

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 periods of 5 years and so long thereafter as oil or gas may be produced in paying quantities; subject to any unit agreement, if any, before or heretofore approved by the Secretary of the Interior, the provisions of which agreement to govern the lands subject thereto where inconsistent with the terms of this lease.

SEC. 2. The lessee agrees:

(a) **Bonds.**—(1) To file and keep required by this lease and the current regulations, such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessor as a condition for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$1 per acre acreage, or more than \$1,000, or more than \$5,000, on the induction of any part of the leasehold, with 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 in the penal sum of \$5,000 with appropriate contingencies or with deposit of United States bonds, subject thereto, conditioned upon compliance with the terms of the lease, unless a bond in that amount is already furnished 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 in a bond in the penal sum of \$1,000 in those cases in which the operator of the lease is required by law for the protection of the oil and gas surface rights. (6) In all other cases where a bond is otherwise required, to furnish not less than 90 days before the date of the next unpaid annual rental, a \$1,000 bond conditioned on compliance with the lease obligations, but this requirement may be successively dispensed with by payment of successive annual rental not less than 90 days prior to its due date. In lieu of any of the bonds described herein, the lessee may file such other bond as may be required.

(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 thereon, to subscribe to and to operate under such recommended 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 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 royalty rate, or as to which the royalties and/or rentals are divided into different funds and are not those of this lease, and to file 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 sum of 10 percent of the estimated cost of drilling and producing the wells by the lessee, including the amount determined by the Director; (2) at the election of the lessee, to drill and produce other wells in conformity with 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 to the Secretary of the Interior, and (4) to drill and produce such other wells as the Secretary 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, or if the lands are in Alaska, 25 cents per acre or fraction thereof.

(ii) For the fourth and fifth lease years, no rental.

(iii) For the fourth and fifth lease years, 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 lands is included in such a structure and for each lease 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 and 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, or the equivalent of each lease year, or the difference between the actual royalty paid during the year if less than \$1 per acre or fraction thereof, and the prescribed minimum royalty of \$1 per acre or fraction thereof, if this lease is payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b) above.

Royalties 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 all lands within such structure and for each lease year thereafter, prior to a discovery of oil or gas on the lands leased, \$1 per acre or fraction thereof.

(d) If this lease is committed to an approved unit or cooperative plan (under which a discovery is made), the 50-cent 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 oil, 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 area to the price received by the lessee, to posted prices, and 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 quantities to premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such time 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 for 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 the lessor may have control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on oil and gas leased or any portion thereof segregated for royalties purposes may be reduced by the Secretary of the Interior, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conserving national 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) **Disposition 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 agreement, or lease, or other arrangement with the lessor for the sale or disposition of oil, gas, natural gasoline, and other products of the leased lands to the lessor, or to the manager of the lands in the district in which the lands are located or to the office of the Bureau of Land Management.

(6) **Information for disposal of products.**—To furnish to the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or agreement, or lease, or other arrangement with the lessor for the sale or disposition of oil, gas, natural gasoline, and other products of the leased lands to the lessor, or to the manager of the lands in the district in which the lands are located or to the office of the Bureau of Land Management.

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