

Sec. 2(a) (4) is amended to require a \$10,000 drilling bond

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 thereon, all works, buildings, and fixtures, and to lay, maintain, and repair telephone, power, lines, reservoirs, tanks, pumping stations, and 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 or unit plan which may be made by the lessee and the Secretary of the Interior, the provisions of said agreements to govern the lease, and 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. Bond.—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum not less than \$1,000, nor more than \$5,000, upon the entering 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 by the lessor a bond in the sum of \$1,000, or more than \$5,000, upon the entering of the leased land within the known geologic structure of a producing oil or gas field. (5) To furnish prior to beginning of drilling operations and maintain at all times thereafter by the lessor a bond in the sum of \$1,000, or more than \$5,000, upon the entering of the leased land within the known geologic structure of a producing oil or gas field.

(a) Bonds.—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum not less than \$1,000, nor more than \$5,000, upon the entering 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 by the lessor a bond in the sum of \$1,000, or more than \$5,000, upon the entering of the leased land within the known geologic structure of a producing oil or gas field. (5) To furnish prior to beginning of drilling operations and maintain at all times thereafter by the lessor a bond in the sum of \$1,000, or more than \$5,000, upon the entering of the leased land within the known geologic structure of a producing oil or gas field.

(b) Unit operator or unit plan.—Within 30 days of demand, or, if the leased land is committed to an approved unit or cooperative unit, 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 production of oil and gas in the area of the lease, and, if 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 spacing or production adjustment, or unit plan, as may be agreed upon by the lessee and the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells, the Secretary of the Interior may reasonably require in order that the leased premises may be reasonably and timely developed and produced in accordance with good operating practice.

(c) 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:
- (b) For the first lease year, a rental of 50 cents per acre or fraction thereof.
- (c) For the second and third lease years, no rental.
- (d) For the fourth and fifth years, 25 cents per acre or fraction thereof.
- (e) For the sixth and each succeeding year, 50 cents per acre or fraction thereof.

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

- (g) Beginning with the first lease year after 30 days' notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands leased, \$1 per acre or fraction thereof.
- (h) If this lease is committed to an approved cooperative 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 year, as in paragraph (g) above, 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, 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 acre and rental shall be payable on the nonparticipating acreage as provided in subparagraph (h) (i) 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).

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for production removed or sold from any oil or gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for 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 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, 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 lessee, but in no case shall the lessee be required to pay for the removal of 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 agreed upon by the lessee and the Secretary of the Interior may be paid in kind.

(5) It is agreed that the lessee may assign the lease to another, provided that the lessee shall be liable for the acts of the assignee.

(6) If the lessee fails to file the offer required by this lease, the offer will be rejected and returned to the offeror and the offeror will be liable for the cost of the offer.

(7) The offeror will 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 this lease.

(8) 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.

(9) If any of the land described in item 2 of the offer is open to oil and gas leases, and such offer is filed but omitted from the lease for any reason and the lessee fails to file the offer, the lessee, the original lease will be amended to include the omitted land, unless before the issuance of the amendment on Form 4-163, the land office receives the withdrawal of the offer as to such land or an election to repossess the lease to the lessee in accordance with 43 CFR 192.404, 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 the original lease and the added land had been included in the original lease when it was issued.

(10) As an incident to the assignment of the whole interest in all or any part of the lease, the lessee may assign the whole interest in all or any part of the offer. As an incident to the assignment of an undivided fractional interest in the whole lease, the lessee may assign an undivided assignment 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.

(4) Rentals or minimum royalties may be waived, suspended or segregated for royalty purposes may be waived by the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(5) Payments.—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 regulation 43 CFR 191.12. If there is no well on the leased lands upon which production of oil or gas in paying quantities, the lessor shall be entitled to payment on a day in which the proper officer to receive payment is closed, payment shall be deemed timely if made on the next working day.

(6) Contracts for disposal of products.—To file with the Oil and Gas Operating and Geological Survey not later than 30 days after the effective date thereof, a detailed statement of other arrangements for the sale or disposal of oil, gas, natural gas, 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 the use of the lands, the needs of the lessee, and the amount used for production purposes or subsequently lost in plant, development work and improvements on the leased lands, and a report with respect to stockholders, investments, depreciation and costs.

(7) 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 land, and the needs of the lessee, and the amount used for production purposes or subsequently lost in plant, 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, log, and complete information on all well surveys and tests in form acceptable to or prescribed by the Bureau of Land Management, all wells drilled on the leased lands, and an acceptable record of all surveys and tests made on the leased lands and to furnish them, or copies thereof, to the lessor when requested. All information obtained under this paragraph, upon the request of lessee, 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 lessor, premises and all wells, improvements, mines, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessor, shall not be open to inspection by the public until the expiration of the lease.

(10) Diligence.—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 geological surveys, as prescribed by the Oil and Gas Operating Regulations, having due regard for the preservation of oil and gas, water or oil 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 production, and for the protection of the environment and the safety of persons; 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 this lease was predicated before abandoning the same; to carry out at the expense of the lessor all reasonable orders of the lessor relating to the matters in this paragraph, as far as the law permits, to do so to the lessor 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 causations occasioned by causes beyond lessor's control.

(11) Taxes and other freedom of purchase.—To pay when due, all taxes, laid fully assessed and levied on the lands in the United States upon any oil or gas, natural gasoline, and other products obtained from any oil or gas field, or gas well, or gas lease, or gas leasehold, 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 the lawful rate, and to make all reasonable arrangements for payment.

(12) Noninterference.—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: noninterference, upgrading, destruction, or transfer of equipment, personnel, advertising, off or on premises, or paying of pay or other form of compensation; and selection for training including apprenticeship. The contractor agrees to post heretofore in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the noninterference clause.

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

(14) Assignment of oil and gas lease or interest therein.—As required by applicable law, file for approval by the lessor any instrument of transfer made of this lease or any interest therein, including assignments of the title, or any interest therein, to any third party, or to any royalty interest, within 90 days from the date of final execution thereof.

(15) Pipelines to purchase oil or 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 owned by the United States, the lessee shall pay to the United States the deposits of oil and gas thereon 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, for the protection and use of the land for the purpose for which it was reserved or segregated, and to pay the lessor the amount 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.

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 noncompetitively public domain lands or lands and gas deposits reserved to the United States in undisposed of lands for the purpose of drilling, mining, extracting, removing, and disposing of oil, gas, natural gas, and other products obtained from any oil or gas field, due consideration being given to the highest price paid for a part or for 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 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, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee, but in no case shall the lessee be required to pay for the removal of 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. This offer must be prepared in quintuplicate and filed in the proper land office. The term "filing" means the actual receipt of the offer in the proper land office. If the land is in a State for which there is no land office, the offer must be filed with the Bureau of Land Management.

5. If less than five copies are filed, the offeror will have 30 days from the date of first filing to file the other required copies, failing in which the offer will be rejected and returned to the offeror and to the lessee.

6. The offeror will 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 this lease.

7. 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.

8. As any of the land described in item 2 of the offer is open to oil and gas leases, and such offer is filed but omitted from the lease for any reason and the lessee fails to file the offer, the lessee, the original lease will be amended to include the omitted land, unless before the issuance of the amendment on Form 4-163, the land office receives the withdrawal of the offer as to such land or an election to repossess the lease to the lessee in accordance with 43 CFR 192.404, 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 the original lease and the added land had been included in the original lease when it was issued.

9. As an incident to the assignment of the whole interest in all or any part of the lease, the lessee may assign the whole interest in all or any part of the offer. As an incident to the assignment of an undivided fractional interest in the whole lease, the lessee may assign an undivided assignment 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 does not comply with the requirements of 43 CFR 192.42a and the lands are not entirely within an area of survey or survey is not completed in length or width. (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). (c) The offer is not filed by the date specified in the offer or the date of filing is not within 30 days of the date of filing of the offer.

10. 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) and (f). Less than five copies of the offer are filed and the offer is not filed within 30 days of the date of filing of the offer or the date of filing is not within 30 days of the date of filing of the offer. (g) There is noncompliance with item 5 (a) and 5 (e) of the Special Instructions.

11. The offer is given an opportunity to file a new offer with 30 days of the date of rejection, and the lessor may require payment of the old offer will be applied to the new offer if the new offer contains the serial and receipt numbers of the old offer. The advance offer will be returned unless within the 30-day period another offer is filed.

12. 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).

Item 3.—All the land must be within a 6-mile square or an area of 36 square miles, except where the land is within the boundaries of a survey or survey is not completed in length or width. The description of surveyed and unsurveyed lands, or lands covered by protracted surveys, must conform to the provisions of 43 CFR 192.42a.

Item 4.—This space is not to be filled in. When lease is issued this space will contain the identification of the leased area and total acres.

Item 5.—The total amount requested should include a \$10 filing fee and an acre or fraction thereof. A \$10 filing fee is retained as a service charge for each acre or fraction.

Item 6.—The offeror is to file the offer with the Bureau of Land Management.

Item 7.—If the offer is not the sole party in interest to this offer, a statement containing the following information must be furnished: (a) The name and nature of the interest of all other interested parties; (b) the nature of the agreement between them, if oral; and (c) a copy of any written agreement. Any such statement must be signed by all interested parties and include information as to citizenship and acreage holdings of each interested party, and must be filed within 15 days from the filing of this offer.

* Items numbered according to numbers on offer form.

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