

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Notice Returning Unsolicited Qualifications Documents



IN REPLY REFER TO

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

NOTICE

The material you recently submitted to this office related to oil and gas lessee qualifications is enclosed. The Bureau no longer routinely maintains or requires such information since this is no longer a Federal onshore oil and gas leasing regulatory requirement. Therefore, it is being returned. The material has not been reviewed and no determination of your firm's qualifications to hold interest in Federal oil and gas leases has been made.

Submission to the Bureau of any oil and gas competitive bid, noncompetitive lease offer, assignment record title, or transfer of operating rights (sublease) constitutes a representation that the bidder, offeror, assignee, transferee, or other party-in-interest is qualified to hold the lease interest and is in compliance with the acreage limitations. Should any question of qualifications arise, the Bureau has the authority to require additional information, in accordance with 43 CFR 3102.5, either before or after approval of a competitive bid offer, noncompetitive lease offer, assignment, or transfer.

Authorized Officer

Enclosure

Distribution:

INTERIM GUIDANCE (EXPIRES 09/30/92)

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Current Leasing Procedures with Regard to Nations Reviewed for Reciprocity

Those nations thus far reviewed by the Department of the Interior under the procedures as set forth in 47 FR 27622 (June 25, 1982) are:

1. Canada - Decision issued February 2, 1982  
(no Federal Register notice issued)
2. Sweden - (47 FR 45091, October 13, 1982)
3. Cyprus - (47 FR 45091, October 13, 1982)
4. Finland - (49 FR 29849, July 24, 1984)
5. Kuwait - (48 FR 16348, April 15, 1983)  
(49 FR 50310, December 27, 1984)  
(50 FR 11249, March 20, 1985)

The above listed nations have been determined by the Department not to deny similar or like privileges to citizens or corporations of the United States within the meaning of the MLA, Section 1 (30 U.S.C. 181).

Initially, however, the laws, customs, and regulations of Kuwait were determined by the Secretary to deny United States citizens or corporations privileges that are like or similar to the privileges that the United States accords foreign citizens under the MLA. In a decision issued on March 10, 1983, the Secretary concluded that the policy followed by the Government of Kuwait when it nationalized its petroleum industry in the 1970's resulted in de facto discrimination against citizens and corporations of the United States. This discrimination occurred when Kuwait nationalized two petroleum concessions owned in whole or part by United States corporations, but allowed a Japanese company to retain an interest in an offshore concession. The Secretary made no finding of intentional discrimination, stating at page 8 of the March 10 decision:

Section 1 does not require a showing that such "similar or like privileges" may be purposefully abridged. Rather, effective discrimination only is sufficient to lead to the conclusion that a country is nonreciprocal.

In light of this decision, it became the Department's policy that citizens of Kuwait generally may not, through stock ownership, stockholding, or stock control, own interests in "petroleum" leases and permits (including oil and gas leases, combined hydrocarbon leases, gilsonite permits and leases, and oil or gas pipeline right-of-way permits) issued pursuant to the MLA or the Mineral Leasing Act for Acquired Lands.

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On July 2, 1984, a decision was issued by the United States District Court for the District of Delaware in Santa Fe International et al. v. Watt, 591 F. Supp. 929 (D. Del. 1984), in which Santa Fe International Corporation, a United States corporation wholly owned by Kuwait Petroleum Corporation (KPC), two of its subsidiaries, and KPC (United States Holdings) Inc. challenged the Secretary's March 10, 1983, determination that Kuwait was a nonreciprocal nation. According to the court, the Secretary lacked a proper basis for his decision since the MLA allows disqualification of a foreign nation only if that country discriminates against United States citizens because of their citizenship. The court remanded the matter to the Department for a determination of whether Kuwait treated United States citizens or corporations differently than citizens or corporations of other nations.

In response to the remand, the Department requested public comment on the issue of intent by Kuwait to discriminate against United States citizens and corporations based on their nationality, 49 FR 50310 (December 27, 1984).

On February 7, 1985, the Secretary signed a decision on the status of Kuwait stating:

The record reflects that Kuwait did in fact have legitimate and objective business reasons for allowing the Japanese company retention of its interest while nationalizing those concessions with interests owned by United States corporations. There is no evidence of a nationalization policy directed at United States citizens and corporations because they were American. Consistent with the court's decision, the March 10, 1983, determination that the laws, customs or regulations of Kuwait deny similar or like privileges to United States citizens and corporations within the meaning of section 1 of the Act must be, and it hereby is reversed.

. . . .

Therefore, citizens and corporations of Kuwait may, through stock ownership, stock holding or stock control, own interests in Federal mineral leases issued under that Act.

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Notice Acknowledging Receipt of Power of Attorney  
Unrelated to a Specific Oil and Gas Lease Action



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

IN REPLY REFER TO

NOTICE

This office recently received a power of attorney relating to Federal oil and gas holdings your firm may obtain in the future, requesting our review with respect to its being in proper form to meet Bureau of Land Management Federal onshore oil and gas leasing regulatory requirements.

This notice serves to acknowledge receipt of the power of attorney. However, we will not review the materials submitted until such time as a submission of a specific competitive bid, noncompetitive lease offer, assignment of record title, transfer of operating rights (sublease), or a request for approval of an assignment or transfer is received for processing that may necessitate our reference to the power of attorney.

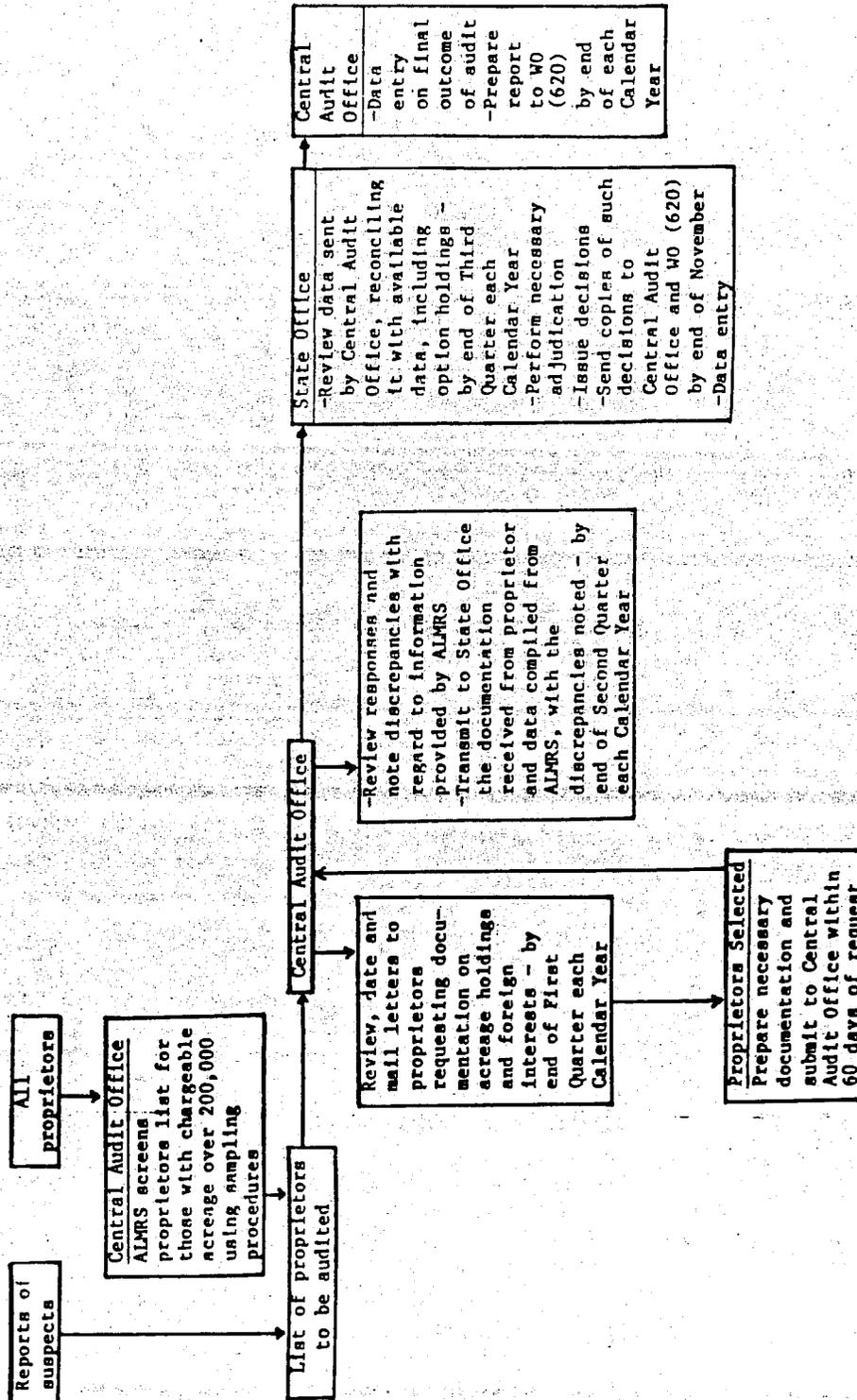
Authorized Officer

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Qualifications Audit System Work Flow Diagram

QUALIFICATIONS AUDIT SYSTEM  
WORK FLOW DIAGRAM



INTERIM GUIDANCE (EXPIRES 09/30/92)

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Notice of Audit Sent by Wyoming State Office to  
Selected Proprietor Requesting Submission  
of Lease Interest Holdings



IN REPLY REFER TO

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

\*CERTIFIED MAIL—RETURN RECEIPT REQUESTED

NOTICE

Oil and Gas Lease Acreage Qualifications Audit

A Federal Register notice published on May 30, 1986 50 FR 23080) informed the public that the Bureau of Land Management's (BLM) Qualifications Audit System for oil and gas leasing is operational. The BLM has eliminated the regulatory requirement that documents relating to acreage chargeability be routinely submitted (47 FR 8544). In lieu of submitting such documents, selective audits will be performed to verify a company's compliance with the oil and gas lease acreage limitations imposed by Sec. 1 of Mineral Leasing Act of 1920 (30 U.S.C. 181, et seq.) and the Federal Code of Regulations, 43 CFR 3101.2. In accordance with 43 CFR 3101.2-1(a), there is an acreage limitation of 246,080 acre per entity per geographic State. This limitation is separately applicable for public domain and acquired lands mineral acreage holdings in any one State.

(Name of proprietor) has been selected for an audit of acreage holdings as of (Date), in the State of (Name). In accordance with 43 CFR 3101.2-6, please submit to the Wyoming State Office at the above address the following information, in the format shown on Attachment 1, current as of (Date):

1. A list of all affiliates, subsidiaries, and other related entities of (Proprietor name), with the interest relationship to (Proprietor name) and the percentage of ownership or interest in each. The "interest relationship" refers to whether you own, or are owned by, the proprietors, affiliates, subsidiaries, or other entities. The listing must include present ownership as well as future options to acquire, and is only for proprietors, affiliates, or subsidiaries holding acreage in the State of (Name).
2. For your company and for each of the entities in number 1 above, a list of interests in leases, as defined in 43 CFR 3000.0-5(1), that your company, its affiliates, subsidiaries, or other related entities hold in the State of (Name).

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Interests include, but are not limited to, record title interests, operating rights, options, or any agreement covering such interests. The listing must include the lease serial number, acreage, and percentage of ownership or interest held in every lease. Since public domain and acquired lands mineral lease holdings are computed separately, list those acreages separately. Also indicate leases that are committed to a unit agreement and leases subject to operating, drilling, or development contracts, (other than communitization agreements), since this acreage will not be charged, as stated in 43 CFR 3101.2-3.

You have 60 days from receipt of this notice in which to furnish the requested information. Even though you may take the full 60 days to submit information, for administrative purposes, we request that you submit the above-described information within 10 days of your compilation. You must advise this office, prior to the expiration of the 60 days, if you are unable to submit the data. We will then consider your request for an extension of time.

The relevant regulations are enclosed for your information. A party owning an undivided interest in a lease is charged only the proportionate share of the total lease acreage. (Example: Two lessees hold a 50-50 interest in a 640-acre lease. Each is calculated to hold only 320 acres for computation purposes.)

If you have any questions concerning this audit, contact: \_\_\_\_\_ (Name)  
at the Wyoming State Office, \_\_\_\_\_ (Telephone) .

Authorized Officer .

Enclosures:

- 1 - 3100 regulations
- 2 - Attachment 1

cc:

Appropriate State Office  
Washington Office (620)

INTERIM GUIDANCE (EXPIRES 09/30/92)

R-3102-1 - QUALIFICATIONS OF LESSEES

Example Format of the Acreage Audit Table

EXAMPLE ACREAGE AUDIT TABLE

	A	B	C	D	E	F	G
1	COMPANY	RELATIONSHIP	COMPANY INTEREST				
2	ABC Oil	Subject	100%				
3							
4	LEASE	SERIAL	ACREAGE	ACREAGE	INTEREST	INTEREST	CHARGEABLE
5	TYPE	NUMBER	UNIT	NOT UNIT	TYPE	PERCENT	ACREAGE
6	PD	W-87770	0.00	640.00	Record	100%	640.00
7	PD	W-078845	320.00	0.00	Record	100%	0.00
8	PD	W-56622	0.00	1456.00	Record	50%	728.00
9	PD	W-56622	0.00	1456.00	Oper	35%	0.00
10	PD	W-56676	0.00	40.00	Option Record	25%	10.00
11	PD	W-90352	0.00	1240.00	Oper	100%	1240.00
12	PD	W-100737	320.00	320.00	Record	100%	320.00
13							
14	Total PD		640.00	5152.00			2938.00
15							
16	Acq.	W-7575	0.00	5689.23	Oper	5%	284.46
17		W-89344	1280.00	0.00	Record	70%	0.00
18							
19	Total Acq.		1280.00	5689.23			284.46
20							
21							
22	COMPANY	RELATIONSHIP	COMPANY INTEREST				
23	DEF Oil	Subsidiary	45%				
24							
25	LEASE	SERIAL	ACREAGE	ACREAGE	INTEREST	INTEREST	CHARGEABLE
26	TYPE	NUMBER	UNIT	NOT UNIT	TYPE	PERCENT	ACREAGE
27	PD	W-87771	0.00	640.00	Record	100%	288.00
28	PD	W-076845	320.00	0.00	Record	100%	0.00
29	PD	W-46622	0.00	1456.00	Record	50%	327.60
30	PD	W-56768	40.00	0.00	Oper	25%	0.00
31	PD	W-91352	0.00	1240.00	Option Oper	100%	558.00
32							
33	Total PD		360.00	3336.00			1173.60
34							
35	Acq.	W-7575		5689.23	Oper	5%	128.01
36		W-89344		1280.00	Record	70%	403.20
37							
38	Total Acq.		0.00	6969.23			531.21
39							

ATTACHMENT 1-1

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EXPLANATION for EXAMPLE ACREAGE AUDIT TABLE

**COMPANY: A1**

In A2, put the name of the company whose leases are being listed in the block below

**RELATIONSHIP: B1**

This is the SUBJECT or the relationship of the COMPANY to the SUBJECT of the audit. Terms here would be proprietor, subsidiary, or subject.

**COMPANY INTEREST: D1**

The percentage of the COMPANY which is attributable to the SUBJECT of the audit.

**LEASE TYPE: A5**

Public Domain (PD) or Acquired Lands (Acq).

**SERIAL NUMBER: B5**

The Federal serial number of the lease.

**ACREAGE UNIT: C5**

If any or all of the acreage in the lease is included within an approved unit agreement, list that acreage in the lease in this column. See for example Row 12 in the Table

**ACREAGE NOT UNIT: D5**

For leases not within a unit, list the entire acreage here.

**INTEREST TYPE: E5**

Designate here the nature of the interest of the COMPANY in the lease. Terms should be record title or operating rights (includes working interests), and options or agreements for them. Other interests are not chargeable. If more than one INTEREST TYPE is owned, specify each on a separate line.

**INTEREST PERCENT: F5**

The percentage of the INTEREST TYPE in the lease. If more than one INTEREST TYPE exists for the same acreage in the same lease, all INTEREST TYPES should be reflected, but carry over to Column G only the interest which is greatest. See for example Rows 8 and 9 in the Table.

**CHARGEABLE ACREAGE: G5**

Product of COMPANY INTEREST (D1), ACREAGE NOT UNIT(D5), and INTEREST PERCENT (F5). Unit acreage, COLUMN C, is not chargeable.

ATTACHMENT 1-2

~~INTERIM GUIDANCE (EXPIRES 09/30/92)~~

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Memorandum to State Office Advising of Initiation  
of Qualifications Audit of Selected Proprietor



IN REPLY REFER TO

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

Memorandum

To: Chief, Minerals Adjudication ( Code ), ( Name State Office)

From: Supervisory Land Law Examiner, Wyoming State Office

Subject: Oil and Gas Lessee Qualifications Audit

As stated in the enclosed notice, (Name of proprietor) has been selected for a qualifications audit in (State).

Guidance concerning the Oil and Gas Qualifications Audit System is found in H-3102-1. When (Name of proprietor) has submitted the required documentation, this office will make a preliminary review of the data to determine whether the company is in apparent compliance with the acreage limitations imposed by 43 CFR 3102.2. All documents submitted and Case Recordation Report M07, Acreage Figures by Proprietor, will then be forwarded to you for processing in accordance with H-3102-1, Step IVA9.

If you have any questions concerning the Qualifications Audit System, please contact (Name) at (FTS Telephone number).

Authorized Officer

Attachments

Distribution:  
Washington Office (620)

INTERIM GUIDANCE (EXPIRES 09/30/92)

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Memorandum to State Office Transmitting Reports  
for Reconciliation



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

IS BEING REFERRED TO

\*Memorandum

To: Chief, Minerals Adjudication ( Code ), ( Name State Office)  
From: Supervisory Land Law Examiner, Wyoming State Office  
Subject: Oil and Gas Lessee Qualifications Audit

Attached is the oil and gas acreage and interest holdings documentation submitted to this office by (Proprietor/company) in response to our (Date), notice (also attached).

This office has made a preliminary comparison of the data submitted and the corresponding ALMRS Report No. M07, Acreage Figures by Proprietor. We have evaluated subsidiary and proprietary interests as well as gross acreage and interest holdings for (Proprietor/company). This review shows (Proprietor/company) is in apparent compliance with the qualification requirements imposed by 43 CFR 3101.2 and 3102.5. Accordingly, you should conduct a lease-by-lease comparison of the respective data in order to reconcile any discrepancies concerning acreage and interests.

If, during the reconciliation process, it is revealed that (Proprietor/company) exceeds the acreage limitation, you are required to conduct an audit. An audit involves reconciliation as well as verification of chargeable acreages on a case-by-case basis. Where coordination between you and (Proprietor/company) fails to rectify discrepancies and bring (Proprietor/company) into compliance with the acreage limitations, you should initiate action toward divestiture.

(Proprietor/company) has been informed of our initial determination (see attached letters) and that your office will be conducting a lease-by-lease comparison of the respective data in order to reconcile any discrepancies concerning lease acreage or interests. They have also been told that you may be contacting them during the reconciliation process on questions concerning discrepancies.

If there are any questions concerning the Oil and Gas Lessee Qualifications Audit System, please call (Name) at (FIS Telephone number).

Authorized Officer

Attachments

Distribution:  
Washington Office (620)

INTERIM GUIDANCE (EXPIRES 09/30/92)

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Letter to Proprietor Advising That Proprietor's  
Data Has Been Sent to State Office for Reconciliation



IN REPLY REFER TO:

United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
3102 (Office Code)

Proprietor/company and Address

Dear \_\_\_\_\_:

On (Date), we received documentation of (Proprietor/company) oil  
and gas acreage/interest holdings in the State of (Name).

A preliminary comparison of your data and our record shows that  
(Proprietor/company) is in apparent compliance with the acreage  
limitations imposed by Code of Federal Regulations 43 CFR 3101.2. Your  
information and our records have been forwarded to the BLM (Name)  
State Office for a lease-by-lease review to reconcile any discrepancies  
between our respective data.

The (Name) State Office will contact you where questions arise during  
this reconciliation process.

Sincerely,

Authorized Officer

Distribution:  
Washington Office (620)

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Memorandum from State Office to Central Audit Office  
With Notification That Audit/Reconciliation is Completed



United States Department of the Interior  
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3102 (Office Code)

Memorandum

To: Supervisory Land Law Examiner, Wyoming State Office  
From: Supervisory Land Law Examiner, (Name) State Office  
Subject: Oil and Gas Lessee Qualifications Audit, (Proprietor/Company)

This office was required to perform a lease-by-lease comparison of acreage and holdings data provided by (Proprietor/company) and our BLM lease records. We have verified this data and have reconciled data inconsistencies and minor discrepancies in our Case Recordation System. We have determined that (Proprietor/company) holds (Number) acres in the State of (Name) and, thus, is within the acreage limitations and, therefore, is in compliance with the regulations. We completed this reconciliation/audit on (Date).

If you have further questions, please contact (Name), at (FTS Telephone number).

Distribution:  
Washington Office (620)

INTERIM GUIDANCE (EXPIRES 09/30/92)

H-3102-1 - QUALIFICATIONS OF LESSEES

Format for Memorandum from State Office to Central Audit Office With  
Notification That Audit Indicates Proprietor Noncompliance With  
Acreage Limitations



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

3102 (Office Code)

IN REPLY REFER TO:

Memorandum

To: Supervisory Land Law Examiner, Wyoming State Office  
From: Supervisory Land Law Examiner, (Name) State Office  
Subject: Oil and Gas Lessee Qualifications Audit, (Proprietor/Company)

By memorandum dated (Date), you forwarded documentation of acreage holdings for (Proprietor/company) and related entities to this office for an audit:

We have completed this audit on a lease-by-lease basis and have determined that (Proprietor/company), together with its related entities, holds (Number) acres in the State of (Name), a total that is in excess of the acreage limitation for (Public domain/Acquired lands) minerals. This acreage figure includes record title and various interests of operating rights and acreage included in communitization agreements, as determined by checking the case files, but excludes acreage committed to units and held in development contracts. We have verified this data and have reconciled the data inconsistencies and minor discrepancies in our Case Recordation System.

We have determined that (Proprietor/company) is not in compliance with the acreage limitations. We have advised them by decision on this date that the excess acreage must be divested in accordance with 43 CFR 3101.2.

We will keep you advised of the status of this acreage divestiture action and will notify you when (Proprietor/company) is determined to be in compliance with the acreage limitation provisions established by the law.

Authorized Officer

Distribution:  
Washington Office (620)

INTERIM GUIDANCE (EXPIRES 09/30/92)