

# Colorado Cattlemen's Agricultural Land Trust

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## OIL AND GAS - LEASING

**\*\*NOTE: CCALT MUST APPROVE ANY AND ALL MINERAL LEASE AGREEMENTS AND/OR SURFACE USE AGREEMENTS AFFECTING PROPERTY THAT IS ENCUMBERED BY A CONSERVATION EASEMENT**

**\*\*NOTE: PLEASE CALL CCALT IMMEDIATELY AFTER BEING CONTACTED BY ANY OIL AND GAS LANDMAN**

*Leasing Minerals – Process for landowners who own all or a portion of the mineral rights associated with their property which is encumbered by a conservation easement held by CCALT.*

- Step 1: A landowner is contacted by an oil and gas landman about the potential of leasing his/her minerals.
- Step 2: The landowner determines if he/she would be willing to lease his/her minerals.
- Step 3(a): If the landowner desires to lease his/her minerals, the landowner should inform the landman that he/she needs to contact CCALT; at this point, the landowner should proceed to step 4.
- Step 3(b): If the landowner does not desire to lease his/her minerals, the landowner should inform the landman of that fact; at this point the issue is resolved and no further action is necessary.
- Step 4: The landowner should also contact CCALT if he/she has decided to lease his/her minerals and provide CCALT with the following information, (1) name and contact information for the specific landman who is interesting in the lease; and, (2) name of the operator whom which the landman is working on behalf of.
- Step 5(a): If CCALT is first contacted by the landowner, CCALT will explain the process for leasing minerals on a property encumbered by a conservation easement and then call the landman and explain the process to him/her. At this point, CCALT will also begin the process of determining if oil and gas extraction is allowable under the terms of the Deed of Conservation Easement that encumbers the specific property.
- Step 5(b): If CCALT is first contacted by the landman, CCALT will explain the process for leasing minerals on a property encumbered by a conservation easement then call the landowner and explain the process to him/her. At this point, CCALT will also begin the process of determining if oil and gas extraction is allowable under the terms of the Deed of Conservation Easement that encumbers the specific property.

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- Step 6(a): If the extraction of oil and gas is not allowed under the terms of the Deed of Conservation Easement, the matter is closed. CCALT will contact both the landowner and the landman to explain the situation and to inform them that extraction is not allowed and therefore a lease cannot be executed.
- Step 6(b): If it is determined that the extraction of oil and gas is allowed under the terms of the Deed of Conservation Easement, CCALT will contact the landowner and the landman to begin the official process of negotiating an oil and gas lease that adequately protects the conservation values that are being protected by the easement and that complies with the IRS rules regarding oil and gas development on a property that is encumbered by a deed of conservation easement. At this point, please proceed to Step 7.
- Step 7: CCALT will request the proposed lease and ask the landman to pay CCALT the required Third Party Review Fee. CCALT requires all third parties that desire to alter an easement encumbered property to pay a Third Party Review Fee. This fee is used to cover staff time and costs associated with the review of third party requests.
- Step 8: Once CCALT receives the proposed lease and the Third Party Review Fee, CCALT will begin to negotiate the terms of the lease agreement with the landman. CCALT is most interested in ensuring that additional reclamation standards are placed in the lease to ensure that the property is returned to its pre-disturbance state once all oil and gas operations are completed on the property. CCALT is also concerned about limiting and properly locating the well pads, production facilities, road, utilities, and other associated items that disturb the surface. CCALT **does not** engage in the negotiation of royalty payments or other financial matters. That aspect of the lease negotiations is between the landowner and the landman.
- Step 9: Once CCALT, the landowner, and the landman are satisfied with the terms of the lease, CCALT will provide written notice to the landowner that they can execute the lease agreement. No lease agreement can be executed without the prior written approval of CCALT.

The process of executing a lease on an easement encumbered property can take anywhere between a couple of weeks and an entire year. On average, most lease agreement negotiations are completed in approximately two (2) months. The next step in this process occurs when the operator begins the process of submitting drilling permits to the state to drill on the property. At this point, the operator must execute a surface use agreement with the landowner. CCALT will work with the landowner and the operator on the development of the surface use agreement in a similar fashion as was undertaken to develop the lease agreement.