

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

Format for Letter Informing Operator of Potential Decline
for a CA When Authorized Officer Determines CA is
Not Capable of Production in Paying Quantities



IN REPLY REFER TO

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____ : or Gentlemen:

Communitization Agreement (CA) (Serial number), which includes lease(s) (Serial number(s)) became effective (Date) for a period of two years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities. Our records indicate that production from the CA has declined to the point that we have determined that this CA is not capable of production in paying quantities.

Under 43 CFR 3107.2-2, you are allowed 60 days from receipt of this letter in which to begin reworking or drilling operations on the CA to restore production in paying quantities. The CA will not terminate so long as approved operations are commenced within the 60-day period and such operations are continued with reasonable diligence until paying production is restored.

If you believe the CA is capable of production in paying quantities to pay the day-to-day operating costs, including rental and/or minimum royalty on a sustained basis, you must submit justification within 60 days of receipt of this letter.

If a reworking/drilling operation proposal or justification that the well is capable of production in paying quantities is not submitted within 60 days from receipt of this letter, the CA will automatically terminate. A Notice of Intent to Abandon (NIA) the well must be filed within 30 days, starting 60 days after receipt of this letter. (NOTE: This sentence applies only when the well involved is Federal.) The leases committed to the CA may be eligible for extension in accordance with 43 CFR 3107.4.

If you have any questions, contact (Name) at (Office address).

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication