

## LEASE TERMS

**SECTION 1. Rights of lessee.**—The lessee is granted the exclusive 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 full enjoyment thereof, for a period of 5 years, and so long thereafter as 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 192.120.

**Sec. 2. The lessee agrees:**

(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 lands 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 inclusion of any part of the leased land within the known geologic structure of a producing oil or gas field. (4) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the amount 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 included herein as the Secretary of the Interior may then 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 sanctioned 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 practice.

(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, or 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 20 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 cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, the rental prescribed for the respective lease years in subparagraph (a) of this section shall apply to the acreage not within a 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 unitized, the minimum royalty shall be payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b) (ii) above.

**Royalty on production.**—To pay the lessor 12 1/2 percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (43 CFR Pt. 221). Provided, however, that if this lease covers lands in Alaska and the lessee drills and makes the first discovery of oil or gas in commercial quantities in any geologic structure, the royalty on all production hereunder shall be 5 percent for 10 years following the date of such discovery, and thereafter the royalty rate shall be 15 1/2 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 or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted 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 due and payable 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 lessor.

## A. 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 is to be used in offering to lease noncompetitively public domain lands or oil and gas deposits reserved to the United States in the disposal of such lands for the purpose of drilling, mining, extracting, removing and disposing of oil and gas deposits, except helium. This form should not be used in offering to lease acquired lands or lands on a known geologic structure of a producing oil or gas field.

3. Offers to 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 "Offer" means the actual receipt of the offer in the proper land office. If the land is in a State for which there is no land office, the offer must be filed with the Bureau of Land Management, Department of the Interior, Washington 25, D. C. See 43 CFR 192.42 (b). If less than three copies are filed, the offer 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 priority.

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 in furnishing any of the required information it should be prepared on additional sheets, initialed and attached and made part of this offer to lessor, such additional sheets to be attached to each copy of the form as submitted.

7. If any of the land described in Item 2 of the offer is open to 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 omitted land, unless before the issuance of the amendment on Form 4-1163, 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 charge 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 an undivided fractional interest in the whole lease, the lessee may assign an undivided fractional interest in the whole offer. Applications for assignments 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.

unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor 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) **Rentals or minimum royalties.**—Any minimum royalty may be waived, suspended or segregated 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.

(a) **Payments.**—Unless otherwise directed by the Secretary of the Interior, 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 well on 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.

(i) **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 land; *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 royalty, taking royalty in kind, and the method of computing royalties due based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(g) **Statements, plots and reports.**—At such times 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 lease, the proceeds 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.

(h) **Well records.**—To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the leased lands, and an acceptable record of all subsurface 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 not be open to inspection by the public until the expiration of the lease.

(i) **Inspection.**—To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the lessor's 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.

(j) **Diligence, preservation 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 carry on all operations in accordance with approved methods and practice as provided in the Oil and Gas Operating Regulations, having due regard for the conservation of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to coal measures or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to the lease was predicated before abandoning the same; to carry out at expense of the lessee all reasonable orders of the lessor relating to the matters in this paragraph, and that on failure of the lessor to do so the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the expense of the lessor. *Provided*, That the lessor shall not be held responsible for delays or cessation occasioned by causes beyond lessor's control.

(k) **Taxes and wages, freedom of purchase.**—To pay when due, all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil and gas products from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in lawful money of the United States.

(l) **Nondiscrimination.**—In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or reemployment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post hereafter in appropriate places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The contractor further agrees to insert the foregoing provision in all subcontractors and lessor, except subcontracts for standard commercial supplies or raw materials.

(m) **Assignment of oil and gas leases or interest therein.**—As required by applicable law, to file for approval within 90 days from the date of final execution and instrument of transfer made of this lease, or any interest therein, including assignments of record title, working or royalty interest, operating agreements and subleases, such instrument to take effect upon the final approval by the Bureau of Land Management as of the first day of the lease month following the date of filing in the proper land office.

(n) **Pipelines to purchase or convey of reasonable rates and without discrimination.**—If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating the same which may be operated accessible to the oil or gas derived from lands under this lease to accept and convey and, if a purchase of such products by the Government or of any citizen or company not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act, or under the provisions of the act of August 7, 1947 (61 Stat. 912, 30 U. S. C. see 351).

(o) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all statutory requirements and regulations thereunder, if the lands mentioned herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therefrom, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) **Reserved or segregated lands.**—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management.

## INSTRUCTIONS

9. The offer will be rejected and returned to the offeror and will afford the applicant no priority if: (a) The land description is insufficient to identify the lands or the lands are not entirely within a 4-mile square. (b) The total acreage exceeds 2,500 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 affect the total acreage in error by more than 10 percent. (c) The filing fee and the first year's rental do not accompany the offer, the rental payment to be for the total acreage or if known and if not known, for the total acreage computed on the basis of 40 acres for each smallest legal subdivision, hereinafter, where 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 statement and evidence required by 43 CFR 192.42 (e) (4). (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) (5). (f) Less than five copies of the offer are filed and the copies lacking are not received in the land office before the expiration of 90 days from the date of receipt of the copies first filed. (g) There is noncompliance with Item 5 (a) and 5 (a) of the Special Instructions. The offeror will be given an opportunity to file a new offer within 30 days from the old offer will be rejected. (h) 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.

## B. SPECIAL INSTRUCTIONS:

Item 2.—Total area of land requested should be shown in acres in space provided at bottom of Item 2. That area, except where the rule of approximation applies, must not exceed 2,500 acres or be less than 640 acres or the equivalent of a section except as provided in 43 CFR 192.42 (d). All of the land must be within a 4-mile square. The lands requested if surveyed should be described by legal subdivisions, showing section, State, township, range, and section, and if unsurveyed, by metes and bounds connected by courses and distances with some corner of the public land survey. Where possible the approximate legal subdivisions of unsurveyed lands should be stated. Space will contain the identification of the leased area and total acreage.

Item 4.—The total amount remitted should include a \$10 filing fee and the first year's rental of the land requested at the rates of 50 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 is rejected. In order to protect the offeror's priorities with respect to the land requested, it is important that the total payment submitted with the offer be sufficient to cover all the land requested at the rate

for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(a) **Protection of surface, natural resources and improvements.**—To take such reasonable steps as may be needed to prevent operations from unnecessarily: (1) Causing or contributing to soil erosion or damaging any forage and timber growth thereon; (2) polluting the waters of reservoirs, springs, streams or lakes; (3) damaging crops, including forage, timber, or improvements of a surface owner; or (4) damaging range improvements whether owned by the United States or by its grazing permittee or lessee, and upon conclusion of operations, so far as can reasonably be done to restore the surface to its former condition. The lessor may prescribe the steps to be taken and restoration to be made with respect to lands of the United States and improvements thereon.

(r) **Overriding royalties.**—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) **Deferrent payment in cases of forfeiture.**—To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. The lessor reserves:

(a) **Easements and rights-of-way.**—The right to permit for joint or several use easements or rights-of-way, including easements in tunnels, upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate for the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the leased in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) **Monopoly and fair prices.**—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) **Helium.**—Pursuant to section 1 of the act, and section 1 of the act of March 3, 1967 (44 Stat. 1387), as amended, the ownership and the right to extract helium from all gas produced under this lease, subject to such rules 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 such plan or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessor with no substantial delay. The lessor shall not suffer a diminution of value of the gas from which the helium has been separated, 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.

(e) **Taking of royalties.**—All rights pursuant to section 36 of the act, to take royalties in amount or in value of production.

(f) **Casing.**—All rights pursuant to section 40 of the act to purchase casing, and lease or operate valuable water wells.

Sec. 4. **Drilling and producing restrictions.**—It is agreed that the rate of prospecting and developing, and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating other drilling or production, etc., both. After unitization, the Secretary of the Interior, or any commission, committee, or State or Federal officer or agency so authorized in the unit plan, may alter 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.

Sec. 5.  **Surrender and termination of lease.**—The lessee may surrender this lease or any legal subdivision thereof by filing in the proper land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessor and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or