

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

KeywordsXI. Extension and Termination of Indian Leases

The BIA makes the final determination for extension and termination of Indian oil and gas leases. The following guidelines are to be used by the BLM in making these recommendations to the BIA. These guidelines are general since the terms of individual Indian oil and gas leases vary. In cases where the following provisions conflict with specific lease terms, the lease terms shall prevail.

A. Extension/Continuation.

1. Individual Leases. Generally, Indian leases are continued past their primary term only for as long as oil or gas is actually produced in paying quantities. This means that if production in paying quantities is commenced prior to the expiration of the primary term of the lease, the lease will continue in effect until such production ceases. However, some Indian leases contain provisions that require that all acreage and formations not actually producing on a lease terminate at the expiration of the primary term of the lease. Unlike a Federal lease, an Indian lease normally shall not be extended/continued by reason of a shut-in well or by reworking or new drilling operations. Some Indian leases, however, provide that the lease will continue by drilling operations that are commenced during the primary term and are continued with diligence until the well is completed to production or is abandoned. The lessees also may request approval a suspension of production requirements during the period of nonproduction in order to conduct remedial workover operations, or approval to shut in wells for economic or marketing reasons. Since the statutory authority and BIA regulations currently do not provide for any suspension of production, the BLM AO needs to review the request to shut in the well or the request for a suspension of production and submit recommendations to the BIA for its determination whether to grant the request of the operator.

2. Leases Committed to Communitization Agreement.

Allocation of production under a CA is considered as production under the lease for extension purposes. However, the well must meet the same conditions specified in the preceding paragraph for lease extension or continuation.

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KeywordsB. Termination/Expiration.TERMINATION/
EXPIRATION OF
INDIAN LEASES

1. Cessation of Production on a Lease. When the BLM AO finds a cessation of production for a calendar month from an Indian lease that is in its extended term by reason of such production, the BLM AO needs to review the lease or contract terms to determine the requirements and/or penalties for nonproduction. If no requirements and/or penalties are specified, the operator is to be contacted to determine if the well is back on production, whether production is depleted, whether production has been suspended without approval for a calendar month or more, and/or whether a request for suspension of production requirements has been made to the BLM AO. If the cessation of production exceeds a calendar month and no application for suspension of production has been submitted to the BLM AO, the lease is considered to have expired the last day of production. If a request for a suspension of production has been approved by the BIA, based on recommendations made by the BLM AO, but the remedial workover operations have not been conducted with reasonable diligence, or the remedial workover operations under the approved suspension have been unsuccessful in restoring production to the lease, the lease is considered to have expired the last day in which the operations were conducted. In these cases, the BLM AO must notify the BIA of such a situation by memorandum (see Illustration 31). If the date of last production/operations cannot be determined, it will be considered to be the last day of the month in which the well last produced/operated.

2. Termination of Communitization Agreement. When production ceases from a communitized area involving Indian leases, the BLM AO is to send a memorandum, similar to that shown in Illustration 31, recommending to the BIA that the CA be terminated for nonproduction, and request the BIA to inform the BLM AO of BIA's action. The BIA/BLM/MMS Memorandum of Understanding indicates that the BIA will terminate the CA and inform the operator accordingly. When notification is received from the BIA that the CA has terminated, the BLM file is to be closed.