

## 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 drill and maintain thereupon, all works, buildings, plants, waterways, roads, trails, pipelines, pipe lines, 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 and/or pool or otherwise or hereafter 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. 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 until such time as is filed to enter on the land under this lease; (2) to maintain a bond furnished by the lessee as a condition for the issuance of this lease; (3) to furnish 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 lands within the known geologic structures of a producing oil or gas field; (4) to furnish a bond for the production and operation 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 maintained or unless such a bond furnished by an operator of the lease; (5) to file a bond in the penal sum of \$5,000 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 and maintain the area or unit plan for the development and operation of the area, field, or unit plan, the expenses of which shall 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 rental rate, or as to which the royalties and rentals are paid in 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 drill and produce other wells on lands not required to be drilled and produced by the lessor; (2) at the election of the lessor, 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 to writing to drill and produce any 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 to the lessor or owner 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 30 days' notice that all or part of the land is included in such a structure, a rental 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 lease year 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 for the lease year less than \$1 per acre, and the prescribed minimum royalty of \$1 per acre as 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 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 the lands are in Alaska, the lessor drills and makes the first discovery of oil or gas in Alaska and the quantities in any geologic structure, the royalty on all production hereunder shall be 5 percent for ten years following the date of such discovery, and thereafter the 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 allocation is made under such plan.

It is expressly agreed that the Secretary of the Interior may establish reasonable minimum royalty rates for the production of gas, due consideration being given to the highest prices 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 factors, 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 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, or to be held.

4. This offer must be prepared in quintuplicate and filed in the proper land office. The term "filling" 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 is filed with the Bureau of Land Management, Department of the Interior, Washington 25, D. C. See 43 CFR 192.42 (b). If less than five 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 to the attorney or attorney.

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 and one marked "original" shall govern as to the lands covered by the lease. The advance rental will be returned unless within the 30-day period another offer is filed.

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 form submitted.

7. The offeror is to file the offer to lease, or to lease, or to lease and gas lease filing when the offer is filed but 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 written offer to lease such land and an election to receive a separate lease to be issued 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 to the assignment of the lease, the lessor may assign the 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 lessor may assign an undivided fractional interest in the whole offer. Applications for approval of assignments of offers of leases 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) **Royalties.**—(1) To pay the lessor a minimum royalty of 12½ percent of the production of oil or gas from the lands leased 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 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.

(e) **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 places mentioned in the lease, within the known geologic structures of a producing oil or gas field; (4) to furnish a bond for the production and operation 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 maintained or unless such a bond furnished by an operator of the lease; (5) to file a bond in the penal sum of \$5,000 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) **Contracts for disposal of products.**—To file with the Oil and Gas Surveyor of the Geological Survey not later than 30 days after the effective date of this lease, a copy of any contract or 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 arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to the use of the leased land, the method of computing royalties due the lessor based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(c) **Statements, plans 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 leased lands to the lessor, and the amount used for production purposes of unavocational lands, working development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation and costs.

(d) **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 laboratory investigations affecting said lands and to furnish them or copies thereof to the lessor on request. 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.

(e) **Inspection.**—To keep, at all reasonable times for the inspection of any duly authorized officer of the Department of the Interior, the leased premises and all wells, improvements, machinery and fixtures, personal 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.

(f) **Diligence, prevention of waste, health and safety of workers.**—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 practices as prescribed in the Oil and Gas Operating Regulations, using all tools and equipment necessary to prevent waste or damage to deposits or formations containing oil, gas, natural gas or coal measures or other mineral deposits; for conservation of gas and for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to keep the premises in a safe and clean condition in accordance with the provisions of this lease or of any prior lease or leases upon which the right to this lease was predicated before abandoning the same to carry out at expense of the lessee all reasonable orders of the lessor so far as to do the lessor shall have the right enter on the property and to furnish the premises of such orders at the lessor's cost: *Provided*, That the lessor shall not be liable for any delay or causation occasioned by causes beyond lessor's control.

(g) **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 produced from the lands and wages of all workmen and employees 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.

(h) **Nondiscrimination.**—In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employee or against any employee because of race, religion, color, or national origin. The aforesaid provisions shall not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; inclusion of application and hiring criteria; access to training; compensation; 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 subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

(i) **Assignment of lease or lease or interest therein.**—As required by applicable law, to file for approval within 90 days from the date of filing any instrument of transfer made of this lease or of interest therein, including assignments of record title, working interests or royalty interests, operating agreements and subleases, such instrument to take effect upon the final approval by the Bureau of Land Management as provided in the offer to lease, or within 30 days from the date of filing in the proper land office.

(j) **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 the lease, to accept and convey and, if a purchaser of such products, to purchase and resell such products without discrimination the oil or gas of the Government or of any citizen or citizen of the owner or any pipeline, operating a lease or purchasing or selling oil, natural gas, gasoline, or other products under the provisions of the act, or the provisions of the act of August 7, 1947 (61 Stat. 913, 30 U. S. C. see 3510).

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

(l) **Lease in reservation 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 filled 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 noncompetitive public lands or oil and gas deposits in the United States to the lessor. Disposals of lands for the purpose of drilling, producing, 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 "filling" 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 is filed with the Bureau of Land Management, Department of the Interior, Washington 25, D. C. See 43 CFR 192.42 (b). If less than five 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 to the attorney or attorney.

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 and one marked "original" shall govern as to the lands covered by the lease. The advance rental will be returned unless within the 30-day period another offer is filed.

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 form submitted.

7. The offeror is to file the offer to lease, or to lease, or to lease and gas lease filing when the offer is filed but 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 written offer to lease such land and an election to receive a separate lease to be issued 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 to the assignment of the lease, the lessor may assign the 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 lessor may assign an undivided fractional interest in the whole offer. Applications for approval of assignments of offers of leases 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.

### B. SPECIAL 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 section; (b) The total acreage exceeds 2,560 acres, except where the rule of approximation applies; (c) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (d) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (e) The full filing fee and the first year's rental are not paid with the offer, the rental payment to be for the total acreage if known; if not known, for the total acreage computed on the basis of 40 acres per section. The filing fee is to be paid by an agent on behalf of the offeror and the lessor if the offer is signed by an agent on behalf of the offeror and the lessor is not in error by more than 10 percent. (f) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (g) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (h) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (i) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (j) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (k) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (l) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (m) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (n) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (o) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (p) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (q) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (r) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (s) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (t) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (u) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (v) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (w) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (x) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (y) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (z) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (aa) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (bb) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (cc) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (dd) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (ee) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (ff) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (gg) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (hh) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (ii) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (jj) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (kk) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (ll) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (e); (mm) The offer is filed in whole or in part before the date of filing required by 43 CFR 192.42 (d). This does not apply where the total acreage is in error by more than 10 percent. (nn) The offer is filed in whole or in part before the date of filing required by 43 CFR