

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

Reference List of Decisions Addressing Oil and Gas Lease
Minimum Royalties

Solicitor's Opinion M-36405, (June 13, 1957)

The minimum royalty payable by oil and gas lessees under Section 17 of the Mineral Leasing Act, as amended (30 U.S.C. 226), is not subject to proration when such leases are terminated prior to the end of any lease year.

Solicitor's Opinion, (May 8, 1962)

For the lease year in which a partial assignment is effected, there should be credited against the minimum royalty obligation on the assigned land any actual royalties paid thereon during that year, whether they be paid by the assignor or assignee.

Department of the Interior Decision A-29849, 71 ID 233 (June 3, 1964)

An oil and gas lease which attains a minimum royalty status because of inclusion in the participating area of a producing gas unit but on which there is no producing or producible well and which is subsequently extended as a consequence of the termination of the unit reverts to a rental status and is subject to the automatic termination provision of the Act of July 29, 1954.

Department of the Interior Decision A-29816, (September 28, 1964)

An oil and gas lease which converts to a minimum royalty basis during its primary term because of the discovery on it of oil and gas in paying quantities remains in a minimum royalty status even though production ceases, but it reverts back to a rental basis if the lease is extended for a five-year period.

Solicitor's Opinion, (February 6, 1968)

Minimum royalty for leases segregated by unitization should be determined on the total acreage in the base lease at the beginning of the lease year and all production royalty accruing during the lease year from that acreage should be credited against the minimum royalty obligation.

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Department of the Interior Decision A-30897, 75 ID 81 (April 2, 1968)

When a producing lease is segregated into two leases upon partial commitment to a unit, the nonunitized portion, which does not contain a producing well, does not remain in a minimum royalty status but reverts to a rental basis which is determined by its own situation.

Buttes Oil & Gas Company, 13 IBLA 125 (September 25, 1973)

Where an oil and gas lease has been segregated horizontally, the holder of each resulting lease is liable for payment of rental and royalty based on the entire area included in the segregated lease, notwithstanding this may result in multiple payment of rental or royalty for the same land.

Gulf Oil Corp. et al., 21 IBLA 1 (June 16, 1975)

The minimum royalty required under an oil or gas lease following discovery, but prior to actual production, of oil or gas, must be satisfied; if advance royalties have been paid on take or pay payments made to a lessee-seller by a buyer in lieu of receiving production from the lease, they may be credited to the amount due for royalties on actual production in subsequent years, but only to the extent they are in any year in excess of the amount of the minimum royalties prior to the actual production.
