United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Bakersfield Field Office
3801 Pegasus Drive
Bakersfield, California 93308-6837
www.ca.blm.gov/bakersfield

Final

In Reply Refer To:
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Dear _____:

Your company is the Operator for the following federal leases on split estate lands:

(listing of leases)

The federal government owns the mineral estate on these split estate lands, but the surface is privately owned.

We've received a new policy from our Washington office pertaining to issuing permits on these split estate leases. This policy adds an additional requirement to ensure adherence to the existing BLM regulations in Onshore Order 1. The purpose of this letter is to inform you of this new requirement and the procedures you must follow when you file an Application for Permit to Drill (APD) or certain Sundry Notices on any of these leases.

In most cases Operators of split estate leases have some kind of an agreement with the surface owner to allow access and use of the surface for oilfield operations. This new requirement seeks to ensure that either such an agreement exists or a good faith effort has been made to obtain such an agreement with the surface owner, prior to approving new surface disturbing operations.

Effective immediately, when you submit a new APD or Sundry Notice on split estate lands (if the Sundry involves new surface disturbance), you will need to include the attached form. It requires the name and contact information for the surface owner of the land that will be developed. The form asks you to indicate if you have an agreement or waiver with the surface owner (a copy of the agreement or waiver **is not** required). If you have been unable to reach an agreement with the owner or have been unable to locate them, you must obtain a bond in an amount sufficient to cover any reasonably expected loss of certain crops [1] or tangible improvements [2]. The amount shall be sufficient to cover any projected loss to the crops and

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[1] Crops include those for feeding domestic animals, such as grasses, hay, and corn, but not plants unrelated to stockraising.

[2] Tangible improvements include those relating to domestic, agricultural and stockraising uses, such as barns, fences, ponds or other works to improve the utilization of water, but not those associated with nonagricultural development.

tangible improvements, but the minimum bond amount is $1,000 whether or not there are currently any such crops or other improvements.[3] This bond is separate from and in addition to the standard oil and gas operations bond that all operators are required to have.

If the surface owner protests the adequacy of the bond, the BLM will determine whether the bond submitted by the operator is adequate, based on input from the operator and surface owner. The bond will be released after compensation for any damages to crops and tangible improvements to the surface owner has occurred and the mineral lessee or operator requests release of the bond.

In order to reduce the effort required to comply, we have determined that a single certification statement for each lease may provide compliance with this new policy. We encourage operators to develop a comprehensive agreement with the surface owner(s), if one does not already exist. If you have already have an agreement covering all future operations, please circle the correct option on the attached Self-certification Statement.

We understand this requirement to certify that an agreement exists with the surface owner or if not, a bond has been provided, may be difficult in some cases. This policy was issued in response to concerns by surface owners in the Rocky Mountain region, and it ensures that surface owners' rights are protected while still providing a means for conducting operations when an agreement cannot be reached. This requirement encourages Operators to reach an agreement with surface owners but allows for a bond to be posted if that is not possible.

For further information regarding the bonding process, please call Nora Dedios at (661) 391-6129. For other questions, please contact Silvet Holcomb at (661) 391-6137 or Jeff Prude at (661) 391-6140.

Sincerely,

Patricia D. Gradek
Assistant Field Manager, Minerals

1 Attachment
Self-Certification Statement

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[3] This is not to say that minimum damages are considered to be $1,000, only that the minimum bond is $1,000. If there is no damage, the bond will be fully refundable upon request and compliance verification.

SELF-CERTIFICATION STATEMENT FROM LESSEE/OPERATOR

SURFACE OWNER IDENTIFICATION

Federal or Indian Lease No. _____

I hereby certify to the Authorized Officer of the Bureau of Land Management that I have reached one of the following agreements with the Surface Owner; or after failure of my good-faith effort to come to an agreement of any kind with the Surface Owner, have provided a bond and will provide evidence of service of such bond to the Surface Owner. If an agreement has been reached, this agreement is for (circle one) (a single permit) **or** (all future operations).

1) _____ I have a signed access agreement to enter the leased lands;

2) _____ I have a signed waiver from the surface owner;

3) _____ I have entered into an agreement regarding compensation to the surface owner for damages for loss of crops and tangible improvements.

4) _____ Because I have been unable to reach either 1), 2), or 3) with the surface owner, I have obtained a bond to cover any loss of crops and damages to tangible improvements and served the surface owner with a copy of the bond.

Surface owner information: (if available after diligent effort)

Surface Owner Name: _____

Surface Owner Address:_____

Surface Owner Phone Number: _____

Signed this _____-- day of _____-, 200__.

_____ _____

(Signature of lessee/operator) (Title)

I (Surface Owner) **accept** the lessee or operator=s Surface Owner Agreement under 1, 2, or 3 above.

Signed this _____-- day of _____-, 200__.

_____

(Signature of Surface Owner if an agreement has been reached, if available)

I (Surface Owner) **do not accept** the lessee or operator's Surface Owner Agreement under 1, 2, or 3 above.

Signed this _____-- day of _____-, 200__.

_____

(Signature of Surface Owner if an agreement has not been reached, if available)

Attachment 1