

Form 1221-2  
(June 1969)



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

MANUAL TRANSMITTAL SHEET

Release  
3-340

Date  
05/21/2013

**Subject**

**H-3203-1 – LEASING TERMS – APPENDIX 3 (P)**

- 1. Explanation of Materials Transmitted:** This release transmits H-3203-1, Leasing Terms, Appendix 3.
- 2. Reports Required:** None.
- 3. Materials Superseded:** Manual pages superseded by this release are listed under "REMOVE" below. No other directives are superseded. None.
- 4. Filing Instructions:** File as directed below.

**REMOVE**

None

**INSERT**

**Appendix 3  
H-3203-1  
(13 pages)**

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Minerals and Realty Management**

### APPENDIX 3

#### Geothermal Leasing under the Energy Policy Act of 2005

The Bureau of Land Management (BLM) final rulemaking for 43 CFR Parts 3200 and 3280 was published in the *Federal Register* on May 2, 2007, and became effective on June 1, 2007. The final rule revised the existing regulations governing Geothermal Resource Leasing and Geothermal Resources Unit Agreements to implement the Energy Policy Act of 2005 (EPAAct) geothermal provisions. The EPAAct eliminates the previous two-tier leasing program and replaces it with a competitive leasing system similar to the oil and gas leasing system. In addition, the EPAAct provides for four circumstances where noncompetitive leasing is permitted. See 43 CFR 3203.5 and below for noncompetitive “direct use” leases in areas determined to be appropriate for exclusive direct use, without sale, for purposes other than commercial generation of electricity.

In contrast to the previous limitation that competitive leasing occur only in Known Geothermal Leasing Areas, the EPAAct requires that all lands available for geothermal leasing first be offered competitively to the highest qualified bidder, with the following exceptions:

- (1) Those parcels not receiving a bid are then available noncompetitively for a period of 2 years following the competitive lease sale; and
- (2) Lands designated for
  - (a) direct use leasing only;
  - (b) areas for which grandfathered noncompetitive lease applications were pending on August 8, 2005; and
  - (c) under certain circumstances, lands that are subject to mining claims are not subject to the competitive sale process.

The BLM may issue noncompetitive direct use leases in areas designated as being appropriate for direct uses only (i.e., only moderate to low temperature resources are available). The BLM may also issue a noncompetitive direct use lease after the BLM determines that there is no competitive interest. If there is competitive interest in an area otherwise deemed appropriate for exclusive direct use, the BLM may offer the lands at the next competitive lease sale as a standard geothermal lease, but with a stipulation restricting operations to direct uses. The BLM may designate direct use areas in response to an application.

State Offices that received nominations or expressions of interest filed before August 8, 2005 (the “date of enactment” of the EPAAct) may offer those lands, if available, for competitive leasing under the revised geothermal regulations (see 72 FR 24358, May 2, 2007). The BLM may also include lands in a competitive lease sale on its own initiative. The BLM encourages offices to hold geothermal lease sales in conjunction with quarterly oil and gas lease sales.

**Competitive Geothermal Lease Sale Nomination Process (43 CFR 3203)**

The BLM will accept nominations to include certain described lands in its next geothermal lease sale at the appropriate BLM State Office. Parties may submit nominations in writing on Form 3203-10 (2008), Nomination of Lands for Competitive Geothermal Leasing (illustration 1).

Lands surveyed under the public land survey system are to be described to the nearest aliquot part. Each nomination is to be no larger than 5,120 acres, unless the area includes one or more irregular subdivisions. Nominations greater than 5,120 acres are required to describe the nomination in aliquot parts.

A nominator may submit more than one nomination. Each nomination requires a nonrefundable filing fee (see 43 CFR 3203.12), rounded up to the nearest acre. The fee is updated annually.

Collecting the Nomination Fee: The nonrefundable filing fee must accompany the nomination filing. This fee will be receipted into the following Commodity, Subject, Action (CSA) in the Collections & Billing System (CBS).

C: Geothermal  
S: Competitive  
A: Nomination Fee (5104)

Project Code: GEOT

**Note:** The Project Code is hardcoded within CBS so no entry is necessary.

Authorization Number: The Serial Number associated with the nominated lands must be entered into the Authorization Number Field.

The funds received for the Nomination will interface to case information in LR2000 Case Recordation via LR2000 Action Code 035 (Nomination Fee Received).

Expending the Fees: Funds receipted into subactivity 5104 may be used for adjudicative actions associated with the lands nominated for leasing. These funds may be expended immediately upon receipt without further appropriation. However, expenditures must not exceed the collected amount. Use Program Element (PE) EI and Project Code GEOT when coding expenditures.

A nominator may request that the BLM offer the lands as a block, or the BLM may offer leases as a block on its own initiative for competitive sale. The block request must specify that the lands will be associated with a project or unit and include information to support the request. The BLM may require the nominator to submit additional information to support the request.

**Geothermal Lease Sale Process (43 CFR 3203)**

Sale Frequency: The EPAct requires that the BLM hold a sale at least once every 2 years when lands are available for leasing in a state that has nominations pending. The requirement that lands be “available” means both that the lands are open to geothermal leasing consistent with the terms of the applicable land use plan, and also that adequate pre-leasing National Environmental Policy Act (NEPA) compliance has been completed. The BLM cannot include nominated lands in a lease sale until the BLM confirms that leasing conforms to the land use plan and all NEPA requirements have been met.

The BLM encourages offices to hold geothermal lease sales in conjunction with quarterly oil and gas lease sales when lands are available. The BLM may include lands in a competitive lease sale on its own initiative.

Sale Notice: The BLM will post a notice of the parcels to be included in the sale, with appropriate stipulations or restrictions on use, along with the time, date, location, and sale format and procedures.

Parcel withdrawal or sale cancellation: The BLM may withdraw parcels before the sale begins. If parcels are withdrawn, the BLM will post a notice in the State Office Information Access Center (Public Room) before the sale. The BLM will announce all withdrawn parcels before the sale begins.

Payment due: A bidder may not withdraw a bid; the bid is a legally binding commitment to accept a lease. A successful bidder is legally obligated to (1) sign the bid form if one has not already been submitted, (2) accept the lease, and (3) pay the money due on the day of the sale. Payment due by close of business on the day of the sale includes the following: (1) 20 percent of the bid; (2) the total amount of the first year’s rental; and (3) the competitive lease application processing fee, updated annually (see 43 CFR 3000.12). The successful bidder must make all payments by close of official business hours on the day of the sale unless the BLM specifies another time. Within 15 calendar days after the day of the sale, the successful bidder must submit the balance of the bid to the BLM office that conducted the sale or as specified in the sale notice.

Forms of payment: The successful bidder must make payment by personal check, cashier’s check, certified check, bank draft, money order, wire transfer, or credit card (Discover, Visa, American Express, or MasterCard only), subject to the limitations below. The bidder must make checks payable to: The U.S. Department of the Interior, Bureau of Land Management. The BLM will not accept cash payments. The BLM may require a certified check if a check received in the past has been returned for insufficient funds. If the successful bidder makes payment by credit card, the bidder must remain available until the BLM has determined that the transaction is accepted. If the transaction is refused, the bidder must pay by another means. The BLM cannot grant an extension of time to pay the money owed.

Limitations on Credit Cards and Debit Payments: The bidder may not use credit or debit cards for any amount in excess of \$49,999.99 for any purpose.

**Bid Form:** On the day of the sale, the successful bidder must give the BLM a properly completed and signed Competitive Bid Form 3000-2 (2007) with the required payment. This form is a legally binding offer by the prospective lessee to accept a lease and all its terms and conditions. Once the successful bidder signs the form, it is binding and cannot be changed. A bid form that has information crossed out or is otherwise altered will not be accepted.

**Lease Issuance:** Once the BLM has accepted a bid form and the successful bidder has paid all the monies due, the BLM, pending any lease sale protest, will issue lease Form 3200-24a (2008). The lease is effective the first day of the month following the month in which the authorized officer signs the lease.

### **Two-Year Window Noncompetitive Leasing (43 CFR 3204.5, .10, and .11)**

Lands that do not receive a bid at a competitive lease sale are available on a first-come, first-served basis for a 2-year period beginning the day after the sale. An Offer to Lease, Form 3200-24a (2008) (illustration 2), must be properly completed and signed. **Note:** The lease form may be copied; however, the document's first two pages are required to be on one page, double-sided. If the form's first two pages are not on a double-sided single page, or if an obsolete lease form is used, the offer will be rejected.

The applicant must submit a payment consisting of the filing fee, updated annually, as provided in 43 CFR 3000.12, and the advance first year rental of \$1 per acre (rounded up to the nearest acre) with the Offer to Lease.

Multiple applications filed on the same parcel the day after the competitive lease sale will be considered simultaneously filed, and the winner will be picked at random.

A parcel will maintain its integrity for a period of 30 days following the sale. After the 30-day period, any available lands offered in a competitive lease sale and not sold, provided they are reasonably compact, may be included in a non-competitive application.

### **Noncompetitive Leasing for Lands Subject to a Mining Claim (43 CFR 3204.12)**

The BLM may issue a noncompetitive geothermal lease to a mining claimant who has a current approved plan of operations. Lands available are limited to those described in 43 CFR 3204.12, that is, lands "within" a mining claim. The BLM may request lode claimants whose claims are described in metes-and-bounds to submit additional information, such as a plat map with information to tie monuments identified on the plat to the nearest surveyed corner or aliquot corner. The applicant must submit two executed copies of the lease application Form 3200-24a, the filing fee, first-year rental, documentation of mining claim ownership, and the current approved plan of operations for the mine. For this type of noncompetitive lease, there are no restrictions on utilization of the resource that may be used directly, sold to a purchaser, or used for the commercial generation of electricity.

**Direct Use Leasing (43 CFR 3205)**

A direct use lease is a lease that the BLM issues noncompetitively in an area that is determined appropriate for exclusive direct use of the geothermal resources. The lease is for direct use operations, without sale of the resource or any resulting electricity, and is to be used for purposes other than commercial generation of electricity. Generation of electricity for use on the lease is permitted. The area of land applied for may not be greater than what is reasonably necessary for the proposed direct use.

The BLM may consider a noncompetitive direct use lease application regardless of whether the lands covered by the application are in an area that the BLM has already designated as appropriate for exclusive direct use. However, the BLM must ensure that all of the conditions listed at 43 CFR 3205.6 are met and confirm land use plan conformance and pre-leasing NEPA compliance before the BLM may issue a direct use lease. These conditions include:

- (1) The lands applied for are open for geothermal leasing;
- (2) The BLM determines (after appropriate consultation if other surface management agencies are involved) that the lands are appropriate for exclusive direct use, without sale, for purposes other than commercial generation of electricity;
- (3) The acreage does not exceed the quantity of acreage reasonably necessary for the proposed use;
- (4) The BLM publishes a notice of the land proposed for a direct use for 90 days before issuing the lease;
- (5) During the 90-day period beginning on the date of publication, the BLM does not receive a nomination to include the land in a future competitive lease sale;
- (6) The BLM determines there is no competitive interest in the resource; and
- (7) The applicant is the first qualified applicant.

If the BLM has determined that the lands are appropriate for exclusive direct use and there is competitive interest, the BLM may offer the lands at a competitive lease sale. The BLM will then offer the successful bidder a competitive geothermal lease that is limited to direct use. Unlike a direct use lease, the resource may be sold, but the resource may not be used by the operator or a purchaser for the commercial generation of electricity. The acreage limitation for this type of lease is the same as a standard lease.

**Noncompetitive Lease Applications Pending on August 8, 2005 (43 CFR 3204.13)**

The BLM will process noncompetitive lease applications pending on August 8, 2005 (grandfathered), under policies and procedures existing on that date unless the applicant notifies

the BLM in writing that the applicant elects to convert the application to the competitive leasing process specified in the new regulations. The BLM will consider this election a nomination for future competitive sale offerings. The BLM will retain the fee previously submitted with the lease application and the BLM will not require a nomination fee. Enter action code 103, Additional Info Rec'd, with an entry in action remarks, "conversion rqst recd" into LR2000.

Grandfathered lease applications may be issued using the lease Form 3200-024 (2001) and will be subject to the regulations in effect on August 8, 2005. A lessee whose lease was issued on or after August 8, 2005, but before June 1, 2007, was required by the regulations to elect to convert the lease or royalty rate by December 1, 2008 (see 43 CFR 3200.8). The election to convert for leases issued on or after June 1, 2007, must be made prior to lease issuance (see 43 CFR 3200.8).

# Illustration 1



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**NOMINATION OF LANDS FOR COMPETITIVE GEOTHERMAL LEASING**

**READ INSTRUCTIONS BEFORE COMPLETING**

1. Name	1a. Street	
1b. City	1c. State	1d. Zip Code

2. Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project: \_\_\_\_\_

Legal description of land requested (segregate by public domain and acquired lands):

T.	R.	Section	Meridian	State	County
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3. <input type="checkbox"/> Check if this nomination is part of a block nomination. Include supporting information (see instructions).	3a. Total Acres Nominated: _____
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4. Amount Remitted (43 CFR 3203.12): Filing Fee: \$ \_\_\_\_\_ + Acres x \$0.10: \$ \_\_\_\_\_ = Total: \$ \_\_\_\_\_

5. Nominated lands cannot be included in a lease sale until BLM confirms that leasing conforms to the land use plan and all National Environmental Policy Act requirements have been met.

\_\_\_\_\_  
(Printed Name of Nominator or Attorney-in-Fact)

\_\_\_\_\_  
(Signature of Nominator or Attorney-in-Fact)

\_\_\_\_\_  
(Date)

Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

## INSTRUCTIONS

### A. General

1. Entries must be typed or printed plainly in ink. The nominator must sign the form (item 5) in ink.
2. This offer must be filed in the proper BLM State Office serving the nominated lands. See regulations at 43 CFR 1821.10 for office locations.
3. Submit only one nomination per form.
4. If more space is needed, additional sheets must be attached to each copy of the form submitted.
5. Two or more nominations may be requested to be sold as a block (43 CFR 3203.11). Check the box in Item 3. Block nominations must include information to support your request and whether the lands requested will be identified with a project or unit.

### B. Specific

Item 1—Enter the nominator's name and billing address.

Item 2—Indicate the agency managing the surface use of the land and, for a block nomination, the name of the unit or project of which the land is a part. The nominator may also provide other information that will assist in establishing status of the lands being nominated. The description of land must conform to 43 CFR 3203.10. Each nomination may not exceed 5,120 acres, unless the area to be leased includes an irregular subdivision (43 CFR 3203.10).

Payments: Each nomination must include a filing fee that is found in the fee schedule at 43 CFR 3000.12. If the total acreage nominated contains fractional acreage, the per-acre fee must be rounded up to the next whole acre.

## NOTICE

The Privacy Act of 1974 and the regulation at 43 CFR 2.48(d) provide that you be furnished with the following information in connection with information required by this geothermal lease nomination.

**AUTHORITY:** 30 U.S.C. 1000 et seq.

**PRINCIPAL PURPOSE**—The information is to be used to process geothermal lease nominations.

**ROUTINE USES:** (1) The adjudication of the nomination for leasing of geothermal resources. (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources. (3) Transfer to appropriate Federal agencies when concurrence is required prior to granting uses or rights in public lands or resources. (4) Transfer to the appropriate Federal, State, local, or foreign agencies, when relevant to civil, criminal, or regulatory investigations or prosecutions.

**EFFECT OF NOT PROVIDING INFORMATION**—If all the information is not provided, the nomination may be rejected. See regulations at 43 CFR Part 3200.

# Illustration 2

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial No. \_\_\_\_\_

**OFFER TO LEASE AND LEASE FOR GEOTHERMAL RESOURCES  
(For New Leases Issued Under the Energy Policy Act of 2005 [August 5, 2005])**

The undersigned (see page 2) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Geothermal Steam Act of 1970, as amended (30 U.S.C. 1001-1025).

**READ INSTRUCTIONS BEFORE COMPLETING**

1. Name		1a. Street	
1b. City	1c. State	1d. Zip Code	

2. Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project: \_\_\_\_\_

Legal description of land requested (segregate by public domain and acquired lands): Enter T., R., Meridian, State and County

Total Acres Applied for \_\_\_\_\_

Percent U.S. interest \_\_\_\_\_

Amount remitted: Processing Fee \$ \_\_\_\_\_ Rental Fee \$ \_\_\_\_\_ Total \$ \_\_\_\_\_

**DO NOT WRITE BELOW THIS LINE**

3. Land included in lease: Enter T., R., Meridian, State and County

Total Acres in Lease \_\_\_\_\_

Rental Retained \$ \_\_\_\_\_

In accordance with the above offer, or the previously submitted competitive bid, this lease is issued granting the exclusive right to drill for, extract, produce, remove, utilize, sell, and dispose of all the geothermal resources in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon, for a primary term of 10 years and subsequent extensions thereof in accordance with 43 CFR subpart 3207. Rights granted are subject to: applicable laws; the terms, conditions, and attached stipulations of this lease; the Secretary of the Interior's regulations and formal orders in effect as of lease issuance; and, when not inconsistent with the provisions of this lease, regulations and formal orders hereafter promulgated.

Type of Lease:

- Competitive
- Noncompetitive
- Noncompetitive direct use (43 CFR subpart 3205)

Comments:

THE UNITED STATES OF AMERICA

BY \_\_\_\_\_  
(Signing Official)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)

EFFECTIVE DATE OF LEASE \_\_\_\_\_

Check if this is a converted lease

EFFECTIVE DATE OF LEASE CONVERSION \_\_\_\_\_

4. (a) The undersigned certifies that:

(1) The offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States, any State or the District of Columbia; (2) All parties holding an interest in the offer are in compliance with 43 CFR part 3200 and the authorizing Act; (3) The offeror's chargeable interests, direct and indirect, do not exceed those allowed under the Act; and (4) The offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.

(b) The undersigned agrees that signing this offer constitutes acceptance of this lease, including all terms, conditions and stipulations of which the offeror has been given notice. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the proper BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford the offeror no priority if it is not properly completed and executed in accordance with the regulations or if it is not accompanied by the required payments. Title 18 U.S.C. § 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

(Printed Name of Lessee or Attorney-in-fact)

(Signature of Lessee or Attorney-in-fact)

#### LEASE TERMS

**Sec. 1. Rentals**—Rentals must be paid to the proper office of the lessor in advance of each lease year. Annual rental rates per acre or fraction thereof, as applicable, are:

(a) Noncompetitive lease (includes post-sale parcels not receiving bids, a direct use lease or a lease issued to a mining claimant): \$1.00 for the first 10 years; thereafter \$5.00; or

(b) Competitive lease: \$2.00 for the first year; \$3.00 for the second through tenth year; thereafter \$5.00.

Annual rental is always due by the anniversary date of this lease (43 CFR 3211.13), regardless of whether the lease is in a unit or outside of a unit, the lease is in production or not, or royalties or direct use fees apply to the production.

Rental may only be credited toward royalty under 43 CFR 3211.15 and 30 CFR 218.303. Rental may not be credited against direct use fees. Failure to pay annual rental timely will result in late fees and will make the lease subject to termination in accordance with 43 CFR 3213.14.

**Sec. 2. (a) Royalties**—Royalties must be paid to the proper office of the lessor. Royalties are due on the last day of the month following the month of production. Royalties will be computed in accordance with applicable regulations and orders. Royalty rates for geothermal resources produced for the commercial generation of electricity but not sold in an arm's length transaction are: 1.75 percent for the first 10 years of production and 3.5 percent after the first 10 years. The royalty rate is to be applied to the gross proceeds derived from the sale of electricity in accordance with 30 CFR part 206 subpart H.

The royalty rate for byproducts derived from geothermal resource production that are minerals specified in section 1 of the Mineral Leasing Act (MLA), as amended (30 U.S.C. 181), is 5 percent, except for sodium compounds, produced between September 29, 2006 and September 29, 2011 (Pub. L. No. 109-338, §102; note to 30 U.S.C. 362) for which the royalty rate is 2 percent. No royalty is due on byproducts that are not specified in 30 U.S.C. § 181. (43 CFR 3211.19)

If this lease or a portion thereof is committed to an approved communitization or unit agreement and the agreement contains a provision for allocation of production, royalties must be paid on the production allocated to this lease.

(b) Arm's length transactions—The royalty rate for geothermal resources sold by you or your affiliate at arm's length to a purchaser is 10 percent of the gross proceeds derived from the arm's-length sale (43 CFR 3211.17, 3211.18).

(c) Advanced royalties—In the absence of a suspension, if you cease production for more than one calendar month on a lease that is subject to royalties and that has achieved commercial production, your lease will remain in effect only if you make advanced royalty payments in accordance with 43 CFR 3212.15(a) and 30 CFR 218.305.

(d) Direct use fees—Direct use fees must be paid in lieu of royalties for geothermal resources that are utilized for commercial, residential, agricultural, or other energy needs other than the commercial production or generation of electricity, but not sold in an arm's length transaction (43 CFR 3211.18; 30 CFR 206.356).

This requirement applies to any direct use of federal geothermal resources (unless the resource is exempted as described in 30 CFR 202.351(b) or the lessee is covered by paragraph (e), below) and is not limited to direct use leases. Direct use fees are due on the last day of the month following the month of production.

(e) If the lessee is a State, tribal, or local government covered by 43 CFR 3211.18(a)(3) and 30 CFR 206.366, check here: . A lessee under this paragraph is not subject to paragraph (d), above. In lieu of royalties, the lessee under this paragraph must pay a nominal fee of \$\_\_\_\_\_.

**Sec. 3. Bonds**—A bond must be filed and maintained for lease operations as required by applicable regulations.

**Sec. 4. Work requirements, rate of development, unitization, and drainage**—Lessee must perform work requirements in accordance with applicable regulations (43 CFR 3207.11, 3207.12), and must prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves the right to specify rates of development and production and to require lessee to commit to a communitization or unit agreement, within 30 days of notice, if in the public interest. Lessee must drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in the amount determined by lessor. Lessor will exempt lessee from work requirements only where the lease overlies a mining claim that has an approved plan of operations and where BLM determines that the development of the geothermal resource on the lease would interfere with the mining operation (43 CFR 3207.13).

**Sec. 5. Documents, evidence, and inspection**—Lessee must file with the proper office of the lessor, not later than (30) days after the effective date thereof, any contract or evidence of other arrangement for the sale, use, or disposal of geothermal resources, byproducts produced, or for the sale of electricity generated using geothermal resources produced from the lease. At such times and in such form as lessor may prescribe, lessee must furnish detailed statements and all documents showing (a) amounts and quality of all geothermal resources produced and used (either for commercial production or generation of electricity, or in a direct use operation) or sold; (b) proceeds derived therefrom or from the sale of electricity generated using such resources; (c) amounts that are unavoidably lost or reinjected before use, used to generate plant parasitic electricity (as defined in 30 CFR 206.351) or electricity for lease operations, or otherwise used for lease operations related to the commercial production or generation of electricity; and (d) amounts and quality of all byproducts produced and proceeds derived from the sale or disposition thereof. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest.

In a format and manner approved by lessor, lessee must: keep a daily drilling record, a log, and complete information on well surveys and tests; keep a record of subsurface investigations; and furnish copies to lessor when required.

Lessee must keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee must maintain copies of all contracts, sales agreements, accounting records, billing records, invoices, gross proceeds and payment data regarding the sale, disposition, or use of geothermal resources, byproducts produced, and the sale of electricity generated using resources produced from the lease, and all other information relevant to determining royalties or direct use fees. All such records must be maintained in lessee's accounting offices for future audit by lessor and produced upon request by lessor or lessor's authorized representative or agent. Lessee must maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

**Sec. 6. Conduct of operations**—Lessee must conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee must take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with leased rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses will be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee. Prior to disturbing the surface of the leased lands, lessee must contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessor may require lessee to complete minor inventories or short term special studies under guidelines provided by lessor. If, in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee must immediately contact lessor. Lessee must cease any operations that are likely to affect or take such species, or result in the modification, damage or destruction of such habitats or objects.

**Sec. 7. Production of byproducts**—If the production, use, or conversion of geothermal resources from these leased lands is susceptible of producing a valuable byproduct or byproducts, including commercially demineralized water for beneficial uses in accordance with applicable State water laws, lessor may require substantial beneficial production or use thereof by lessee.

**Sec. 8. Damages to property**—Lessee must pay lessor for damage to lessor's improvements, and must save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

**Sec. 9. Protection of diverse interests and equal opportunity**—Lessee must maintain a safe working environment in accordance with applicable regulations and standard industry practices, and take measures necessary to protect public health and safety. Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. Lessee must comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractor may maintain segregated facilities.

**Sec. 10. Transfer of lease interests and relinquishment of lease**—As required by regulations, lessee must file with lessor any assignment or other transfer of an interest in this lease. Subject to the requirements of 43 CFR subpart 3213, lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which will be effective as of the date BLM receives it, subject to the continued obligation of the lessee and surety to be responsible for: paying all accrued rentals and royalties; plugging and abandoning all wells on the relinquished land; restoring and reclaiming the surface and other resources; and complying with 43 CFR 3200.4.

**Sec. 11. Delivery of premises**—At such time as all or portions of this lease are returned to lessor, lessee must place all wells in condition for suspension or abandonment, reclaim the land as specified by lessor, and within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells or continued protection of the environment.

**Sec. 12. Proceedings in case of default**—If lessee fails to comply with any provisions of this lease or other applicable requirements under 43 CFR 3200.4, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to termination in accordance with the Act and 43 CFR 3213. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy or action, including waiver of the default. Any such remedy, waiver, or action will not prevent later termination for the same default occurring at any other time. Whenever the lessee fails to comply in a timely manner with any of the provisions of the Act, this lease, the regulations, or other applicable requirements under 43 CFR 3200.4, and immediate action is required, the lessor may enter on the leased lands and take measures deemed necessary to correct the failure at the lessee's expense.

**Sec. 13. Heirs and successors-in-interest**—Each obligation of this lease will extend to and be binding upon, and every benefit hereof will inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

## INSTRUCTIONS

### A. General

1. Items 1 and 2 need to be completed only by parties filing for a noncompetitive lease. The BLM will complete the front of the form for other types of leases. The BLM may use the "Comments" space under Item 3 to identify when: the lessee has elected to make all lease terms subject to the Energy Policy Act of 2005 under 43 CFR 3200.7(a)(2) or 43 CFR 3200.8(b) (box labeled "converted lease" must also be checked); the lease is being issued noncompetitively to a party who holds a mining claim on the same lands as is covered by the lease under 43 CFR 3204.12; the lease is a direct use lease issued to a State, local, or tribal government (box at section 2(e) under Lease Terms must also be checked); the lease is a competitive lease with direct-use-only stipulations attached; or other special circumstances exist. A lessee who seeks to convert only the royalty rate of a lease under 43 CFR 3212.25 or who qualifies for a case-by-case royalty rate determination under 43 CFR 3211.17(b)(1)(i) should not use this form, but should instead use an addendum to the existing lease.
2. Entries must be typed or printed plainly in ink. The offeror must sign the form (Item 4) in ink.
3. An original and two copies of this offer must be prepared and filed in the proper BLM State Office. See regulations at 43 CFR 1821.10 for office locations.
4. If more space is needed, additional sheets must be attached to each copy of the form submitted.

### B. Specific

Item 1—Enter the offeror's name and billing address.

Item 2—Indicate the agency managing the surface use of the land and the name of the unit or project of which the land is a part. The offeror may also provide other information that will assist in establishing status of the lands. The description of land must conform to 43 CFR 3203.10. Total acres applied for must not exceed that allowed by regulations (43 CFR 3203.10; 43 CFR 3206.12).

Payments: For noncompetitive leases, the amount remitted must include the processing fee for noncompetitive lease applications (43 CFR 3204.10; 43 CFR 3000.12) and the first year's rental at the rate of \$1 per acre or fraction thereof. If the United States owns only a fractional interest in the geothermal resources, you must pay a prorated rental under 43 CFR 3211.11(d). The BLM will retain the processing fee even if the offer is completely rejected or withdrawn. To maintain the offeror's priority, the offeror must submit rental sufficient to cover all the land requested. If the land requested includes lots or irregular quarter-quarter sections, the exact acreage of which is not known to the offeror, rental should be submitted on the assumption that each such lot or quarter-quarter section contains 40 acres. If the offer is withdrawn or rejected in whole or in part before a lease issues, the BLM will return the rental remitted for the parts withdrawn or rejected.

The BLM will fill in the processing fee for competitive lease applications (43 CFR 3203.17; 43 CFR 3000.12) and the first year's rental at the rate of \$2 per acre or fraction thereof.

Item 3—The BLM will complete this space.

## NOTICES

The Privacy Act of 1974 and the regulation at 43 CFR 2.48(d) provide that you be furnished with the following information in connection with information required by this geothermal lease application.

AUTHORITY: 30 U.S.C. 1000 et seq.

PRINCIPAL PURPOSE—The information is to be used to process geothermal lease applications.

ROUTINE USES: (1) The adjudication of the lessee's rights to the land or resources. (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources. (3) Transfer to appropriate Federal agencies when concurrence is required prior to granting uses or rights in public lands or resources. (4) Transfer to the appropriate Federal, State, local, or foreign agencies, when relevant to civil, criminal, or regulatory investigations or prosecutions.