewal of this Lease, the Company shall have the right to remove from the Leased Area all equipment and material of every kind which it may have placed in, on or under the Leased Area.

Early Termination

14. Provided the Company is not in default, the Company shall have the right to surrender and terminate this Lease at any time on or after the expiration of the second year of the term, and upon not less than 90 days written notice to the Owner. In such event, there shall be no refund to the Company of any rental which may have been paid in advance.

Abandonment and Restoration

15. Prior to abandoning the Leased Area, the Company shall remove all above ground equipment and all excavations shall be filled in, in compliance with the existing regulations. The Company shall restore the Leased Area to the same condition that existed immediately prior to the Company's entry, to the extent that it is reasonably practicable to do so.

Compensation for Damages

16. The Company shall pay to the Owner compensation for damages suffered by the Owner to that portion of the Lands which are not included in the Leased Area as a result of the actions of the employees, servants, agents or contractors of the Company. Damage may include damage to livestock, growing crops, fences, buildings, or other improvements of the Owner, upon the Lands outside of the Leased Area.

Indemnification

17. The Company indemnifies and saves harmless the Owner from any and all liabilities, damages, costs, claims, suits, or actions arising out of the Company's operations, now or in the future on the Lands and the Leased Area save and except liabilities, damages, costs, claims, suits, or actions arising out of the gross negligence or willful misconduct of the Owner, its agents, servants, employees, or contractors.

Quiet Enjoyment

18. The Owner warrants that he has good title to the Lands, has full power to grant and lease the Lands, and that the Company, upon observing and performing the promises on the Company's part and is not in default, shall peaceably possess and enjoy the Leased Area and the rights granted during the term of this Lease and any renewal without any disturbance or interruption from the Owner.

Review of Annual Consideration

19. Notwithstanding anything contained in this Lease to the contrary, upon the request of either party the amount of Annual Consideration payable shall be subject to periodic review as provided for in the applicable legislation.

Default

20. The Company shall not be in default in the performance of any of its obligations under this Lease, excepting the payment of Annual Consideration, unless the Owner has notified the Company either by a telephone call, which must be followed up by written notice that includes the date and time of the telephone call or only by written notice of such default, and the Company has failed to commence meaningful actions to remedy the same or to deny the default.

In the event the default relates to the late payment of Annual Consideration, the Company is in default without notification from the Owner. The damages payable for late payment of Annual Consideration shall be the rate determined in accordance with the Province of British Columbia Court Order Interest Act, effective the date the Annual Consideration was due.

Assignment

21. The parties may delegate, assign, or convey to other persons or corporations any of the powers, rights, and interests granted by this Lease, and may enter into all agreements or contracts and perform all necessary acts to give effect to the provision of this clause. The assigning party shall provide written notice within 30 days to the other of any assignment, or conveyance of this Lease.

Renewal

22. If the Company is not in default, the term of this Lease shall be automatically extended for a further twenty year term. All clauses and amendments, including this renewal clause, shall continue in effect for the renewal term.

Time

23. Time is of the essence.

Notices

24. All notices must be in writing. Notices may be delivered personally, faxed or by letter addressed to the party to whom the notice is to be given. Any such notice shall be deemed to be delivered to the addressee ten days after mailing by prepaid regular mail, or three days after transmission of fax.

Addresses

25. Unless changes by written notice, the addresses of the parties are:

Company

Fax:

Telephone:

Owner:

Fax:

Telephone:

Severability

26. The invalidity or unenforceability of the whole or any part of any clause of this Lease shall not affect the validity or enforceability of the whole or any part of any other clause or the remainder of such clause.

27. The headings of the clauses of this Lease have been inserted for reference only and do not define, limit, alter or enlarge the meaning of any provision of this Lease.

Enurement

28. This Lease shall enure to the benefit of and be binding upon the Owner, his heirs, executors, successors and assigns and upon the Company, its successors and assigns.

Entire Agreement

29. This Lease constitutes the entire agreement between the parties. Any additional terms or conditions shall be attached as Schedule A and shall form part of this Lease.

IN WITNESS WHEREOF the parties hereto have executed this Lease as of the day and year first above written.

_____))
_____))
Witness _____) Owner _____)
_____))
_____))
_____))
_____))
Address _____)

The Company in the presence of: _____)
_____))
_____))
_____))
_____))
Witness _____) _____)
_____))
_____))
_____))
Address _____)

