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UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
MANUAL TRANSMITTAL SHEET

Release	3-337
Date	2/18/13

Subject

3120 – COMPETITIVE LEASES (P)

1. Explanation of Material Transmitted: This release transmits a revised Manual Section which sets forth the policy and procedures required for competitive oil and gas leasing in accordance with the Federal Onshore Oil and Gas Leasing Reform Act of December 22, 1987, and the regulations in the Competitive Leases Rule, 43 CFR Subpart 3120 (2011).
2. Reports Required: None.
3. Materials Superseded: The Manual pages superseded are listed under “REMOVE” below. All other expired directives applicable under the Subject Function Code 3120 which have been issued since enactment of the Federal Onshore Oil and Gas Leasing Reform Act have been appropriately incorporated into this Manual Section.
4. Filing Instructions: File as directed below.

REMOVE:

All of 3120 (Rel. 3-280, 11/26/93)

INSERT

3120  
(Total: 16 Sheets)

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Glossary of Terms (See Handbook 3100-1)

Handbooks

- H-3100-1 - Oil and Gas Leasing
- H-3102-1 - Qualifications of Lessees
- H-3110-1 - Noncompetitive Leases
- H-3120-1 - Competitive Leases

.01 Purpose. This Manual Section contains guidance and procedures for Federal onshore competitive oil and gas leasing, except for the National Petroleum Reserve in Alaska (NPR-A).

.02 Objectives. See Manual Section 3100.02.

.03 Authority. Competitive leases for public domain and acquired lands minerals are issued under the Mineral Leasing Act (MLA) of February 25, 1920, as amended and supplemented (30 U.S.C. 181 *et seq.*) and the Mineral Leasing Act for Acquired Lands of August 7, 1947, as amended (30 U.S.C. 351-359). In accordance with the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 471 *et seq.*), competitive leases are issued for lands for which the authority to lease has been delegated from the General Services Administration to the Department of the Interior. Lands which are otherwise unavailable for leasing but which are subject to drainage (protective leasing) are leased in accordance with the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41). See 43 CFR 3109.1 for leasing of oil and gas in accordance with the Act of May 21, 1930 (30 U.S.C. 301-306), within certain rights-of-way; 43 CFR 3130 for leasing of oil and gas within the NPR-A; and 43 CFR 3141 for leasing of combined hydrocarbon resources within Special Tar Sand Areas.

.04 Responsibility. See Manual Section 3100.04.

.05 References. See Manual Section 3100.05 and Handbook 3120-1.

.06 Policy. It is the Bureau of Land Management's (BLM) policy to encourage the orderly development of Federal onshore oil and gas resources by offering lands for oil and gas leasing by competitive oral bidding when eligible lands are available. It is also BLM's policy to exercise its discretionary authorities, including its oil and gas leasing authority, through the use of an informed, deliberative process that includes:

- Communication with the public, tribal governments, and Federal, state, and local agencies;
- Consideration of current science and other available data;
- Compliance with existing laws, regulations, and policies; and
- Consideration of important resources and values.

As a land management agency with a multiple-use mission, the BLM will make land use decisions that sustain the health and productivity of the public lands for the use and enjoyment of present and future generations. The BLM recognizes that, in some cases, leasing of oil and gas resources may not be consistent with protection of other important resources and values, including units of the National Park System; national wildlife refuges; other specially designated areas; wildlife; and cultural, historic, and paleontological values. Under applicable laws and policies, there is no presumed preference for oil and gas development over other uses. In making its oil and gas leasing and development decisions, the BLM will consult and coordinate with other land and resource managers (Federal and non-Federal), as appropriate.

In accordance with the Federal Onshore Oil and Gas Leasing Reform Act of 1987, eligible lands which are available for lease may be competitively offered by oral auction on a quarterly basis. All eligible lands available for lease that receive expressions of interest, or noncompetitive presale offers filed in accordance with 43 CFR 3110.1(a) (1) may be offered for competitive leasing when such lands have not been competitively offered during the previous 2-year period.

Eligible lands available for lease which receive expressions of interest or noncompetitive presale offers will be processed for lease offer in an expeditious manner. Lands available for competitive leasing that are being drained or are subject to drainage also will be offered by competitive leasing as expeditiously as possible. Lands offered competitively for which no bids were received and which become subject to drainage during the 2-year period following the last day of the oral auction continue to be available for noncompetitive leasing for the remainder of such 2-year period (see .1 and Handbook 3120-1).

It is BLM policy that the total bonus bid made on any competitive parcel will be deemed as submitted for the entire parcel, despite any subsequent acreage adjustments that may be necessary for the parcel after the oral auction and lease issuance.

.07 File and Records Maintenance. All oil and gas lease records and case files, including records contained in the Legacy Rehost 2000 System (LR2000), will be accurately and timely maintained to ensure that the BLM can properly identify and track competitive leasing actions. All lease actions will be entered in the LR2000 automated system within 5 working days of completion of the action.

.1 General.

.11 Lands Eligible and Available for Competitive Leasing. Lands eligible for leasing include those identified in 43 CFR 3100.0-3 as being subject to leasing, i.e., lands not excluded from leasing by a statutory or regulatory prohibition. Lands are available for leasing when they are open to leasing in the applicable resource management plan, and when all statutory requirements and reviews have been met, including compliance with the National Environmental Policy Act (NEPA). The following types of lands, if eligible and available for lease, may be offered for competitive bidding: lands contained in expressions of interest; lands contained in parcels formally nominated (see 43 CFR 3120.3); lands in certain noncompetitive offers filed prior to the official posting of the Notice of Competitive Lease Sale (see 43 CFR 3110.1(a)(1) and 43 CFR 3120.1-1(e)); lands selected for offering by BLM motion; lands which have not been offered for competitive leasing within the preceding 2-year period (see 43 CFR 3120.1-2(e)); lands in which the oil and gas mineral rights will vest in the United States in the future (future interest lands) (see 43 CFR 3120.7-1); lands for which the authority to lease has been delegated from the General Services Administration (GSA) to the Department of the Interior; underlying interests in cancelled or forfeited leases (see 43 CFR 3120.1-1(c)); and lands which are otherwise unavailable for lease but which are subject to drainage (protective leasing)(see 43 CFR 3100.2-1). Lands declared by the GSA as excess or surplus and those lands subject to drainage under the protective leasing provisions in accordance with the Attorney General's Opinion of April 2, 1941, are available only by competitive leasing, and will not be available for noncompetitive lease offers. (For competitive leasing in the NPR-A, see 43 CFR 3130.)

.12 Requirements.

A. Quarterly Competitive Sales. Each BLM state office will hold sales at least quarterly if lands are available for competitive leasing. When a state office has only a small number of parcels to offer for sale, such parcels may be offered as part of the competitive sale in a nearby state office. Each state office must offer for oral auction the available lands contained in an expression of interest or noncompetitive offer which is filed in accordance with 43 CFR 3110.1(a)(1).

B. Oral Bidding. A competitive oral bidding process must be used to conduct oil and gas lease sales.

C. Minimum \$2 per Acre Bonus Bid. A national minimum acceptable bonus bid of \$2 per acre or fraction thereof, as prescribed by the Federal Onshore Oil and Gas Leasing Reform Act of 1987, must be remitted by a person or entity as compensation for a lease parcel in a competitive oral auction. The bonus bid amount is payable on the gross acreage and cannot be prorated for any lands in which the United States owns a fractional interest.

.13 Protests and Appeals. No competitive lease sale under the regulations of 43 CFR Subpart 3120 can be suspended due to a protest or an appeal from a decision by the authorized officer to hold the lease sale. The offering of a specific parcel may be suspended while the authorized officer considers a protest or an appeal concerning the inclusion of the parcel in a Notice of Competitive Lease Sale. The holding of a competitive lease sale may be suspended only by the Assistant Secretary for Land and Minerals Management after a review by the Assistant Secretary of the merits of the protest or appeal. (see Handbook 3120-1 for specific guidelines and procedures for handling such protests and appeals.)

.2 Lease Terms

.21 Duration of Lease. Effective October 24, 1992, competitive leases are issued for a primary term of 10 years, in accordance with Section 2509 of the Energy Policy Act of 1992, which amended the Mineral Leasing Act. Prior to October 24, 1992, competitive leases had a primary term of 5 years.

.22 Dating of Leases. Competitive leases, except future interest leases, are effective the first day of the month following the date they are signed by the authorized officer, or if a prior written request is made by the prospective lessee, the first day of the month in which the lease is signed by the authorized officer. Leases for future interest are issued to be effective as of the date the mineral interests vest in the United States.

.23 Lease Size. Competitive lease parcels will not exceed 2,560 acres outside Alaska, or 5,760 acres within Alaska outside the NPR-A, and must be as nearly compact in form as possible. Competitive future interest leases are subject to these same acreage restrictions.

.3 Nomination Process..31 General.

A. Formal Nomination. Following publication of a notice in the *Federal Register* concerning election to consider implementing the formal nomination procedures provided in 43 CFR 3120.3, and upon reviewing comments received at the end of a 30-day public comment period, the BLM Director may elect to accept formal nominations. Currently, the BLM Director has elected not to use the formal nomination provisions contained in 43 CFR 3120.3-1 through 3120.3-7.

B. Informal Expression of Interest. Anyone interested in obtaining a lease for eligible lands that are available for lease through the competitive leasing process may submit an informal expression of interest in writing to the proper BLM office requesting that the lands be offered for oral auction. The expression of interest should ideally describe the lands by the legal description or other adequate description (such as the previous lease serial number, if any) consistent with the lease size and land description requirements of the law and regulations. The expression of interest must also include for each parcel, the names and addresses of the surface owners of split estate lands. If the expression of interest does not conform to the size or land description provisions of the law and regulations, state office lease adjudication personnel should contact and work with the party submitting the expression of interest in an effort to get the party to adjust the parcel description. However, if a noncompetitive presale offer filed in accordance with 43 CFR 3110.1(a)(1) and a conflicting expression of interest occurs, state office lease adjudication personnel have the discretion to configure the parcels in a manner that will meet the needs of the interested public as well to encourage maximum competition. No specific forms are required for submission of an informal expression of interest. The BLM should not reveal the name of the party making an expression of interest if the party has requested that this information be kept confidential. All EOIs are to be held as confidential until the second business day following the last day of the competitive lease sale. Requests for the names of such parties are to be handled in accordance with the Freedom of Information Act.

C. BLM Motion. On its own motion or action, the BLM may list lands for competitive oral bidding.

.32 Filing of Formal Nomination for Competitive Leasing.  
[Reserved]

.33 Minimum Bid and Rental Remittance.  
[Reserved]

.34 Withdrawal of Nomination.  
[Reserved]

.35 Parcels Receiving Nominations.  
[Reserved]

.36 Parcels Not Receiving Nominations.  
[Reserved]

.37 Refunds.  
[Reserved]

.4 Lease Sale Parcel Review Process.

.41 General.

A. Purpose. The lease parcel review process determines the availability and conditions under which leasing and eventual development should occur if allowed to proceed. The goal of the process is to: (1) determine parcel availability; (2) evaluate existing stipulations; (3) identify new stipulations, if applicable; (4) provide for public involvement; and (5) develop detailed background information for the NEPA compliance process.

B. Parcel Review Timeframes. State offices will continue to hold lease sales four times per year, as required by the Mineral Leasing Act, Section 226(b)(1)(A), and 43 CFR 3120.1-2(a), when eligible lands are determined by the state office to be available for leasing. However, state offices will develop a sales schedule with an emphasis on rotating lease parcel review responsibilities among field offices throughout the year (as needed) to balance the workload and to allow each field office to devote sufficient time and resources to implementing the parcel review policy.

C. Public Participation. State and field offices will provide for public participation as part of the review of parcels identified for potential leasing through the NEPA compliance documentation process. State and field offices will identify groups and individuals having an interest in local BLM oil and gas leasing, including surface owners of split estate lands where Federal minerals are being considered for leasing. Interested groups, individuals, and potentially affected split estate surface owners will be kept informed of field office leasing and NEPA activities through updated Web sites and email lists, and will be invited to comment during the NEPA compliance process.

.42 State Office Parcel Review.

A. Initial Review. The state office will conduct an initial review to confirm the availability of lands for competitive listing. The preliminary parcel sale list will be sent to the field office for review and confirmation.

B. Request for Environmental Compliance Documentation. The state office will request the NEPA compliance documentation from the field office.

.43 Field Office Parcel Review.

A. Interdisciplinary Review. Field offices will form an Interdisciplinary Parcel Review Team (IDPR Team) of resource specialists to review lease sale parcels and ensure land use plan conformance and compliance with NEPA and other legal and policy requirements. The IDPR Team will include subject matter experts for the resources potentially affected by leasing. When appropriate, the IDPR Team should consider including staff specialists from other agencies when lands and/or resources that are administered by those agencies could be impacted by future development on the lease parcels under review.

The IDPR Teams responsibilities will include:

- Gathering and Assessing Existing Information
- Ensuring Plan Conformance and Adequacy
- Considering Program-Specific Guidance
- Conducting Parcel Site Visits
- Performing Internal and External Coordination
- Performing NEPA Compliance Documentation
- Providing for Public Participation and a 30-day Public Comment Period

B. Leasing Recommendation. The Field Manager or District Manager will forward the finalized Environmental Assessment (EA) and Finding of No Significant Impact (FONSI) (or finalized Determination of NEPA Adequacy (DNA), if appropriate) and a recommendation for each parcel reviewed to the State Director. The state office will post the NEPA compliance documentation on their leasing Web site and make the documentation available in the Information Access Center (formally known as the public room).

.5 Notice of Competitive Lease Sale.

.51 General.

A. Contents of Notice. The Notice of Competitive Lease Sale must contain a legal land description of each lease parcel being offered for oral auction, identification of the stipulations for each parcel, and all other pertinent, specific information concerning unique factors applicable to each parcel and the Web site address of the NEPA compliance documentation. The sale notice also must state the time, date, and place of the competitive sale and all information on the terms and conditions of the leases, including the form of remittance required, rental and royalty rates, and bid and lease forms (see Handbook 3120-1, Section II).

B. Applicable Stipulations. The sale notice must contain the complete language of each stipulation that is applicable to each of the parcels being offered at the oral auction. The language of each information notice applicable to a lease parcel also is to be included in the sale notice.

.52 Posting of Notice. The Notice of Competitive Lease Sale must be officially posted in the Information Access Center of the BLM state office having jurisdiction over the lands at least 90 calendar days prior to conducting a competitive auction. Each sale notice will include a link to the NEPA compliance documentation. The sale notice will also be made available for the public on the external Web site and will provide applicable lease sale information. The sale notice will also be made available for posting at all surface management agencies having jurisdiction over any of the lands included in the auction, including each BLM district office and field office. The sale notice is not to be published in the *Federal Register*, and publication in oil and gas journals or other similar publications is not required (see Handbook 3120-1, Section II). Paper copies of the sale notice must be made available to the public for the specified cost recovery rate. However, on the day of the sale, at the sale location, copies of the sale notice will be made available without charge.

.53 Protests. A 30-day protest period will begin the day the sale notice is posted. The posting of the sale notice will provide the state and field offices with at least 60 days to review protests before the oil and gas lease sale. Protests that are not resolved do not prevent bidding on protested parcels at the auction.

State offices should attempt to resolve protests before the sale of the protested parcels. State offices should be confident that the protests will be resolved and the leases issued within 60 days after receipt of the balance of monies owed prior to offering the parcels for sale.

.6 Competitive Sale.

.61 Oral Auction (see 43 CFR 3120.5-1). As required by the Federal Onshore Oil and Gas Leasing Reform Act, parcels will only be offered by oral bidding unless other methods of offering/selling parcels are approved by legislation.

A. Oral Bidding. Those parcels included in the Notice of Competitive Lease Sale which received noncompetitive offers made in accordance with 43 CFR 3110.1(a)(1) filed prior to the official posting of the sale notice in the Information Access Center of the BLM state office are to be identified in the sale notice (see Handbook 3120-1, Section II). If any such noncompetitive presale offer is withdrawn subsequent to the official posting of the sale notice, identification of the withdrawal of such offer will be made at the oral auction prior to the oral bidding for that parcel. If the BLM Director elects to use the formal nomination, those parcels receiving nominations must be identified in the sale notice and prior to the oral bidding for such parcels. For parcels offered competitively in response to informal nominations, requests, or expressions of interest, no special identification or notation is to be made in the sale notice or prior to the oral bidding for such parcels.

B. Bid Award. The highest oral bid equal to or exceeding the national minimum acceptable bid will be the winning bid. The decision of the auctioneer will be final.

.62 Payments Required (see 43 CFR 3120.5-2). On the day of the sale, the high bidder must submit at least the minimum bonus bid of \$2 per acre or fraction thereof, the total amount of the first year's advance rental at the rate of \$1.50 per acre or fraction thereof, and a nonrefundable administrative fee, in an acceptable form of remittance as specified by 43 CFR 3103.1-1, for each parcel successfully bid on. Cash is not an acceptable form of payment. The balance of the bonus bid must be paid within 10 working days after the last day of the oral auction.

.63 Recurrent Nonpaying Bidders

A. Day of Sale Monies not Paid. Any bidder who has not paid the minimum monies owed on the day of sale is not a "responsible qualified bidder," and is therefore to be barred from registering for any oil and gas lease auction until the debt to the United States is settled. Any bidder who does not timely pay the minimum monies owed for a total of three sales is to be permanently barred from registering for any oil and gas lease auction at any BLM office.

B. Day of Sale Monies Paid Remainder of Bonus Bid not Paid. Any party that fails to submit the balance of the bonus bid within 10 working days of the oral auction on three occasions will be prohibited from bidding at any future sale conducted by that BLM state office. For example, a party that forfeits monies for three parcels at a single oral auction, or forfeits monies for parcels at different sales totaling three times in a BLM state office will be prohibited from bidding at any future sale in that state.

.64 Award of Lease (see 43 CFR 3120.5-3).

A. Execution of Bid Form. A bid cannot be withdrawn. A properly signed bid on a BLM-approved lease bid form constitutes a legally binding lease offer and acceptance of a lease, including all terms and conditions of the lease. Submission of the signed bid form will be required on the day of the oral auction when payment is made. Failure to comply will result in rejection of the bid and forfeiture of all monies submitted. The parcel will be reoffered for competitive lease at a subsequent oral auction.

B. Lease Award. The highest responsible qualified bidder is awarded a lease. Signature by the bidder on the BLM-approved bid form constitutes the signature on the lease. Separate signature by the lessee on the lease form is no longer required (see Handbook 3120-1, Section II). However, if a bid is received meeting or exceeding the minimum national bid amount, even if it is the only bid, it will be deemed to be the high bid and the lease may be issued. Only responsible qualified bidders will be permitted to register and bid at any lease sale as noted in .63 (A) above.

C. Bid Rejection. Failure to make complete and timely payments or failure to qualify to hold a lease (see 43 CFR 3102) will result in rejection of the oral bid. A parcel must be re-offered competitively if a bid is rejected, including when a bid is rejected for a parcel on which a presale noncompetitive offer was filed pursuant to 43 CFR 3110.1(a)(1). If no bid is received at a subsequent competitive sale for a parcel having such a presale offer, the presale offer retains its priority and a noncompetitive lease may be issued.

D. Lease Issuance. Issuance of a lease must be consistent with 43 CFR 3110.7(a) and 3110.7(b) with respect to actions required on any previous lease that may still be valid for the lands, including lands covered by an earlier lease which terminated within less than 90 calendar days.

Before issuing a lease, the authorized officer at the state office will (1) sign decisions resolving all protests concerning the parcel, and (2) sign a decision record (or record of decision for an environmental impact statement (EIS) supporting issuance of the lease(s) that provides a rationale for the leasing decision, taking into account, among other things, the NEPA analysis. If a particular parcel or parcels are not the subject of a protest, sale or issuance of such parcels should not be delayed pending resolution of protests on any other parcels proposed for sale. Field or state offices will post the NEPA compliance decision documents and protest decisions on the appropriate Web site and make the documentation available in the Information Access Center.

.7 Parcels Not Bid on at Auction.

.71 Lands for which No Bids are Received. Lands for which no bids are received at an oral auction will be available for filing of noncompetitive offers in accordance with 43 CFR 3110.1(b) for a 2-year period beginning the first business day following the end of the oral auction. However, a presale noncompetitive offer properly filed prior to the official posting of the Notice of Competitive Lease Sale will have priority over any noncompetitive offer filed after the end of the oral auction. If a noncompetitive presale offer filed pursuant to 43 CFR 3110.1(a)(1) is withdrawn either before or after the oral auction, the lands contained in the offer continue to be available for noncompetitive lease in accordance with 43 CFR 3110.1(b) for any remaining portion of the 2-year period after the end of the auction.

.8 Future Interest.

.81 Nominations to Make Lands Available for Competitive Lease. Nominations for future interest leases must be filed in accordance with 43 CFR 3120.7-1. If the BLM Director elects to use formal nominations, the requirements of 43 CFR 3120.3-1 through 3120.3-7 are to be followed. Otherwise, an informal expression of interest may be submitted for future interest lands. All future interest lands will be offered competitively at an oral auction to the highest bidder regardless of whether the lands are in a producing status.

.82 Future Interest Terms and Conditions.

A. Rental and Royalty; Acreage Chargeability. No rental or royalty is due until the minerals vest in the United States. The lease rental and royalty rates and acreage chargeability requirements must be as provided in 43 CFR 3103 and 43 CFR 3101.2 upon vesting of the minerals in the United States.

B. Other Future Interest Lease Terms and Conditions. Each future interest lease shall include conditions or stipulations to the following effect: If the future interest lessee becomes the holder of any present interest operating rights in the lands and those present interest rights are assigned, the future interest lessee must file an assignment of the future interest lease of the same type and proportion as the transfer of the present interest rights. If the present interest lessee's rights cease, the future interest lease rights also will cease.

.83 Compensatory Royalty Agreements. The terms and conditions for compensatory royalty agreements involving acquired lands in which the United States owns a future or fractional interest will be established on a case-by-case basis. Such agreements are required when leasing is not possible in situations where the interest of the United States in the oil and gas deposits includes both a present and a future fractional interest within the same tract containing a producing well.