

H-3120-1 - COMPETITIVE LEASES

Format for Terms and Conditions of Future Interest

Parcels in Notice of Competitive Lease Sale

FUTURE INTEREST PARCELS

Parcels (Numbers) are subject to the following terms and conditions:

Prior to the effective date of the future interest lease, the successful bidder will be required to join any existing Federal unit agreement. Prior to the effective date of the future interest lease, or as soon thereafter as practical, the successful bidder will be required to join any existing private unit agreement. If unable to join, a statement giving satisfactory reasons for the failure to enter into such agreement(s) must be filed with the BLM (Name) District Manager, (Address). If such statement is acceptable, the lessee shall be permitted to operate independently. Where the terms of the private unit agreement are in conflict with Federal regulations, the Federal regulations shall prevail.

Where a parcel is subject to a Federal communitization agreement (CA), the successful bidder will be required to join the Federal CA by joinder prior to the effective date of the lease.

The successful bidder, if not the present operator, is responsible for making a separate agreement with the present operator for compensation for improvements made on the leasehold. The United States will not be a party to, nor be involved in, negotiations for or review of such agreement.

By the effective date of the future interest lease or as soon thereafter as practical, the successful bidder shall furnish the BLM (Name) District Manager a copy of all approved State of (Name) permits and other well-related information on all existing wells located on the future interest leased lands. The information includes but is not limited to applications for permit to drill, well completion reports, sundry notices, and site facility diagrams.

On and after the effective date of the future interest lease, all wells located on the future interest leased lands shall be subject to Federal oil and gas regulations, Federal onshore oil and gas orders, and notices to lessees. Applicable Federal regulations include, but are not limited to, the Oil and Gas Operations Regulations 43 CFR Part 3160 and the Minerals Management Service Regulations concerning Royalty Management 30 CFR Parts 200 through 243.

On and after the effective date of the future interest lease, all wells which share in allocation of production with the future interest lease shall be subject to the Federal oil and gas regulations, Federal onshore oil and gas orders, and notices to lessees as they pertain to production accountability. Applicable regulations are cited above.

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Lease operations are expected to be in compliance with all Federal regulations, orders, and notices concerning production accountability on the effective date of the lease. A 90-day grace period will be allowed for compliance with Federal regulations, orders, and notices which are not related to production accountability.

For wells producing on the effective date of the lease and on which royalty is due anywhere on the lease site or allocated to a lease site, the lessee/operator shall notify the BLM (Name) District Manager not later than the fifth business day after the effective date of the lease by letter, sundry notice (Form 3160-5), or orally followed by a letter or sundry notice, of the date on which such production began, which is the effective date of the lease. For wells not producing on the effective date of the lease, such notification of production is required by no later than the fifth business day after the well begins production (43 CFR 3162.4-1(c)).

On the effective date of the lease, the lessee/operator shall inventory stocks of liquid hydrocarbons on hand and/or install new gas charts. Monthly reports of operations (Form MMS-3160) are required for all operating leases beginning on the effective date of the lease. Reports shall be filed with the Minerals Management Service, Production Accounting Division on or before the 15th day of the second month following the operations month (43 CFR 3162.4-3).

The successful bidder is advised to contact the BLM (Name) District Manager at the above address or by telephone (Area code and number), prior to the effective date of the lease so that a courtesy inspection may be conducted to ensure accountability of Federal production and compliance with Federal regulations, orders, and notices.

BOND INFORMATION: A lease bond (43 CFR Subpart 3104) in the amount of not less than \$10,000 conditioned upon compliance with all terms and conditions of the lease must be furnished prior to entry and commencement of lease operations. If the lease has a producing well and/or ancillary facilities on the effective date of the lease, a bond or evidence of a sufficient existing Federal oil and gas lease bond is required on the effective date of the lease. If the lessee has a Federal Nationwide bond, or a Statewide bond for the State of (Name), no additional bond under the provisions of 43 CFR Subpart 3104 will be required.