

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 upon the lands leased, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, structures, and 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 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 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 geological 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 as surety therefor, conditioned upon compliance with the terms of this lease, until a bond in that amount is already being maintained under another lease or agreement by the lessor or the lessee 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 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 reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, encompassed by the leased land, 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 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 than as to which the leased lands and rentals are paid into different funds, which are those of this lease; or (2) 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 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 well spacing or production allowances affecting the field or area in which the leased lands are situated, which is authorized and maintained by applicable law; and (3) 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 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 lands leased, \$2 per acre or fraction of acre.

(ii) If it is the lessor's intent to apply 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 prescribed for the respective lease years in subparagraph (a) of this section, shall apply on the acreage not within a participating area.

Minimum royalty.—Commencing with the lease year beginning on or after a discovery on the leased land, the lessor in the amount of one-half of one cent per acre or fraction thereof at the expiration of each lease year, or 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 acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b) 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 or all 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, to the price received by the lessee, to posted prices, and to other relevant market conditions, 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 amounts produced by the lessee as to not interfere with the use of the leased land, 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) 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, to make rental, royalty, or other payments to the lessor under the order of Land Management at the place of production, the 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 under the order of Land Management at the place of production, the 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.

(6) **Contracts for disposal of products.**—To file with the Oil and Gas Supervisor of the Geological Survey not later than the 15th day of the month following the date of contract, or of 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.

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 oil and gas deposits reserved to the United States in such lands for oil and gas production, mining, extracting, removing, and disposing of oil and gas deposits, except helium. The form should not be used in offering to lease acquired lands or lands on a known geological 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 offer "filing" means the actual receipt of the offer in the proper land office in the State for which it is made. 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 will afford no priority.

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 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 the leases.

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. 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 original lease will be amended to include the omitted land, unless before the issuance of the offer or lease, Part 4-1600 of the regulations receives the withdrawal of the offer as to such land or an election to receive a separate lease to be dated in accordance with 43 CFR 192.40a, 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 an incident to the assignment of the whole interest in all or any part of the lease, the lessor may assign the whole interest in all or any part of the offer. As an incident to the assignment of an undivided fraction of interest in the whole lease, the lessor may assign an undivided fractional interest in the whole lease. Applications for approval of assignments 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 no priority if: (a) The land description does not comply with

requirements of section 192.40a or the lands are not entirely within an area of 6 miles square or an area of 6 surveyed sections in length or width. (b) The total acreage exceeds 2,560 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). This does not affect the total acreage in error by more than 10 percent. (c) The full filing fee and the first year's rental of the land requested at the rate of 50 cents per acre or fraction thereof, any fraction being counted as an additional acre. The \$10 filing fee is retained as a service charge in the amount of 10 percent of the total acreage if known, and if not known, for the total acreage for each smallest legal subdivision, except where the total acreage is in error by not more than 10 percent. (d) Except if the power of attorney is within the purview of paragraph 43 CFR 192.42(e) (4) (ii), the offer is signed by an attorney in fact or agent in behalf of the offeror and the offer is not accompanied by a statement over the offeror's own signature with respect to holdings and citizenship and by the evidence required by 192.42(e) (4), and such statement by the principal (offeror) is not filed within 15 days after the filing of the offer. (e) The offer is signed by a guardian or trustee in behalf of a minor and is not accompanied by a statement required by 43 CFR 192.42(e) (5). (f) Land or copies of the offer are filed and the copies lacking signatures are filed in the land office before the expiration of 30 days from the date of receipt of the copies first filed, or (g) There is a discrepancy with item (5) (a) and 5(e) of the Special Instructions. The offeror will be given an opportunity to file a new offer within 30 days from the date of receipt of the copies first filed, or (h) There is a discrepancy with item (5) (a) and 5(e) of the Special Instructions. The offeror will be given an opportunity to file a new offer within 30 days from the date of receipt of the copies first filed, and the fee and rental payments on the old offer will be applied to the new offer if the new offer shows the serial and receipt number of the old offer. The advance rental will be returned unless within the 30-day period another offer is filed.

B. SPECIAL INSTRUCTIONS

Item 2.—Total area of land requested should be shown in acres in space provided at the end of item 2. That area, except where the rule of approximation applies, must not exceed 2,560 acres or be less than 640 acres or the equivalent of a section except as provided in 43 CFR 192.42 (d). All of the land must be within a 6-mile square or an area of 6 surveyed sections 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 3.—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 4.—The total amount remitted should include a \$10 filing fee and the first year's rental of the land requested at the rate of 50 cents per acre or fraction thereof, any fraction being counted as an additional acre. The \$10 filing fee is retained as a service charge in the amount of 10 percent of the total acreage if known, and if not known, for the total acreage in error by not more than 10 percent. The offeror's priorities with respect to the land requested, it is important that the rental payment submitted with the offer be sufficient to cover all the land requested at the rate of 50 cents an acre or fraction thereof. If the land requested includes lots or irregular quarter-quarter sections, the exact area of which is not known to the offeror, rental may be submitted for the purpose of the offer on the basis of each such lot or quarter-quarter section containing 40 acres. If the offer is withdrawn in whole or in part before a lease is issued or if the offer is rejected in whole or in part, the rental remitted for the parts withdrawn or rejected

will be returned. Where at the time the lease is to be issued, the land applied for or any part of it is within a known geological structure of a producing oil or gas field, the lessee will be billed for the additional rental of \$1.50 an acre on all the leased land as the yearly rental on such land.

Item 5 (a).—Offeror will indicate whether a citizen by birth or naturalization. If production is obtained under this lease or allocated to it, the citizenship status of the lessee will be verified.

If offeror is an unincorporated association (including a partnership), the offer must be accompanied by a statement giving the same showing as to citizenship and holdings of its members as required of an individual.

If offeror is a corporation, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the offeror is admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 374 of the Revised Statutes of the United States are amended (43 U. S. C. Sec. 22) and Secs. 431, 432 and 433, Title 18 U. S. Code, relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

Item 5 (b).—Offeror included in unitized leases and leases subject to certain government contracts approved by the Secretary under authority of section 17 (b) is not chargeable.

Item 5 (c).—Whenever applicable the stipulations referred to will be made a part of this lease and will be furnished the lessee with the lease when issued. The forms covering them with a brief description are as follows: 4-216 Stipulations for lands where the surface control is under the jurisdiction of the Department of Agriculture; 4-467 Lands potentially irrigable; 4-467 (a) Lands within the flow limits of a selected reservoir; 4-467 (b) Lands within the drainage area of a selected reservoir; 4-123 Lands withdrawn for power purposes; and 4-1283, Wildlife Refuge, Game Refuge, and Coordination Lands. Whenever other stipulations are necessary, lessee will be required to agree to them before the issuance of the lease.

Item 5 (d).—If there are settlers attach a sheet giving the name and post-office address of each and description of the lands claimed by metes and bounds or protracted surveys and approximate legal subdivisions.

Item 6.—Offeror must indicate whether or not he is the sole party in interest in this offer and the lease, if issued. If not the sole party in interest, the offeror must submit at the time the offer is filed a signed statement setting forth the name of the other interested parties. If there are other parties interested in the offer, a separate statement must be signed by each of the offeror, setting forth the nature and extent of the interest of each, the nature of the agreement between them, oral, and a copy of the agreement if written. Such separate statements and written agreements, if any, must be filed within 15 days after the filing of the lease offer. All interested parties must furnish evidence of their qualifications to hold such lease interest.

Numbers numbered according to numbers on offer form.

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(p) 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, so far as may be consistent with the use 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.

(q) Protection of surface, natural resources and improvements.—To take such reasonable steps as may be needed to prevent operations from unnecessarily: (1) Causing or contributing to soil erosion or damaging any forage and timber growth thereon; (2) polluting the waters of any stream, spring, or watercourse; (3) damaging any improvements, including forage, timber, or improvements of a surface owner, or (4) damaging improvements whether owned by the United States or by its grazing permittees or lessees; and upon conclusion of operations, so far as can reasonably be done, to restore the surface to its former condition. The lessor may prescribe the steps to be taken and restoration to be made with respect to lands of the United States and improvements thereto.

(r) Overriding royalties.—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) Delin premises in cases of forfeiture.—To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. The lessor reserves:

(a) Easements and rights-of-way.—The right to permit for joint or other use easements or rights-of-way, including easements in tunnels upon, through, or in the lands leased, occupied or used as may be necessary for the protection and use of the land or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) Disposition of surface.—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not reasonably be affected by such operations.

(c) Monopoly and fair price.—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) Helium.—Pursuant to section 1 of the act, as amended, the ownership and the right to extract helium from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. In case the lessor elects to take the helium the lessee shall deliver all gas containing helium, in proportion to the amount produced by the lessee, to the helium in such plant or equipment as the lessor may designate, or to provide, in the event the helium is not so extracted, the lessee shall return the helium to the lessor with no reasonable delay in the delivery of gas produced from the well to the purchaser thereof.

(e) Taking of royalties.—All rights pursuant to section 36 of the act, to take royalties in amount or in value of production.

(f) Casing.—All rights pursuant to section 40 of the act to purchase casing, and lease or operate valuable water wells.

Sec. 4. Drilling and producing restrictions.—It is agreed that the rate of prospecting and developing and the quantity and rate of production of oil and gas shall be determined by the Secretary of the Interior in the public interest by the Secretary of the Interior, and in the exercise of the power which 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 office or agency so authorized in the unit plan, may alter or modify from time to time, the rate of production, development, and the quantity and rate of production for the lands covered by this lease.

Sec. 5. Surrender and termination of lease.—The lessor may surrender this lease or 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 and regulations.

Sec. 6. Purchase of materials, etc., on termination of lease.—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time within 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 may be removed by the lessee at his expense, and the lessee shall pay to the lessor the cost of removal. The lessee shall remove 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 throughout the period. *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 lessee 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 terminated by the Secretary of the Interior in accordance with section 31 of the act except that if this lease is held over to contain valuable deposits of oil or gas, it 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 might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving 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 hereof shall inure to the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. Unlawful contracts.—It is further agreed that no Member of Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4 (a) (1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 374 of the Revised Statutes of the United States are amended (43 U. S. C. Sec. 22) and Secs. 431, 432 and 433, Title 18 U. S. Code, relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

Sec. 10. Proceedings in case of default.—If the lessee 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 terminated by the Secretary of the Interior in accordance with section 31 of the act except that if this lease is held over to contain valuable deposits of oil or gas, it 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 might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving 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. 11. Proceedings in case of default.—If the lessee 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 terminated by the Secretary of the Interior in accordance with section 31 of the act except that if this lease is held over to contain valuable deposits of oil or gas, it 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 might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving 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. 12. Proceedings in case of default.—If the lessee 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 terminated by the Secretary of the Interior in accordance with section 31 of the act except that if this lease is held over to contain valuable deposits of oil or gas, it 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 might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving 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. 13. Proceedings in case of default.—If the lessee 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 terminated by the Secretary of the Interior in accordance with section 31 of the act except that if this lease is held over to contain valuable deposits of oil or gas, it 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 might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving 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.