

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 rights to repair, roads, structures, and maintain them, to work, drill, pipe, waterways, roads, telegraph, and to use all 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 approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistent with the terms of this lease.

SEC. 2. The lessee agrees:

(a) **Bonds.**—To furnish a 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 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 maintain at all times thereafter as required by the lessor a bond in the penal sum of \$10,000 with approved corporate surety, or with deposit of United States bonds, for the leasehold interest so positioned upon compliance with the terms of this lease; unless a bond in that amount is already being maintained unless such a bond is furnished by an operator of the lease is accepted. (5) Until a general lease bond is filed 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 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 reasonable cooperative or unit plan for the development and operation of the area field, pool, or unit 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 leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased under a lease for royalty, or as to which the royalties or rents are paid into different funds than are those in the lease; or in lieu of any part of such drilling and producing, 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 any system of unit or cooperative plan or allotments affecting the field or area in which the leased lands are situated, which is adopted 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) **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 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) 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) For each 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, \$2 per acre or fraction of an acre.

(ii) If this lease is included in a unit or 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.

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, the difference between the actual royalty paid during the year, if less than \$1 per acre, and the prescribed minimum 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 (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).

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any 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 field, '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 to by the parties hereto, at such times and in such tanks provided by the lessee as may be required to hold such royalties, oil or other products in storage beyond the last day of the calendar month following the calendar month in which produced nor be reasonable or held liable for the loss or destruction of royalties 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, for the purpose of encouraging the greatest ultimate recovery of oil or gas and the interest of conservation of natural resources, it is in the interest of 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 in accordance with the order of the Bureau of Land Management at the place mentioned in the regulation 43 CFR 191.12. If there is no office in the leased lands capable of producing 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 a majority of production of like quality in the same field, 'the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(f) **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 thereof any contract or agreement of any 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 provi-

sions of this lease, including, but not limited to, provisions relating to gas waste, taking royalty in kind, and the method of computing rents with the Oil and Gas Operating Regulations.

(g) **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 therefrom, and the expenses incurred for production purposes or unavoidable costs of a lease showing development work and improvements on the leased lands; and a report with respect to stockholders, inventories, depreciation and costs.

(h) **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 subsurface investigations affected with lands, and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph shall be reported to the lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) **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 and records relative to operations 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.

(j) **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 well operations in a safe and proper manner and methods and practices as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or to cause damage to deposits or formations containing oil, gas, or water or to cause 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 safely any lease or of oil or gas or permit upon which the right to drill or of oil or gas or permit upon which the right to enter on the lands or 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 be held responsible for delays or casualties occasioned by causes beyond lessor's control.

(k) **Taxes and wages, free and purchase.**—To pay when due, all taxes lawfully assessed and levied under the laws of the State or the place where the lands are situated, or under any other laws, or taxes on the lands hereunder, or other rights, property, or assets of the lessee; to accord 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 money of the United States.

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

(1) The lessee will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The lessee will take affirmative action to ensure that all employees 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: employment, upgrading, demotion or transfer, recruitment or recompensation; and selection for training, including apprenticeship. The lessee agrees 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 this Nondiscrimination clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all-qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The lessee will send to each labor union or representative of workers with whom he has a collective-bargaining agreement or other contract or understanding a notice, to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the lessee's commitments under this Nondiscrimination clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 10925 of March 5, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

(5) The lessee will furnish all information and reports required by Executive Order No. 10925 of March 5, 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 lessee'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 lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of such control the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or lawful 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, may, so far as is practicable 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. Surrender and termination of lease.—The lessee may surrender this lease by 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 lease terms and regulations.

SEC. 6. Purchase of materials, etc., on termination of lease.—Upon the expiration of the lease or at the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time during a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided, which are allowed to remain 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 that may prevail: *Provided*, That the lessee shall remove any or all of such property where so directed by the lessor.

SEC. 7. Proceedings in case of default.—If the lessor 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 or observance of any of the terms hereof (except that of payment of annual rental which results in the automatic termination of the lease), and such default shall continue for a period of 30 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 oil or gas or helium, 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 by the lessor of any legal or equitable remedy which the lessor may otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or repairing 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 each obligation hereunder shall extend to and be binding upon, and every benefit hereunder shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

SEC. 9. Unlawful interest.—It is also further agreed that no Member of, or Delegate to, Congress, or other officer, or employee of the lessor, or his successor, or his surety, or his heirs, executors, administrators, successors, or assigns of the respective parties hereto.

SEC. 10. Miscellaneous.—It is also further agreed that no Member of, or Delegate to, Congress, or other officer, or employee of the lessor, or his successor, or his surety, or his heirs, executors, administrators, successors, or assigns of the respective parties hereto.

SEC. 11. General instructions.—It is further agreed that no Member of, or Delegate to, Congress, or other officer, or employee of the lessor, or his successor, or his surety, or his heirs, executors, administrators, successors, or assigns of the respective parties hereto.

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