

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 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. The lessee may lease or sublease, and long thereafter, as oil or gas is produced in paying quantities; subject to any unit agreement or order of the Secretary of the Interior, or to any other provision 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 lessor agrees:

(a) **Bonds.**—(1) To file any bond required by this lease and the current regulations, and such bond is filed not to enter on the land under this lease. (2) To maintain a bond in the amount of \$1,000 for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$1 per acre annual rental, 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 a bond in the amount of \$1,000 or \$1,000 in those cases in which a bond is required by the law for the protection of the owners of surface rights. In lieu of any of the bonds described herein, the lessor 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, within 30 days of demand made thereafter, to furnish and to operate under such reasonable cooperative unit plan for the development and operation of the land, oil, or gas, 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 oil or gas on the property of the lessor, or lands which the lands leased at a lower royalty rate, or as and for which the royalties and rentals are paid into different accounts by 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 the unit or cooperative unit or production allotments as existing in the field or area in which the leased lands are located, as 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) **Rents 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, the lands are in Alaska, 25 cents per acre or fraction thereof.

(ii) 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) For 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 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 of oil or gas 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 (a) of this section.

Royalty on 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 the first discovery of oil or gas in commercial quantities in any geologic structure, the royalty on oil or gas in commercial quantities under shall be 5 percent for the first lease year and thereafter 12½ percent. If this discovery, and the minimum royalty rate shall be 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 acre of land is made under such plan.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values or purities of computing royalty on any or all oil, gas, or other products obtained from the leased lands from time to time, taking into 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.

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Unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as may be required by the lessor, but in no case shall same be required to hold such royalty oil or other products in storage beyond the last day of the calendar month 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 may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of conserving the greatest ultimate recovery of oil or gas and for the best interest of conservation of natural resources, it is 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.**—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor in the regulation 43 CFR 191.13. If there is no oil 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, such day 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 10 days after the effective date thereof any contract, or evidence of oil or gas arrangement, for the sale or delivery of oil, gas, or other products, or other products of the leased land; and to furnish 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 as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(7) **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 of all sales, and the amount used for production purposes or otherwise 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, 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 to furnish a 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.

(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, and to allow reasonable surveys and investigations on the leased lands or under the lease. 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.

(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 carry on all operations in accordance with safe methods and practices as prescribed by the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or other mineral deposits or formations containing oil, gas, or water or 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 other lease or permit upon which the right to the wells is granted before abandoning the same; to incur the expense of the lessor all reasonable orders of the lessor relative to the matters in this paragraph, and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessor's cost: *Provided*, That the lessor shall not be held responsible for delays or casualties occasioned by causes beyond lessor's control.

(11) **Taxes and wages and freedom of purchase.**—To pay when due, all taxes and other assessments levied under the laws of the State or the United States upon improvements, oil and gas produced from the lands hereunder, or other rights, property, or assets of the lessor; 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 the lawful money of the United States.

(12) **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, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment 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 conspicuous places available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the terms of the nondiscrimination clause.

The contractor further agrees to insert the foregoing provision in all subcontract agreements hereunder, except subcontracts for standard commercial supplies or raw materials.

(13) **Assignment of oil and gas lease or interest therein.**—As required by applicable law, to file for approval within 90 days of the date of first execution any instrument of transfer made by the lessor, or any interest therein, including assignments of oil and gas title, working or royalty interests, operating agreements and subleases, such instrument to take effect after the date of first 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.

(14) **Pipelines to purchase or convey at reasonable rates and without discrimination.**—If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating a pipeline, or in any pipeline operated accessible to the oil or gas on the leased lands under this lease, to accept and convey to the purchaser of such products, to purchase at reasonable rates and without discrimination the oil or gas produced by the contractor 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. 913, 30 U. S. C. sec. 351).

(15) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all state, federal, and local laws and regulations thereunder, or the laws and ordinances herein have been or shall hereafter be enacted or made of the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(16) **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

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 disposals of lands in the course 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. The 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 State for which there is no land office, the offer must be filed with the Bureau of Land Management, Washington, D. C. See 43 CFR 192.42 (b). If the offer is not filed within 30 days from the date of first filing, 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 offeror will be given a copy. If there is any variation in the land descriptions among the five copies, the 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 lease. Such additional sheets to be attached to each copy of the offer to lease.

If any of the areas 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 lessee receives the withdrawal of the offer to lease such land. The offeror will receive a separate lease to be filed in accordance with 43 CFR 192.40 in which case the lease will be issued. If the lease is amended the original 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.

7. As an incident to the assignment of the whole interest in all or any part of the lease, the lessee may assign the whole or any part of any part of the offer. As an incident to the assignment of an undivided fractional interest in the 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 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 6-mile square. (b) The total acreage applied for is less than 2,500 acres, except where the total acreage applied for is less than the 640 acres in 43 CFR 192.42 (d). This does not apply where the total acreage is in error by 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 if known and if not known for the total acreage computed on the basis of 6 miles in each smallest legal subdivision, except where the error is in error by 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 oaths required by 43 CFR 192.42 (e). (e) The offer is not accompanied by a guardian or trustee in the name of the offeror 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 30 days from the date of receipt of the copies first filed, or (g) There is noncompliance with item 5 (a) and 5 (e) of the Special Instructions. The offeror will be given the opportunity to file a new offer and the original payment 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 offer. The area shown here should not exceed 2,550 acres or be less than a 6-mile square. The area shown here should not exceed the 640 acres in 43 CFR 192.42 (d). All of the land 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 unsurveyed, by metes and bounds connected by course and distance. Where possible the 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 the 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 50 cents an acre or fraction of an acre. The filing fee is retained by the Bureau of Land Management and is not refundable, 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 rental payment submitted with the offer be sufficient to cover all the land requested at the rate of 50 cents an acre or fraction of an acre.

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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.

(g) **Protection of surface, natural resources and improvements.**—To take such reasonable steps as may be needed to prevent operations from causing or contributing to soil erosion or damaging any forage and timber growth thereon, (2) polluting the waters of reservoirs, springs, streams or wells, (3) damaging crops, including forage, timber, or improvements of a surface character, (4) range range improvements whether owned by the United States or by grazing permittees or lessors; and (5) the conclusion of operations, so far as reasonably may be done, to restore the surface to its former condition, which may provide 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) **Delivery premises 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 purposes any rights-of-way, including easements in tunnels upon or through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereby or by under authority of the Government, its lessees or permittees, and for other purposes.

(b) **Disposition of surface.**—To dispose of the surface of the leased lands under the existing law or laws hereunder except, insofar as such surface is not necessary for the use of the lessor in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not reasonably 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 the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to serve the interest of the public welfare.

(d) **Helium.**—Pursuant to section 1 of the act, and section 1 of the act of May 24, 1927 (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 helium produced, or to be produced, to the lessor or to the lessee or to the lessee's agent, as desired, to the lessor or to the lessee for the extraction of the helium in such manner or for such purpose as for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof. The lesser shall not suffer a diminution of value of the gas from which the helium has been extracted, or any other deduction from the value of the helium extracted. The lessor further reserves the right to erect, maintain, and operate all wells and all production 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 the public interest by the act of the Secretary of the Interior, and in the exercise of his judgment, the lessor may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or law agreements among operators regulating either drilling or production, or both. After unitization, the Secretary of the Interior, or any person, 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. **Sale, transfer and termination of lease.**—The lessee may surrender this lease in 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 lessee 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 abandonment in accordance with the applicable terms and regulations.

Sec. 6. **Purchase of materials, etc., on termination of lease.**—Upon the termination of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessor shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements required for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to the above, provided, when the lessor has removed all the property on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period: *Provided*, That the lessor shall remove any or all of such property where so directed by the lessor.

Sec. 7. **Proceedings in case of default.**—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or of the lease or make default in the performance of obligations or any of the terms hereof except payment of rentals and such default shall not be for more than 90 days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise of the lessor's rights of reentry or abandonment of the leased lands by the lessee or other lessor have. Upon cancellation of this lease, any equipment or material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

Sec. 8. **Heirs and successors-in-interest.**—It is further agreed that every beneficial interest shall accrue to the heirs, executors, administrators, successors, or assigns of the respective parties hereof.

Sec. 9. **Useless interest.**—It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4 (a) (1), shall be admitted to any share or part in the property of the lessee which may be admitted to any share or part in the property of the lessee or other lessor have. Upon cancellation of this lease, any equipment or material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. The advance rental to accompany the offer should be at the rate of 25 cents per acre.

Item 5 (d).—Offeror will indicate whether a citizen by birth or naturalization. If production is obtained under this lease or allocated to the citizenship status of the lessee to be verified.

If offeror is an unincorporated association including a partnership, the offeror must be accompanied by a statement giving the same showing as to citizenship and holdings of its members as required of an individual.

If offeror is a corporation it must submit a statement containing the following information: the State in which it is incorporated; that it is authorized to hold oil and gas leases and that the officer executing the lease is authorized to bind the corporation; the name and address of the officer or trustee of the corporation; the name and address of the stockholders; the percentage of the stock owned by aliens or those having addresses outside the United States.

Where such ownership is over 10 percent, additional information may be required by the Bureau before the lease is issued or when production is obtained. If any appreciable percentage of the stock is held by aliens of the offeror, the offeror will be required to furnish information concerning the same. If any stock is held by aliens of the offeror, the offeror will be required to furnish information concerning the same.

Item 5 (b).—Acreage included in unit plans and certain section 18 and 19 leases is not chargeable.

Item 5 (c).—Whenever applicable the stipulations referred to will be made a part of this lease and will be furnished the lessee with a brief description as follows: 4-218 Stipulations for lands where the surface control is under the jurisdiction of the Department of Agriculture; 4-467 Lands potentially 40 acres or more; 4-467 (b) Lands within the drainage area of a constructed reservoir. Whenever