

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsVII. Exchange Leases - 20-Year TermA. General

Any lease that issued for a term of 20 years or any renewal thereof, or any lease that issued in exchange for a 20-year lease issued prior to August 8, 1946, may be exchanged for a new lease. Such an exchange lease shall have a primary term of 5 years, and so long thereafter as oil or gas is produced in paying quantities, and shall have a royalty rate of not less than 12½ percent. The annual rental rate shall be \$2 per acre or fraction thereof. For example, a renewal lease being held by a producing unit agreement that otherwise would terminate due to cessation of production from the unit, may be exchanged for a new lease with a term of 5 years so long as the application for the exchange lease is filed prior to the termination of the unit. (For a general overview of exchange leases, see Richfield Oil Corporation, 66 I.D. 292 (1959).) Process the exchange application as described in Section VII.B, below.

EXCHANGE
LEASES

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B. Processing Application for Exchange Lease

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive application for exchange lease. Route to Adjudication through Docket and ALMRS Entry.	EXCHANGE LEASE APPLICATION RECEIVED
ALMRS Entry	2.	Enter Action Date (MANDATORY ACTION CODE): Date application for exchange lease is received; DE 1775 Action Code 001/DE 2910 Action Code 124.	AUTOMATED NOTATION
Adjudication	3.	Examine application for compliance with the following:	EXCHANGE LEASE REQUIREMENTS
	3a.	Three copies of application.	
	3b.	Proper execution by record title holder(s).	
	3c.	Payment of \$75 filing fee	
	3d.	Showing as to full compliance with terms of lease and applicable regulations.	
	4.	Transmit copy of application to the FO operations staff and ask for a report.	FIELD OFFICE OPERATIONS REPORT
	5.	If lease is in producing status, obtain lease account information from the MMS-DMD automated system.	
	6.	Upon receipt of favorable reports from FO operations and MMS, prepare decision to applicant transmitting lease forms for execution, in triplicate.	TRANSMITTAL OF LEASE FORMS
	7.	If a bond is required, request new bond or consent of surety to the extension of the bond liability to cover the terms of the exchange lease.	BOND REQUIREMENT

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Exchange lease is to be prepared on Form 3100-11. The words "Exchange Lease" are entered after "Other" at the bottom of the lease form; "Sec. 17(a) of the Act of August 8, 1946" is to be inserted above Item 1 of the form. Ensure that rental rate is \$2 per acre (see 43 CFR 3103.2-2(b)(3)). The royalty rate for an exchange lease is 12½ percent (see 43 CFR 3103.3-1(a)(1)). The term of an exchange lease is 5 years and so long thereafter as oil or gas is produced in paying quantities.</p>	<p>LEASE FORM PREPARATION</p> <p>RENTAL AND ROYALTY RATES</p> <p>LEASE TERM</p>
	8.	Examine lease forms returned by the applicant for proper execution.	
	9.	Date an exchange lease the first day of the month following the date it is signed by the AO, except that upon prior request of the lessee, the lease may be dated the first day of the month in which it is executed.	DATING OF LEASE
	10.	Complete accounting advice for MMS-DMD.	ACCOUNTING ADVICE - EXCHANGE LEASE
ALMRS Entry	11.	Update Case Recordation in accordance with the current data standards (see Appendix 4 and Illustration 25).	AUTOMATED NOTATION
		Enter Action Date (MANDATORY ACTION CODE): Date lease signed by AO; DE 1775 Action Code 176/DE 2910 Action Code 237.	
		Enter Action Date (MANDATORY ACTION CODE): Effective date of exchange lease; DE 1775 Action Code 225/DE 2910 Action Code 868.	

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Responsible Official	Step	Action	Keywords
	11c.	Enter Action Date (MANDATORY ACTION CODE): Enter 12½ percent royalty rate; DE 1775 Action Code 102/DE 2910 Action Code 530.	
	11d.	Enter Action Date (MANDATORY ACTION CODE): Date lease expires in 5 Years (e.g., if lease effective date is 5/1/94, expiration date of 4/30/99 is entered); DE 1775/2910 Action Code 763.	
		<u>NOTE:</u> If necessary, also correct the lease case type to 310771 (O&G Exchange Lease - PD) (DE 2961/2912).	
Docket	12.	File case file with active cases	