



## **Administrative Report**

### **Office of the Director of Council & Community Services/Clerk**

**To: Warden McNamara and Members of County Council**

**From: Mary Birch  
Director of Council & Community Services/Clerk**

**Date: Wednesday, July 17, 2019**

**Subject: Request to Execute Oil and Gas Lease on County Property**

**Report #: 2019-0717-CCS-R005-MB**

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#### **Purpose**

To seek authorization of County Council to enter into an Oil and Gas Lease Agreement (Appendix I) for a 12.31 acre vacant piece of property, in the Town of Lakeshore, owned by the County of Essex, for a five year term.

#### **Background**

County Administration was contacted by ELS and Company, representing Demeter Farms Corp., regarding their desire to drill a well on lands which abut a small (12.31 acres) vacant parcel of land owned by the County of Essex. The County property is identified in the map in Appendix II.

As required by the Ministry of Natural Resources, it is necessary to acquire mineral leases on all properties that comprise a 50 acre drilling spacing unit in order to proceed with the drilling of a well. The County property referenced above (P.I.N. 75049-0031) is within the 50 acre drilling space for the Demeter Farms Inc. proposed well.

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### **Discussion**

The County Solicitor, Mr. David Sundin, was requested to review the proposed oil and gas lease agreement. Mr. Sundin advised that the terms and conditions of the agreement were standard for this type of agreement.

The Director of Infrastructure Services was also consulted as the County property affected is adjacent to a County Road.

Further, ELS and Company has addressed questions regarding abandoned wells and clean-up, and road widening and expropriation scenarios.

### **Financial Implications**

As provided by Mr. Sundin, the summary of financial terms of the agreement are:

- \$15.00 per acre upon registration
- \$185 per year, once the drilling commences
- 12.5% of any royalty.

### **Recommendation**

That Essex County Council authorize the execution of an oil and gas lease agreement with Demeter Farms Corp. for a property identified by P.I.N. 75049-0031.

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Respectfully Submitted

*Mary Birch*

Originally Signed by

Mary Birch Director of Council & Community Services/Clerk

Concurred With,

*Robert Maisonville*

Originally Signed by

Robert Maisonville, Chief Administrative Officer

<b>Appendix No.</b>	<b>Title of Appendix</b>
Appendix I	Oil and Gas Lease Agreement
Appendix II	Property Location Map