

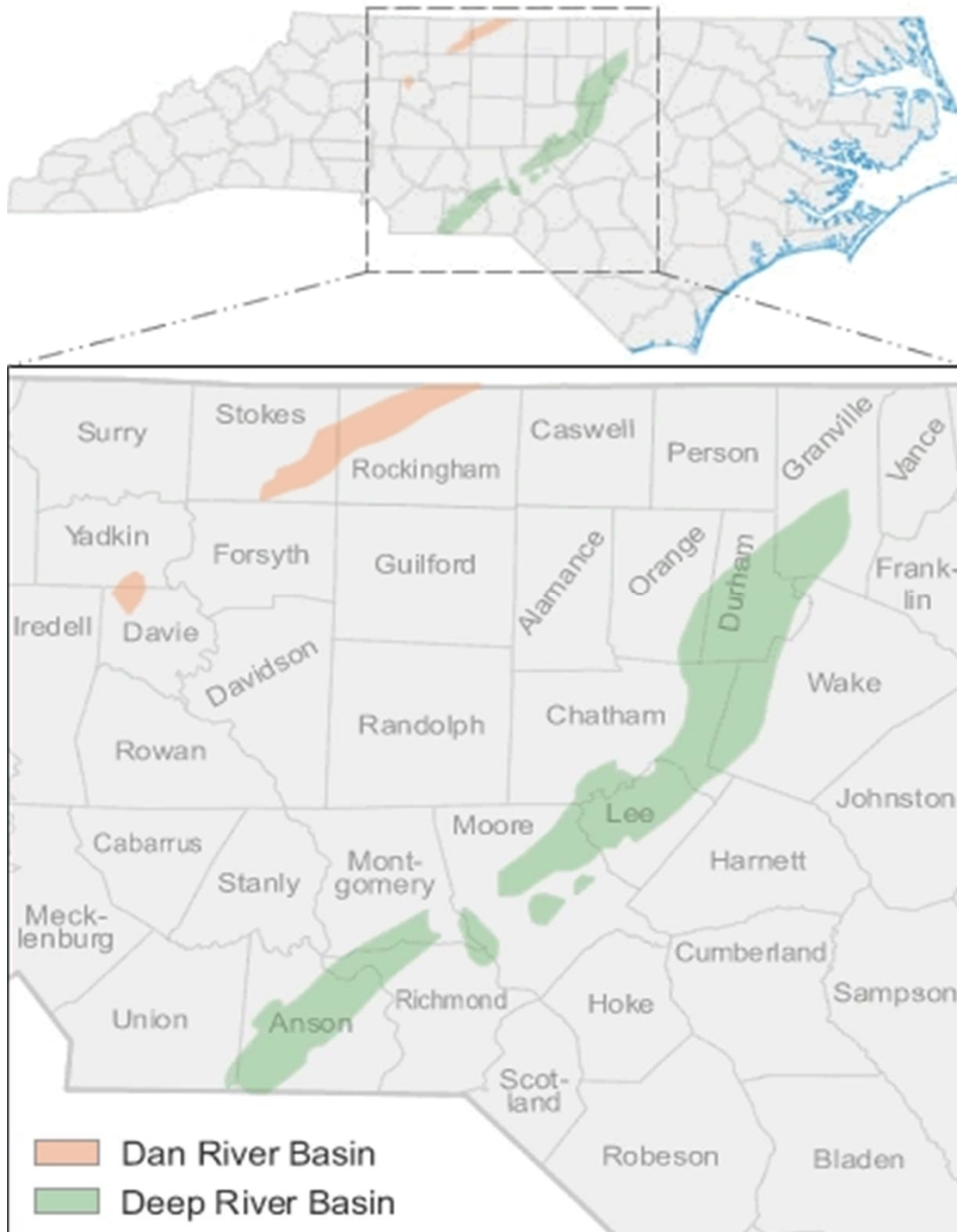
# Mineral Rights Leasing in North Carolina



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Triassic Basins of North Carolina



- Mineral Rights contract defines the relationship between the landowner and the drilling company
- Determines all payment terms, drilling phases, & activities of gas companies on landowner's property
- Concerned that current leases lack adequate landowner property protections

# Predatory Mineral Rights Leases: Compensation

- NC leases offer landowners little compensation
  - \$1 - \$20,000 per acre bonus payments in other regions.
  - \$1 - \$25 per acre bonus payments in North Carolina
- Minimum Royalty Payments of 12.5%
- Abnormally long drilling phases
  - Typical Primary drilling phase 3-5 years
  - NC leases 15-20 years, start date unclear
  - Delays landowner royalty compensation and limits landowner ability to negotiate lease with

# Predatory Mineral Rights Leases: Landowner Liability

- Few landowner protections that limit financial risk and legal liability for landowners
  - Landowner payment for infrastructure development
  - Liability for damages from accidents and spills to landowner property
  - Leasing impacts on property value and eligibility for mortgage application
  - Leases are often transferred to other companies without landowner consent or notification
  - Notification before entering landowner property

# Predatory Mineral Rights

## Leases:

### Land Impacts

- Few landowner protections that limit land impacts and damages to landowner property
  - Lack of compensation for impacts to land and water resources such as agricultural fields, timber, or family water wells
  - No minimal set-back requirements for drilling infrastructure
  - No compensation for water withdrawals on landowner property
  - No reclamation requirements for drill-site after extraction has ceased

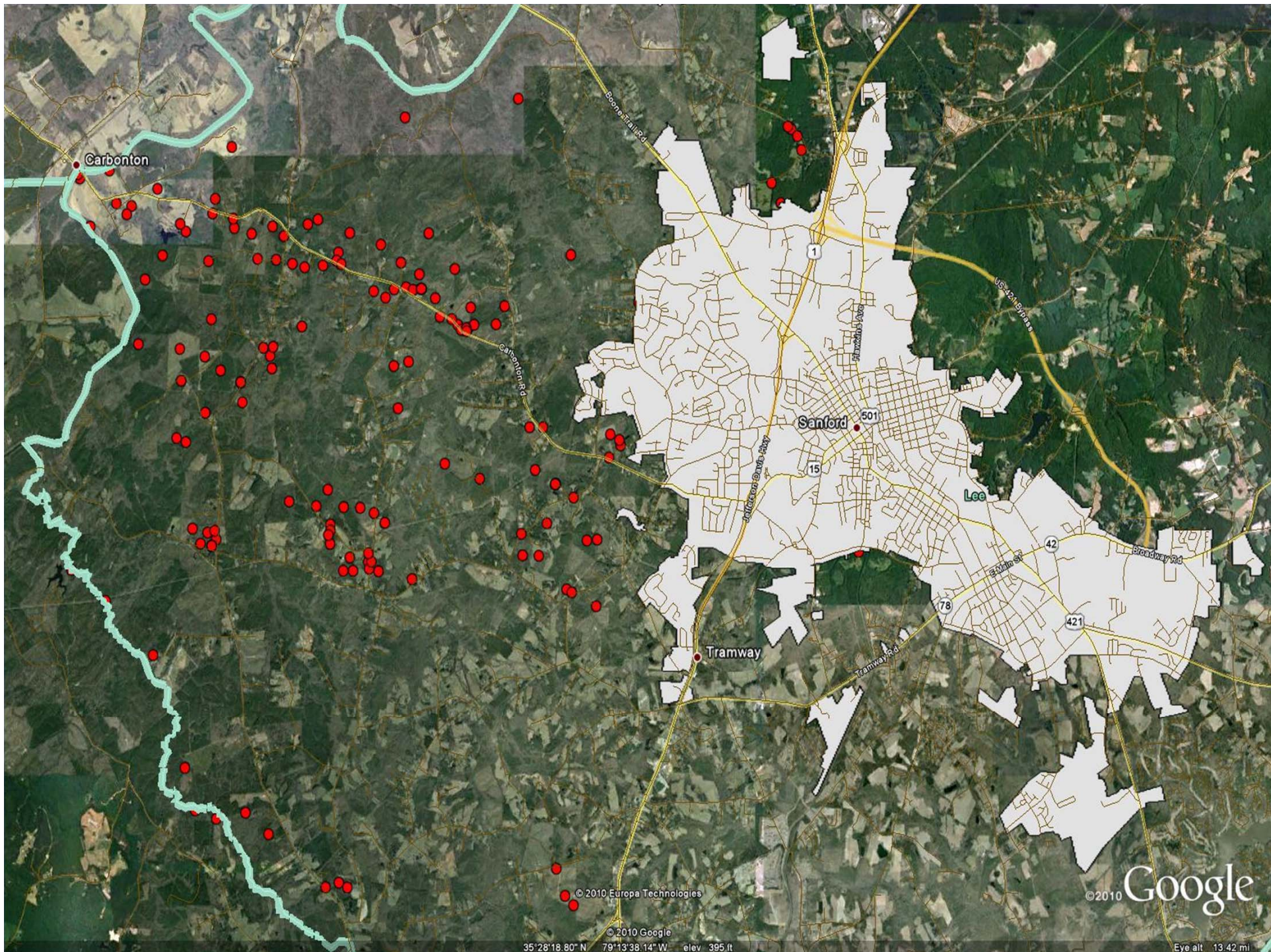
# Split Estates

- Occur when surface-estate and mineral-estate are “split”
- Few rights for surface-estate owners who do not own their mineral rights
  - Not involved in leasing process
  - Notification
  - Influence location of drilling infrastructure
  - Compensation for damages
- ~ 5,800 acres of Split Estates in Lee county

# Potential Impacts on Farms

- Development of access roads and pipelines through crop fields, timber resources, or livestock pasture
- Spillage of fracking fluids or toxic waste water on agricultural lands
- Increased erosion from well-pad development, access roads, and increased truck traffic
- Soil compression affects crops for 3-5 years after drilling activity
- Top soil removal and top soil/sub soil mixing
- Damage to water drainage systems
- Potential impacts on water resources used for irrigation
- Possible affects on farm plan and Organic certification
- Disqualification from USDA/State cost-share/Farmland Preservation Programs & possible financial penalties







# Considerations

- Most NC landowners are unprepared to negotiate fair contracts and are not aware of risks
- Few experienced mineral rights attorneys in NC that can assist landowners with fair leases
- Few regulatory landowner protections, placing burden of protection on landowner lease
- Immediate landowner liability in leases (ex. mortgage disqualification) without immediate economic benefits (royalty payments)
- EPA is currently studying impacts of drilling, final study results out in 2014;
  - Maryland AG's office conducting multi-year study on predatory leasing issues

# Resources

- NCSU Department of Agricultural and Resource Economics
  - [www.ag-econ.ncsu.edu/gasleasing.html](http://www.ag-econ.ncsu.edu/gasleasing.html)
- Cornell Natural Gas Resource Center
  - <http://cce.cornell.edu/EnergyClimateChange/NaturalGasDev/Pages/default.aspx>
- National Agricultural Law Center
  - Renewable Energy Reading Room:
  - [www.nationalaglawcenter.org](http://www.nationalaglawcenter.org)
- Water wiki
  - [http://sogweb.sog.unc.edu/Water/index.php/Main\\_Page](http://sogweb.sog.unc.edu/Water/index.php/Main_Page)
- Penn State Agricultural Law Resource and Reference Center
  - [http://law.psu.edu/academics/research\\_centers/agricultural\\_law\\_center/resource\\_areas/natural\\_gas\\_exploration](http://law.psu.edu/academics/research_centers/agricultural_law_center/resource_areas/natural_gas_exploration)
- NC Department of Justice, consumer complaints
  - [www.ncdoj.gov/Consumer/2-2-12-File-a-Complaint.aspx](http://www.ncdoj.gov/Consumer/2-2-12-File-a-Complaint.aspx)



RAFI's Mineral Rights Lease Webpage:  
<http://www.rafiusa.org/gaslease.html>

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