

LEASE TERMS

Section 1. Right of lease.—The lessee is granted the right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits, except helium gas, in the lands leased together with the right to construct and maintain thereupon, all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the production, development, and marketing of oil and gas, and after all oil or gas is produced in paying quantities, subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto, where inconsistent with the terms of this lease. At the expiration of the initial 5-year term, an application may be made for extension of the lease in accordance with the regulation 43 CFR 192.22.

Sec. 2. The lease term:

(a) **Bonds.**—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$1 per acre annual rental, but not less than \$1,000 nor more than \$5,000, upon the issuance of any part of the leased land within the known geological structure of a producing oil or gas field. (4) To furnish prior to the beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$5,000 with approved corporate surety, or with deposit of United States bonds, as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted. (5) Until a general lease bond is filed to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In lieu of any of the bonds described herein, the lessee may file such other bond as the regulations may permit.

(b) **Cooperative or unit plan.**—Within 30 days of demand, or, if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands described herein as the Secretary of the Interior may determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) **Wells.**—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined by said Director; 2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and maintained by applicable law or by the Secretary of the Interior; and 3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practices.

(d) **Rentals and royalties.**—(1) To pay rentals and royalties in amount or value of production removed or sold from the leased lands as follows:

Rentals.—To pay the lessor in advance an annual rental at the following rates:

(a) If the lands are wholly outside the known geologic structure of a producing oil or gas field:

(i) For the first lease year, a rental of 50 cents per acre or fraction thereof, if the lands are in Alaska, 25 cents per acre or fraction thereof.

(ii) For the second and third lease years, no rental.

(iii) For the fourth and fifth years, 25 cents per acre or fraction thereof.

(iv) For the sixth and each succeeding year, 50 cents per acre or fraction thereof, or if the lands are in Alaska, 25 cents per acre or fraction thereof.

(b) If the lands are wholly or partly within the known geologic structure of a producing oil or gas field:

(i) Beginning with the first lease year after 30 days notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands leased, \$1 per acre or fraction thereof.

(ii) If this lease is committed to an approved unit or cooperative plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, the rental prescribed for allocation of the respective lease years in subparagraph (a) of this section shall apply to the acreage not within the participating area, except that the rental for the second and the third lease years for such acreage shall be 25 cents per acre or fraction thereof.

Minimum royalty.—Commencing with the lease year beginning on or after a discovery on the leased land, to pay the lessor in lieu of rental, a minimum royalty of \$1 per acre or fraction thereof at the expiration of each lease year, or the difference between the actual royalty paid during the year if less than \$1 per acre, and the prescribed minimum royalty of \$1 per acre, provided that if this lease is utilized, the minimum royalty shall be payable only on the participating acreage as provided in subparagraph (b) (ii) above.

Royalty in production.—To pay the lessor 12½ percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (30 CFR Pt. 221). Provided, however, that if this lease covers lands in Alaska and the lessee drills and makes any geological structure, the royalty on all production hereunder shall be a minimum of 12½ percent. If this lease is committed to an approved unit or cooperative plan under which such a discovery is made, the 5 percent rate for 10 years following such discovery shall, for the purpose of computing royalty due the United States, inure to the benefit of all the land to which an allocation is made under such plan.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any oil, oil, gas, natural gasoline, and other products obtained from oil and gas production being given to the highest price paid for a part of, or for a majority of production of like quality in the same field, to the price received by the lessee, to paid prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be paid monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises, where produced, without cost to lessee.

GENERAL INSTRUCTIONS

1. This offer must be filed in on a typewriter or printed plainly in ink and must be signed in ink.

2. This form to be used in offering to lease noncompetitively public domain lands or oil and gas deposits reserved to the United States in disposing of such lands for the purpose of drilling, mining, extracting, removing and disposing of oil and gas deposits, except helium. This form should be used in offering to lease secured lands or lands on a known geologic structure of a producing oil or gas field.

3. Offers of lease may be made by individuals 21 years of age or over who are citizens of the United States, and by corporations, partnerships or associations.

4. This offer must be prepared in quintuplicate and filed in the proper land office. The term "filing" means the actual receipt of the offer in the proper land office. If the land is in a Bureau for which there is no land office, the offer must be filed with the Bureau of Land Management, Department of the Interior, Washington, D. C., 20540, 43 CFR 192.42 (b). If less than five copies are filed, the offeror will have 30 days from the date of first filing to file the other required copies, failing in which the offer will be rejected and returned to the offeror and will afford no protection.

5. The offeror shall mark one of the copies first filed at the top with the word "original." If that is not done, the manager will so mark one copy. If there is any variation in the land descriptions among the five copies, one marked "original" shall govern as to the lands covered by the lease.

6. If additional space is needed for furnishing any of the required information it should be prepared on additional sheets, initialed and attached and made part of this offer to lease, such additional sheets to be attached to each copy of the form submitted.

7. If any of the land described in item 2 of the offer is open oil and gas lease filing when the offer is filed but is omitted from the lease for any reason and thereafter becomes available for leasing to the offeror, the original lease will be amended to include the additional land, unless before the issuance of the amendment on Form 4-113, the land office receives the withdrawal of the offer as to such land or an election to receive a separate lease to be dated in accordance with 43 CFR 192.40, in which case such separate lease will be issued. If the lease is amended the rental charged and the lease term will be the same as though the added land had been included in the original lease when it was issued.

8. As an incident to the assignment of the whole interest in all or any part of the lease, the lessee may assign the whole interest in all or any part of the offer. As an incident to the assignment of an undivided fractional interest in the whole lease, the lessee may assign an undivided fractional interest in the whole offer. Applications for approval of assignments of an offer must include a statement that the assignee agrees to be bound by the offer to the extent it is assigned and must be signed by the assignee. In other instances assignments of the offer will not be approved prior to the issuance of a lease for the lands or deposits covered by said assignments.

9. The offer will be rejected and returned to the offeror and afford the applicant no protection if: (a) The land or description is insufficient to identify the lands or the lands are not entirely within a 6-mile square. (b) The total acreage exceeds 2,560 acres, except where the rule of approximation applies or is less than 640 acres or the equivalent of a section and is not within the exceptions in 43 CFR 192.42 (d). This does not apply where the total acreage is in error by not more than 10 percent. (c) The full filing fee and the first year's rental do not accompany the offer, the rental payment to be for the total acreage known and if not known, for the total acreage or the total acreage known and if not known, for each small lot or quarter-quarter section or the rental is in error by not more than 10 percent. (d) The offer is signed by an agent in behalf of the offeror and the offer is not accompanied by a statement over the offeror's own signature with respect to holdings and citizenship and by the statements and evidence required by 43 CFR 192.42 (e). (e) The offer is signed by a guardian or trustee in behalf of a minor and is not accompanied by the evidence required by 43 CFR 192.42 (e). (f) Less than five copies of the offer are filed and the copies filed are not received in the land office before the expiration of 30 days from the date of receipt of the copies first filed, or (g) 1 acre in nonconformance with item 5 (a) or 5 (e) of the Special Instructions. The offeror will be given an opportunity to file a new offer within 10 days from service of the rejection, and the fee and rental payments on the old offer will be applied to the new offer if the new offer shows the serial and receipt numbers of the old offer. The advance rental will be returned unless within the 30-day period another offer is filed.

SPECIAL INSTRUCTIONS

Item 2.—Total area of land requested should be shown in acre space provided at bottom of item 2. That area, except where the rule of approximation applies, must not exceed 2,560 acres or be less than 640 acres or the equivalent of a section except as provided in 43 CFR 192.42 (d). An oil and gas lease must be within a 6-mile square. The lands requested if surveyed should be described by legal subdivisions, showing meridian, State, township, range, and section, and if unsurveyed, by metes and bounds, computed by course and distance with some corner of the public land survey. Where possible the approximate legal subdivisions of unsurveyed lands should be stated.

Item 3.—This space is not to be filled in. When lease is issued this space will contain the identification of the leased area and total acre.

Item 4.—The total amount remitted should include a \$10 filing fee and the first year's rental of the land requested at the rate of \$5 cents an acre or fraction of an acre. The \$10 filing fee is retained as a service charge even in those cases where the offer to lease is completely rejected. In order to protect the offeror's priorities with respect to land requested, it is important that the rental payment submitted with the offer be sufficient to cover all the land requested at the rate

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space for the protection and use of the land and for which the use of the land is required, so far as may be needed, with the use of the land for the purpose of oil and gas production, or for the production of oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced or be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4)

Reduced and minimum royalties may be waived, suspended or

reduced for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(5)

Payments.

Under the order of the Bureau of Land Management, the lessor

is required to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management at the place mentioned in the regulation 43 CFR 191.13. If there is no place for the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(6)

Contracts for disposal of products.

To file with the Oil and Gas

Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased lands. Provided, that nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to waste, taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(7)

Statements, plots and reports.

At each time and in such form

as the lessor may prescribe, to furnish detailed statements showing the amounts and quality of all products removed and sold from the leased lands, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plot showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation and costs.

(8)

Well records.

To keep a daily drilling record, along, and complete

information on all well surveys, test in form acceptable to or

prescribed by the lessor of all subsurfaces investigations affecting said lands, and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph, upon the request of the lessor, shall be open to inspection by the public until the expiration of the lease.

(9)

Inspection.

To keep open at all reasonable times for the inspection

of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessor, shall not be open to inspection by the public until the expiration of the lease.

(10)

Diligence, prevention of waste, health and safety of workmen.

To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor to such miles and regulations as shall be prescribed by the Secretary of the Interior. In case the lessor elects to take the helium the lessor shall deliver all gas containing same, or portion thereof, desired, to the lessor at any point on the leased premises in the manner prescribed by the lessor for the extraction of the helium in such plan or reduction works, or that purpose as the lessor may provide, whereupon the lessor shall be entitled to the lessor with a substantial reduction in the delivery of gas produced from the well to the purchaser thereof. The lessor shall not suffer a diminution in value of the gas from which the helium has been extracted, or loss otherwise, for which he is not reasonably compensated, save for the value of the helium extracted. The lessor further reserves the right to extract, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

(11)

Taking of royalties.

All rights pursuant to section 36 of the act.

to take royalties in amount or in value of production.

(12)

Caving.

All rights pursuant to section 40 of the act to purchase

and to operate valuable water wells.

(13)

Drilling and producing restrictions.

It is agreed that the

rate of prospecting and developing and the quantity and rate of production on the lands covered by this lease shall be subject to control

by the

Secretary of the Interior in the exercise of his authority to regulate the oil and gas industry, the public interest, and the exercise of his judgment, the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or other agreements among operators regulating either drilling or production, or both. After consultation, the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the unit plan, may site or modify from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

(14)

Termination and termination of lease.

The lessee may surrender

or terminate

the lease by

giving

written

notice

to the

lessor

or to the

lessee

or to the