

**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 and products of oil and gas in the leased lands, together with the right to construct and maintain thereupon, all works, buildings, tanks, wells, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 10 years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter made by the lessee with the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistent with the terms of this lease.

**Section 2. The lessor's agreement.**

(a) **Bonds.**—(1) To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the lands covered by this lease. (2) To maintain any bond furnished by the lessee as a condition of the issuance of this lease. (3) To furnish a bond in sum double the amount of \$2 per acre annual rental, but not less than \$1,000 nor more than \$5,000, upon the inclusion of any part of the leased land within the known geologic structure of a producing oil or gas field. (4) To furnish prior to beginning of drilling operations and until all drilling operations are completed as required by the lessor a bond in the penal sum of \$10,000 with approval of contractor or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond is furnished by an operator of the lease as aforesaid. (5) Until a general lease is filed to furnish and maintain a bond in the amount of \$1,000 in those cases in which a bond is required by law for the protection of the mineral or 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 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 plan or to enter into a unit agreement for the development and operation of the area, field, or pool, or part thereof, covered by 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 lessor.

(c) **Wells.**—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than those of this lease; or in lieu of any part of such drilling and producing operations, to pay the Secretary of the Interior or the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined by the estimated Director; (2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the lands or area in which the leased lands are situated, which is authorized and mentioned by applicable law or by the Secretary of the Interior; and (3) promptly, after due notice to the lessor 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 practices.

(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 each lease year a rental of 50 cents per acre or fraction of an acre.
- (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 and for each year thereafter, prior to a discovery of oil or gas on the leased lands, \$2 per acre or fraction of an acre.
- (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 for each lease year for the respective lease years in subparagraph (a) of this section, shall apply to the acreage not within a participating area.

**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 1/16th part acre or fraction thereof at the expiration of each lease year, the difference between the actual royalty paid during the year if less than 1/16th part acre, and the minimum royalty of 1/16th part acre, provided that if this lease is unitized, the minimum royalty shall be payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b) (ii) of this section.

**Royalty on production.**—To pay the lessor 12 1/4 percent of 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 purposes of computing royalty on oil and gas, natural gasoline, and other products obtained from gas due consideration being given to the highest rates paid for part or for a majority of production of like qualities and the amount paid 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, unless otherwise agreed by the parties hereto, at such times and in such tanks provided by the lessor. Leasehold expenses of any kind, including storage, shall be borne by the lessor. The lessee shall be required to hold such royalties, 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 removed from the leased lands which has not been paid.

(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 encouraging the greatest ultimate recovery of oil and 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 payment, or other payments to the lessor, to the order of the Bureau of Land Management in the places mentioned in the regulation 43 CFR 191.12. If there is no well or lease which is 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 when the lessor is unable to receive payment is closed, payment shall be deemed timely if made on the next day.

(6) **Contracts for disposal of products.**—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date of any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land; *Provided*, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease.

(7) **Offer to lease.**—Unless otherwise directed by the Secretary of the Interior, to make payment, or other payments to the lessor, to the order of the Bureau of Land Management in the places mentioned in the regulation 43 CFR 191.12. If there is no well or lease which is 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.

(8) **Offer to lease.**—If the time for payment falls on a day when the lessor is unable to receive payment is closed, payment shall be deemed timely if made on the next day.

(9) **Offer to lease.**—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.

(10) **Offer to lease.**—If additional space is needed in furnishing any of the required information, the offeror may attach additional sheets, initial and attach and make part of this offer to lease such additional sheets to be attached to each copy of the form submitted.

(11) **Offer to lease.**—If any of the land described in item 2 of the offer is open to oil and gas lease filing when the offer is filed but is omitted from the lease for any reason and thereafter becomes available for leasing to the offeror, the lessee may file an amendment to the lease to include the omitted land, unless before the issuance of the amendment the land office receives the withdrawal of the offer as to such land or the offeror fails to receive a separate lease to be filed 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 additional land had been included in the original lease when it was issued.

(12) **Offer to lease.**—As an incident to the assignment of the whole interest in all or any part of the lease, the lessee may file 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 fractional interest in the whole offer. Applications for approval of assignments of an offer must include a statement that the assignee agrees to the same terms and conditions as the lessee 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.

(13) **Offer to lease.**—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

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sizes of this lease, including, but not limited to, provisions relating to gas waste, 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.

(b) **Lease, plats and reports.**—At such times and in such form as the lessor may require, to furnish detailed statements showing the amounts and quality of all subsurface lands and minerals from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plat showing development work and improvements on the leased lands; and a report with respect to stockholders, partners, lessees, and other co-owners.

(c) **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 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.

(d) **Inspection.**—To keep at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, tools, and other equipment 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 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) **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, having due regard for the protection of oil, gas, or other mineral deposits or formations containing oil, gas, or other mineral deposits or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future production, and for the health and safety of workers and employees; to plug, plug and effectually close all wells drilled in accordance with the provisions of this lease or of any prior lease or of any lease to 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 to the lessee as to the lessee's rights, in this paragraph, and that on failure of the lessee so to do the lessor may take the right to enter on the property and to accomplish the purpose of such order or orders at the lessor's cost: *Provided*, That the lessor shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(f) **Land, water, and wages, freedom of purchase.**—To pay when due, all taxes lawfully assessed and imposed 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 reward all workers and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful currency of the United States.

(g) **Nondiscrimination Clauses.**—In connection with the performance of work under this contract, the lessor agrees as follows:

(1) The lessor will not discriminate in employment or application for employment because of race, creed, color, or national origin, and will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: application, upgrading, demotion, transfer, recruitment or re-employment, layoff, termination; rates of pay or other forms of compensation; and selection for training and promotion.

(2) The lessor will seek to post conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Nondiscrimination clause.

(3) The lessor will seek to keep all solicitations or advertisements for employees placed on behalf of the lessor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(4) The lessor will seek to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and orders of the President's Committee on Equal Employment Opportunity created pursuant to such order.

(5) The lessor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessor's noncompliance with the Nondiscrimination clause of this contract or with any of the said rules, regulations, or orders, this contract may be canceled in whole or in part and the lessor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity.

(7) The lessor will include the provisions of the Executive Order of 10925 of March 6, 1961, and of the rules, regulations, and orders of the President's Committee on Equal Employment Opportunity created pursuant to such order.

(8) The lessor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(9) The lessor will take such action with respect to any subcontract or to any subcontracting, upgrading, demotion, transfer, recruitment or re-employment, layoff, termination; rates of pay or other forms of compensation; and selection for training and promotion.

(10) The lessor will seek to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of the Executive Order of 10925 of March 6, 1961, and of the rules, regulations, and orders of the President's Committee on Equal Employment Opportunity created pursuant to such order.

(11) The lessor will seek to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and orders of the President's Committee on Equal Employment Opportunity created pursuant to such order.

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