

H-3103-1 - FEES, RENTALS, AND ROYALTY

Lease Rental Rate Provisions

Noncompetitive and Competitive Leases Issued Under the Federal Oil and Gas Leasing Reform Act of December 22, 1987

A. Unitized Participating Lease.

1. Acreage within and outside participating area - minimum royalty in an amount not less than the rental which would be required for the lease year (\$1.50 per acre or fraction thereof for the first 5 years and \$2.00 for all subsequent lease years.)

B. Nonunitized Lease.

1. Rental at the rate of \$1.50 per acre or fraction thereof for the first 5 years and \$2.00 for all subsequent lease years; minimum royalty at the same rate as annual rental.

II. Noncompetitive Leases Issued Under the Act of September 2, 1960

A. Unitized Participating Lease.

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.

2. Acreage outside participating area - rental of \$1.00 per acre or fraction thereof for leases issued on and after February 1, 1977 (50 cents per acre or fraction thereof for leases issued prior to February 1, 1977) regardless of KGS status.

NOTE: The 1977 amendment to the regulations increasing the rental rate to \$1.00 per acre for noncompetitive leases issued on and after February 1, 1977, did not address leases issued between September 2, 1960, and February 1, 1977. Therefore, the rental rate for lands outside the participating area of a unit are at the rate specified in the lease terms for such lands.

B. Nonunitized Lease.

1. Wholly outside KGS - rental of \$1.00 per acre or fraction thereof for leases issued on and after February 1, 1977 (50 cents per acre or fraction thereof for leases issued prior to February 1, 1977).

2. Wholly or partly within KGS - rental of \$2.00 per acre or fraction thereof.

3. Lease subject to minimum royalty of \$1.00 per acre or fraction thereof if it contains a well capable of producing oil or gas in paying quantities.

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III. Competitive Leases Issued Under the Act of September 2, 1960

A. Unitized Participating Lease

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.

2. Acreage outside participating area - rental of \$2.00 per acre or fraction thereof.

B. Nonunitized Lease.

1. Productive - minimum royalty of \$1.00 per acre or fraction thereof

2. Nonproductive - rental of \$2.00 per acre or fraction thereof.

IV. Noncompetitive Leases Issued Under the Act of August 8, 1946

A. Unitized Participating Lease

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.

2. Acreage outside participating area - rental of 50 cents per acre or fraction thereof regardless of KGS status.

B. Nonunitized Lease.

1. Wholly outside KGS - rental of 50 cents per acre or fraction thereof.

2. Wholly or partly within KGS - rental of \$1.00 per acre or fraction thereof.

V. Competitive Leases Issued Under the Act of August 8, 1946

A. Unitized Participating Lease

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.

2. Acreage outside participating area - rental of \$1.00 per acre or fraction thereof.

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B. Nonunitized Lease.

1. Productive - minimum royalty of \$1.00 per acre or fraction thereof.
2. Nonproductive - rental of \$1.00 per acre or fraction thereof.

Noncompetitive Leases Issued Under the Act of August 21, 1935, and an Election Filed to be Governed by the Act of August 8, 1946

A. Unitized Participating Lease.

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.
2. Acreage outside participating area - rental of 25 cents per acre or fraction thereof regardless of KGS status.

B. Nonunitized Lease.

1. Wholly outside KGS - rental of 25 cents per acre or fraction thereof.
2. Wholly or partly within KGS - rental of 25 cents per acre or fraction thereof.

Competitive Leases Issued Under the Act of August 21, 1935, and an Election Filed to be Governed by the Act of August 8, 1946

A. Unitized Participating Lease.

1. Acreage within participating area - minimum royalty of \$1.00 per acre or fraction thereof.
2. Acreage outside participating area - rental of 25 cents per acre or fraction thereof.

B. Nonunitized Lease.

1. Productive - minimum royalty of \$1.00 per acre or fraction thereof.
2. Nonproductive - rental of 25 cents per acre or fraction thereof.

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VIII. Noncompetitive Leases Issued Under the Act of August 21, 1935

A. Unitized Participating Lease

1. Acreage within participating area - rental of \$1.00 per acre or fraction thereof.

2. Acreage outside participating area - rental of 25 cents per acre or fraction thereof.

3. Sum of rentals on (1) and (2) to be credited against royalties.

B. Nonunitized Lease.

1. Rental of 25 cents per acre or fraction thereof regardless of KGS status.

IX. Competitive Leases Issued Under the Act of August 21, 1935

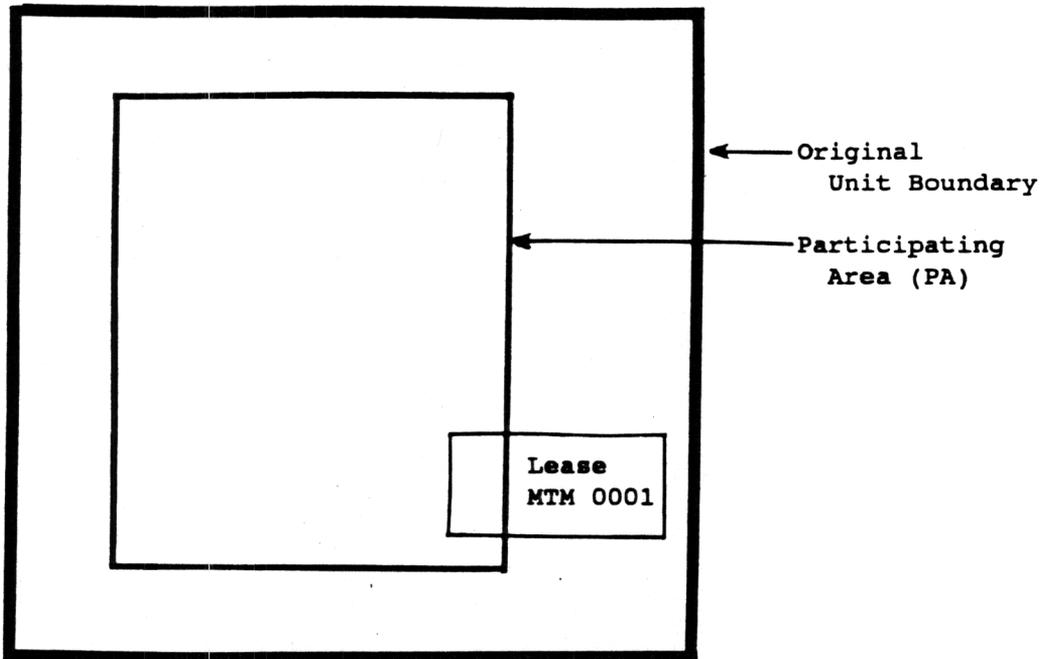
A. Rental of 25 cents per acre to be credited against royalties.

X. Leases Issued Prior to August 21, 1935

A. Oil and gas leases issued prior to August 21, 1935, generally require rental of \$1.00 per acre which is credited against royalties.

NOTE: The 1983 amendment to the leasing regulations, effective August 22, 1983, required an annual rental of \$2.00 per acre or fraction thereof for exchange and renewal leases issued after that date. This rental rate remained the same in the 1988 amendments to the regulations.

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Unit Agreement approved.

Lease MTM 0001 committed - lease not segregated since entire lease is inside the unit.

Well drilled - Participating Area (PA) established.

PA includes portion of lease MTM 0001

Acreage in MTM 0001 inside PA is subject to minimum royalty.

Acreage in MTM 0001 outside PA is subject to rental at the non-KGS rate.

NOTE: If the lands outside the PA are included in a KGS, the rental rate is not increased, but remains at the non-KGS rate.

Unit Agreement automatically contracts to PA.

Lease MTM 0001 is now part in and part outside the unit. The lease is not segregated.

Acreage in MTM 0001 inside unit remains subject to minimum royalty.

Acreage in MTM 0001 outside unit is subject to rental at the non-KGS rate (same as if it were still nonparticipating unit lands).

NOTE: If the entire lease acreage had been eliminated from the unit by contraction, rental would be charged at the non-KGS rate if lease is not in a KGS, and at the KGS rate if any portion of the lease is in a KGS.

If MTM 0001 contains a well capable of production in paying quantities on the acreage outside the PA, that acreage would be subject to minimum royalty rather than rental.