

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES
Instruction Guideline for Entering Production-related Oil
and Gas Lease Data into Case Recordation

INSTRUCTION GUIDELINE FOR ENTERING PRODUCTION-RELATED OIL AND GAS
LEASE DATA INTO CASE RECORDATION

INTRODUCTION

The development of production-related codes and data entry standards has been complicated, primarily because production data has many different users with very different needs, purposes and perspectives.

In order to develop codes and standards, purposes and needs were defined based on all of the information available at the time, including all comments provided by the States. Following are the purposes and needs established:

PURPOSES:

1. Maintenance of current lease status (whether or not the lease is capable of producing in paying quantities).
2. Determination of type of production (actual, allocated, or location).
3. Creation of a production history.

NEEDS:

1. Provide reporting capabilities.
2. Accommodate automated data transfer to Minerals Management Service (MMS).
3. Provide the ability to resolve MMS and public queries from the data base.

Once the purposes and needs were identified, the codes and standards were developed. These codes have been developed to be used in conjunction with one another to create a complete history as well as reflect the current production status.

Action codes and standards have been categorized into three categories to make the overall concept easier to understand: (1) current production status (source), (2) creating the history and (3) cessation of production.

All of the Action Codes described in this Instruction Guideline are mandatory for use when the applicable action occurs on a lease. This Guidebook and its examples deal only with production-related coding. The nonproduction-related codes (e.g., lease and assignment applications filed and approved, lease segregations, and lease adjustments) are to continue to be used in accordance with existing instructions. The examples in the Guidebook reflect the minimum information required. It is optional to include other information related to an Action Code, such as well locations or unit agreement names, either after the semicolon in the Action Remarks section of the SRP or in the General Remarks section of the SRP.

Using the following codes in the prescribed manner will provide the information on the Serial Register Pages (SRP) of each lease to meet the established purposes and needs.

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

1. CURRENT PRODUCTION STATUS CODES

The purpose of the current production status codes (650, 651 and 653) is to identify producing leases and the primary source of production. These codes accommodate the need for ad hoc query as to the production status of the lease as well as meeting the needs of the Quarterly Fluid Minerals Report. The sources of production are divided into three categories: (1) Actual - the well is actually located on the leasehold. Consideration should not be given to whether the production from that well is allocated to a Communitization Agreement (CA) or Participating Area (PA). (2) Allocated - production from an off-lease well is allocated to the lease. (3) Location - a lease is committed to a producing unit but outside of a PA.

Only one of these codes is allowed to appear on an SRP at any given time and only when the lease is actually held by a source of production. These codes will be added and deleted as defined below. For this reason, nothing is shown to be entered in Action Remarks throughout this Guidebook, unless otherwise stated. "Enter date" means the Action Date. Needed information such as production source serial numbers are provided for in the historical codes section. If a lease is considered "capable of producing in paying quantities," the primary production source code must appear on the SRP. Of the three types of production, actual production takes precedence over the other two. Allocated production will take precedence over location. If the lease remains on AFS after production has ceased, other provisions will be provided later to accommodate these leases.

650 - HELD BY PROD - ACTUAL

Enter date lease is considered first capable of production as stated in either the lease or CA Memo of First Production. This date is normally the well completion date. Use only when the well is actually located on the leasehold. If the well completed on the lease is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the well completed on the lease is subsequently determined to be a CA and/or a unit well, use the earlier of the lease, CA, or PA first production date that establishes the lease as capable of production. If the leasehold well is the source of unit or CA production, this code is used even though the production is allocated to the unit or CA. Code 650 will supersede either of the other two codes. If the SRP has previously been coded that the lease is receiving allocated production (651) or held by location (653), and a leasehold well becomes productive, the 651 or 653 is removed and replaced by 650. The 650 code will remain as long as there is a well capable of production on the lease. If all actual production (650) ceases but the lease remains in a "producing status" because of some other source of production, the appropriate code (651 or 653) with the appropriate date should be entered at this time and the 650 code deleted. If the original well which caused the lease to go to a "held by actual production status" should cease production, do not change the Action Date of this code as long as there remains another source of actual production on the lease.

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651 - HELD BY PROD - ALLOCATED

Enter date lease is considered first capable of production as stated in the Memo of First Production for the CA. This date is normally the well completion date. Use only when production is from an off-lease well. If the off-lease well is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the off-lease CA well is subsequently determined to be a unit well, use the earlier of the CA or PA first production date that establishes the lease as capable of production. Code 651 will supersede code 653. If a lease has a 653 code and is later included within a PA and is now receiving allocated production, the 653 code is deleted and the 651 code is entered using the effective date of the PA or revision. Code 651 will remain as long as the lease is receiving allocation from some source, until the leasehold or all allocated production ceases. If the original well which caused the lease to go to a "held of allocated production status" should cease production, do not change the Action Date of this code as long as there remains another source of allocated production on the lease.

653 - HELD BY LOC IN PROD UNIT

Enter date the lease is held by location in a producing unit (the date the unit became producing or the date the lease is committed to a producing unit, whichever is later). Use when the lease is committed to a producing unit, but is not within a PA nor does it have actual (650) or allocated production (651). Code 653 will be superseded by 650 or 651 if the lease should later be included within a PA, the lease gets actual production (650) or receives allocated production (651) from another source. Code 653 is removed when the lease is contracted out of the unit.

2. CREATING THE HISTORY

Codes used to create a summarized history of the lease are a combination of existing codes and new codes that were developed for the purpose of creating the historical record. Because the 650, 651 and 653 codes are to be changed and removed as the status of production sources change, new codes were developed that will create the historical record of the lease as the action is being processed. These historical codes are not to be removed. Use of the following codes is mandatory as many times as the action occurs. This provides for easy access to the status of production sources on each lease, as well as creating a historical record that can be used to answer a multitude of questions without researching various sources of data already processed.

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658 - MEMO OF 1ST PROD - ACTUAL

Enter date lease is considered first capable of production as stated in either the lease or CA Memo of First Production. This code is only used for production on leases where the well is actually located on the lease. If the well is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the well completed on the lease is subsequently determined to be a CA and/or unit well, enter this code again for each of the CA first production memo and/or PA approval. If the code is based on a CA or unit well, enter the serial number of the CA or PA and the well number in Action Remarks. If the code is based on a leasehold well, enter just the well number in Action Remarks. Use this code in conjunction with the 650 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. If the lease has more than one source of actual production, this code is entered each time a Memo of First Production, or its equivalent (PA approval), is received. Such a situation would occur on a lease which has actual production and which is later committed to a CA and the productive CA well is on the leasehold. The purpose of multiple use of this code is NOT to track all wells on a lease, but to track "sources" of production. Use this code only when a Memo of First Production, or its equivalent (PA approval), is generated.

660 - MEMO OF 1ST PROD - ALLOC

Enter date lease is considered first capable of production as stated in the Memo of First Production for the CA. Use only when production is from an off-lease well. If the off-lease well is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the off-lease CA well is subsequently determined to be a unit well, enter this code again for the PA approval. Enter the serial number of the PA or CA in Action Remarks. Use this code in conjunction with the 651 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. If the lease already has actual production (action code 650), do not enter a 651 code when entering the 660 code. As with the 658 code, if the lease has more than one source of allocated production, the 660 code is entered each time a Memo of First Production, or its equivalent (PA approval), is received. As with the 658 code, the purpose of multiple use of this code is NOT to track all wells on a lease, but to track "sources" of production. Use this code only when a Memo of First Production, or its equivalent (PA approval), is generated.

659 - LOCATED IN PROD UNIT

Enter date lease is held by location in a producing unit (the date the unit became producing or the date the lease is committed to a producing unit, whichever is later). Use when the lease is committed to a producing unit, but is not within a PA. Enter unit serial number in Action Remarks. Use in conjunction with the 653 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. Use of the code is mandatory each time a lease is committed to a producing unit but is not included in a PA. Therefore, the code can be used more than once on a lease if the lease is committed to more than one unit during its life.

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643 - PRODUCTION DETERMINATION

Enter date the applicable first production memo or last production memo is signed, or the date the PA or PA Revision approval or termination is signed. This code is to be cross-referenced with the appropriate Action Code (658, 659, 660, 646, or 647) through the use of a numeric tie in Action Remarks.

NOTE: Use of this code is mandatory only for actions occurring after February 1, 1990, and should not be entered retroactively.

232 - LEASE COMMITTED TO UNIT

Enter date the lease is committed to the unit agreement. Enter the unit serial number in Action Remarks. Codes 232 - LEASE COMMITTED TO UNIT and, if applicable, 700 - LEASE SEGREGATED are used on the committed lease. 209 - CASE CREATED BY SEGR is used on the non-committed segregated lease.

233 - LEASE IN UNIT/UNCOMMIT'D

Enter effective date of the unit agreement or the lease effective date, whichever is later. Enter the unit serial number in Action Remarks. Use for leases within but not committed to a unit, or where a new lessee is permitted to operate independently (43CFR3101.3-1). If only part of the lands are within a unit area, enter an alpha indicator (/A/) tie to General Remarks, and list the lands which are within the unit area there. Remove this code once the lease is committed to the unit. Enter the deleted information in General Remarks for historical purposes, if necessary.

246 - LEASE COMMITTED TO CA

Enter date communitization agreement is effective or the lease effective date, whichever is later. Enter CA serial number in Action Remarks. If the CA has an old contract number, it is optional to either enter the number after a semicolon after the CA serial number in Action Remarks, or cross-reference it in General Remarks (See Examples).

691 - AGRMT INVALIDATED

Enter date it is determined that the agreement is invalidated because the public interest requirement was not met. Enter the CA or Unit serial number in Action Remarks (EX: COC65788X).

657 - EXT BY PROD (YATES DEC)

Enter effective date that the lease is determined held by conditions contained in IBLA Yates Decision (see Yates Petroleum Corp., 67 IBLA 246, dated September 24, 1982). That is, production is established on a unit well in insufficient quantities to meet the paying well criteria under the terms of the unit to cause the unit to enter a producing

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status (does not cover drilling and production costs), but will serve to extend all leases committed to the unit because the production is sufficient on a lease basis (covers operating and marketing costs). Enter unit serial number in Action Remarks. Use only on those leases that are actually held by the Yates Decision. Mandatory for use when this situation occurs but only on those leases it affects. Because this is the only indication of why the lease didn't expire, code 657 is not removed when the unit becomes productive or terminates.

648 - EXT BY PROD ON ASSOC LSE

Enter effective date of segregation notice which extends the lease. Enter serial number of associated lease in Action Remarks. Mandatory to use on segregated leases that are held by production on their parent or associated leases.

245 - LSE COMMITTED TO GSA

Enter date gas storage agreement is effective. Enter GSA serial number in Action Remarks. Mandatory use on leases committed to GSA. If the lease is issued after the effective date of the GSA, enter effective date of lease.

243 - LEASE SUBJECT TO DC

Enter date Development Contract (DC) is effective. Enter serial number in Action Remarks. If lease is issued after effective date of DC, enter effective date of lease. Mandatory use on all federal leases that are exempt from chargeability due to the DC.

649 - LEASE PAYING MIN ROYALTY

Enter date production ceased. To be used on leases on which actual production has ceased during primary or fixed term, etc. Use in conjunction with codes 763 - EXPIRES, 646 - MEMO LAST PROD-ACTUAL, 647 - MEMO LAST PROD-ALLOC, and 235 - EXTENDED.

763 - EXPIRES

Enter expiration date (future date allowed). Mandatory for use on leases that remain on AFS after all production ceased. Use in conjunction with 649 - LEASE PAYING MIN ROYALTY. At this time AFS does not provide a list of leases that expire under their jurisdiction. Use of this code will provide BLM the capability of calling these leases up at the appropriate time to be processed with the BRASS expirations.

3. CESSATION OF PRODUCTION CODES

Last production codes are divided into two categories. The first category of codes is intermediary codes which are used more for historical purposes. These codes are to be used in conjunction with historical codes to reflect

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the current, as well as the historical, status of each source of production on the lease. The second category is used when sources of actual or allocated production cease. The appropriate code is used each time a memo of last production is received.

Intermediary codes will allow the status of each source of production to be determined. One code will counter the other, i.e., 226 - ELIM BY CONTRACTION used in conjunction with 232 - LSE COMMITTED TO UNIT means that the lease is no longer committed to the unit. This category of codes should be used as many times as the action occurs.

226 - ELIM BY CONTRACTION

Enter the effective date of the unit contraction. Enter unit serial number in Action Remarks. Use on leases where ALL lands are removed from the unit by contraction. Mandatory when lease is contracted out of a unit. Use as many times as a lease is committed to and contracted out of a unit. This code counters the fact that the lease is in a unit (code 232) and that it is held by location within a producing unit (code 659). Remove the 653 code, if present, unless lease is committed to another producing unit. Use this code in conjunction with 235 - EXTENDED, as appropriate.

253 - ELIM BY CONTRAC(PARTIAL)

Enter effective date of contraction. Mandatory use on leases where only part of the lease is contracted out of the unit. Enter the serial number of the unit in Action Remarks. Enter the legal description and total number of acres eliminated in General Remarks. Optional to use in conjunction with 393 - DEC ISSUED to show date contraction was approved.

336 - UNIT AGRMT TERMINATED

Enter effective date of unit termination. Enter unit serial number in Action Remarks. Use this code in conjunction with codes 646 - MEMO LAST PROD-ACTUAL, 647 - MEMO LAST PROD-ALLOC, and 235 - EXTENDED, as appropriate. This code counters the fact that a lease is in a particular unit (code 232), and that a lease may be held by that unit production. Remove the 653 code, if present, unless lease is committed to another producing unit.

522 - CA TERMINATED

Enter date CA terminated. Enter the CA serial number in Action Remarks. Use this code in conjunction with codes 646 - MEMO LAST PROD-ACTUAL, 647 - MEMO LAST PROD-ALLOC, and 235 - EXTENDED, as appropriate.

249 - GSA TERMINATED

Enter date GSA terminated. Enter GSA serial number in Action Remarks.

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248 - DC TERMINATED

Enter date DC terminated. Enter DC serial number in Action Remarks.

The second category of last production codes is used when sources of actual or allocated production have ceased.

646 - MEMO OF LAST PROD - ACTUAL

Enter the effective date of last actual production as indicated in the Memo or Determination of Last Production for the lease or CA. If the production source is from a PA, enter effective date of PA termination. If the well is a CA or unit well, enter the serial number of the CA or PA and the well number in Action Remarks. If the well is only a leasehold well, enter just the well number in Action Remarks. Use in conjunction with 643 - PRODUCTION DETERMINATION. Use a numeric tie with the 648 code in Action Remarks. The 650 code is removed when the last source of actual production ceases.

647 - MEMO OF LAST PROD - ALLOC

Enter the effective date of last allocated production as indicated in the Memo or Determination of Last Production for the CA. If the production source is from a PA, enter effective date of PA termination. Enter the serial number of PA or CA in Action Remarks. Use in conjunction with 643 - PRODUCTION DETERMINATION. Use a numeric tie with the 643 code in Action Remarks. The 651 code is removed when the last source of allocated production ceases.

The following four examples are provided in a manner that you can follow the progression of lease events. Each example begins with a summary sheet that gives the scenario and a list, with a short description of the chain of events contained within the example. Following the summary sheets are action sheets that list the codes required by the event. Included is a discussion of the entry in relationship to the lease. After the codes and discussion, examples are provided of what the reader can determine from the SRP at that point in time, either by a quick review or through analysis of the event codes. Following the action sheets is a sample SRP which reflects the coding for the actions described. For each event, a separate action sheet and SRP are provided to illustrate the coding required and the adding, changing and removing of the current production status codes.

When reading the analysis of what the reader can determine from the SRP, remember that the "reader" is any number of people. The reader will include industry, the District and Resource Area Offices, MMS (both Bonus and Rental Accounting Support System (BRASS) and Auditing and Financial System (AFS), and various State Office personnel (including Adjudication, Fluid Minerals and Public Room personnel).

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EXAMPLES p. 1

EXAMPLE 1 (COC60001)

Scenario:

The lease receives leasehold production. Production ceases with time remaining in the primary term of the lease. The account is transferred to AFS. All or part of the lands are determined to be within a KGS area and the rental is increased, effective lease year August 1, 1979.

Action 1:

First production is established on the lease.

Action 2:

Last production is established on the lease.

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EXAMPLES p. 2

Action 1

07/25/1978 650 HELD BY PROD - ACTUAL

From the first production memo it was determined that production was established on July 25, 1978, on the leasehold. Code 650 is used when the well is on the leasehold.

07/25/1978 658 MEMO OF 1ST PROD - ACTUAL /1/#23-1

Code 658 is used in conjunction with the 650 and 643 codes. Enter this code for each Memo of First Production when the well is on the leasehold. Enter the well number as the cross-reference.

08/1/1978 643 PRODUCTION DETERMINATION /1/

Memo of First Production was signed and dated August 1, 1978. Use in conjunction with code 658.

From this SRP the reader can determine:

1. The lease is producing.
2. The source of production is actual production on the leasehold from well number 23-1.
3. The account will most likely never return to BRASS to pay rentals at an increased rate.
4. First production was established on the leasehold on July 25, 1978, from well number 23-1. The Memo of First Production was written on August 1, 1978.
5. The lease account was transferred to APS on August 3, 1978, effective July 25, 1978.
6. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
7. All or part of the lands were determined to be within the Pierce Field KGS on September 15, 1978, and the rental rate was increased to \$2.00 per acre effective lease year August 1, 1979, should any of the KGS lands return to a rental status on BRASS.

Example 1 (COC600001)

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SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60001
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST
 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

 M_ TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
 23 34.0N 6.0W 23 PROT ALL
 26 PROT ALL

***** TOTAL ACRES: 1484.000 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
 09/06/1975 124 APLN RECEIVED
 08/01/1976 868 EFFECTIVE DATE
 07/25/1978 650 HELD BY PROD (ACTUAL)
 07/25/1978 658 MEMO OF 1ST PROD-ACTUAL /1/#23-1
 08/01/1978 643 PRODUCTION DETERMINATION /1/
 08/03/1978 102 ACCOUNT TFRD TO AFS EFF 7-25-78
 09/15/1978 510 KMA CLASSIFIED PIERCE FIELD
 10/22/1978 315 RENTAL RATE ADJUSTED \$2.00;AC

 STATE ENTITY ACRES
 COLORADO MONTROSE DISTRICT
 COLORADO SAN JUAN RA
 COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1976 AUTHORIZED

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EXAMPLES p. 3**Action 2**

02/10/1985 646 MEMO OF LAST PROD-ACTUAL /2/#23-1

From the last production memo it is determined that last production was established on February 10, 1985. Since the only source of actual production has ceased production, the 650 code is removed. Use in conjunction with code 643.

02/10/1985 649 LEASE PAYING MIN ROYALTY

Lease COC60001 was issued effective August 1, 1976. When production ceased on February 10, 1985, there was over a year and a half of the primary term remaining. Because this lease had a well capable of producing in paying quantities, even though production has ceased, the lease does not return to BRASS. Lease COC60001 will remain on AFS in a minimum royalty status for the remainder of its term.

02/28/1985 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 646.

07/31/1986 763 EXPIRES

Use in conjunction with 649 - LEASE PAYING MIN ROYALTY. Provides BLM with the capability of calling these leases up and expiring them. As stated previously, AFS does not report these leases to BLM when they expire.

From this SRP the reader can determine:

1. The lease has no production on or attributed to the lease. The absence of a current production code alerts the reader that there is no current production on the lease. The 646 code advises the reader that production has ceased.
2. First production was established on the leasehold on July 25, 1978.
3. The lease account was transferred to AFS on August 3, 1978, effective July 25, 1978, from well number 23-1. The Memo of First Production was written on August 1, 1978.
4. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
5. All or part of the lands were determined to be within the Pierce Field KGS on September 15, 1978, and the rental rate was increased to \$2.00 per acre effective lease year August 1, 1979, should any of the KGS lands return to a rental status on BRASS.
6. Production on the lease ceased effective February 10, 1985. The Memo of Last Production was written February 28, 1985.
7. Because the lease had a producing well on it, the lease account will not return to BRASS; therefore, the account will remain on AFS, paying minimum royalty at \$1.00 per acre instead of \$2.00 per acre rental.
8. The lease will expire July 31, 1986.

Example 1 (COC60001)

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SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60001 A
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST

 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY

 23 34.0N 6.0W 23 PROT ALL
 26 PROT ALL

***** TOTAL ACRES: 1484.000 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

 09/06/1975 124 APLN RECEIVED
 08/01/1976 868 EFFECTIVE DATE
 07/25/1978 658 MEMO OF 1ST PROD-ACTUAL /1/#23-1
 08/01/1978 643 PRODUCTION DETERMINATION /1/
 08/03/1978 102 ACCOUNT TRFD TO AFS EFF 7-25-78
 09/15/1978 510 KMA CLASSIFIED PIERCE FIELD
 10/22/1978 315 RENTAL RATE ADJUSTED \$2.00;AC
 02/10/1985 646 MEMO OF LAST PROD-ACTUAL /2/#23-1
 02/10/1985 649 LEASE PAYING MIN ROYALTY
 02/28/1985 643 PRODUCTION DETERMINATION /2/
 07/31/1986 763 EXPIRES

 STATE ENTITY ACRES

 COLORADO MONTROSE DISTRICT
 COLORADO SAN JUAN RA
 COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1976 AUTHORIZED

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EXAMPLES p. 4

EXAMPLE 2 (COC60002)

Scenario:

The lease was committed to a CA, received allocated production from the CA, the CA terminated and the lease is extended. The account is transferred to APS. All or part of the lands are determined to be within a KGS area and the rental rate is increased, effective lease year August 1, 1978. The account is then returned to BRASS.

Action 1:

The lease is committed to a CA (COC12345) and first production is established.

Action 2:

Last production is established and the lease is extended.

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EXAMPLES p. 5

Action 1

04/01/1977 246 LEASE COMMITTED TO CA COC12345;NRM-1886

Lease CDC60002 was committed to CA NRM-1886, serialized as COC12345, on April 1, 1977.

05/07/1977 651 HELD BY PROD - ALLOCATED

The Memo of First Production on the CA established the first production date as May 7, 1977. It was determined that the well is NOT on this lease. There is no other source of production on the lease; therefore, a 651 code is entered.

05/07/1977 660 MEMO OF 1ST PROD - ALLOC /1/COC12345

Code 660 is used in conjunction with codes 651 and 643. Enter this code for each Memo of First Production indicating allocated production. This provides a tracking system to identify the "sources" of production on the lease. Use in conjunction with code 643.

06/02/1977 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 660. The Memo of First Production was signed and dated June 2, 1977.

From the SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is allocated production.
3. The lease is committed to CA NRM-1886, serialized as COC12345.
4. First production was established within the CA on May 7, 1977, from an off-lease well. The Memo of First Production was written June 2, 1977.
5. The lease account was transferred to AFS on May 27, 1977, effective May 7, 1977.
6. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
7. All or part of the lands were determined to be within the Hawkeye Field KGS. Effective lease year beginning August 1, 1978, the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.

Example 2 (COC60002)

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SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60002
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REP: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST

 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

 M. TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY

 23 34.0N 6.0W 23 PROT ALL
 26 PROT ALL

***** TOTAL ACRES: 1484.000 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

 05/07/1976 124 APLN RECEIVED
 08/01/1976 868 EPPECTIVE DATE
 04/01/1977 246 LEASE COMMITTED TO CA COC12345:NRM-1886
 05/07/1977 651 HELD BY PROD (ALLOCATED)
 05/07/1977 660 MEMO OF 1ST PROD-ALLOC /1/COC12345
 06/02/1977 643 PRODUCTION DETERMINATION /1/
 06/07/1977 102 ACCOUNT TPRD TO APS EFF 5-7-77
 07/07/1977 510 KMA CLASSIFIED HAWKEYE FIELD
 08/30/1977 315 RENTAL RATE ADJUSTED \$2.00:AC

 STATE ENTITY ACRES

 COLORADO MONTROSE DISTRICT
 COLORADO SAN JUAN RA
 COLORADO ARCHULETA COUNTY

 CASE DISPOSITION: 08/01/1976 AUTHORIZED

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

EXAMPLES p. 6

Action 2

06/02/1987 522 CA TERMINATED COC12345

From the last production memo for the CA it was determined that the last production date was June 2, 1987, and that the CA terminated the same day.

06/02/1987 647 MEMO OF LAST PROD-ALLOC /2/COC12345

From the Notice of Last Production and a quick review of the SRP, it was determined that there is no other source of allocated production; therefore, the 651 code was removed. Enter a CA serial number in Action Remarks. Use in conjunction with code 643.

06/30/1987 643 PRODUCTION DETERMINATION /2/

The Memo of Last Production was signed and dated June 30, 1987. Use in conjunction with code 647.

From this SRP the reader can determine:

1. The lease has no production on or attributed to it. The absence of a current production code alerts the reader that there is no current production on the lease. The 646 code advises the reader that all production from the CA has ceased.
2. The lease was committed to CA NRM-1886, serialized as COC12345.
3. First production was established within the CA on May 7, 1977.
4. The lease account was transferred to APS on May 27, 1977, effective May 7, 1977.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
6. All or part of the lands were determined to be within the Hawkeye Field KGS. Effective lease year beginning August 1, 1978, the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.
7. CA COC12345 (NRM-1886) ceased producing and terminated on June 2, 1987. CA COC12345 was the only source of production on the lease. The Memo of Last Production was signed June 30, 1987.
8. As a result of the termination of the CA, the lease received a two-year extension, through June 2, 1989.
9. Because the lease has no production on or attributed to it and never had a producing well on the leasehold, the lease has been returned to BRASS.
10. Beginning with lease year August 1, 1987, rental at \$2.00 per acre is due to BRASS.

Example 2 (COC60002)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60002 A
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REP: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST

 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

 M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY

 23 34.0N 6.0W 23 PROT ALL
 26 PROT ALL

***** TOTAL ACRES: 1484.000 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

 05/07/1976 124 APLM RECEIVED
 08/01/1976 868 EFFECTIVE DATE
 04/01/1977 246 LEASE COMMITTED TO CA COC12345;NRM-1886
 05/07/1977 660 MEMO OF 1ST PROD-ALLOC /1/COC12345
 06/02/1977 643 PRODUCTION DETERMINATION /1/
 06/07/1977 102 ACCOUNT TRFD TO AFS EFF 5-7-77
 07/07/1977 510 KMA CLASSIFIED HAWKEYE FIELD
 08/30/1977 315 RENTAL RATE ADJUSTED \$2.00:AC
 06/02/1987 522 CA TERMINATED COC12345
 06/02/1987 647 MEMO OF LAST PROD-ALLOC /2/COC12345
 06/30/1987 643 PRODUCTION DETERMINATION /2/
 07/15/1987 058 ACCT TRFD AFS TO BRASS EFF 6-2-87
 07/15/1987 235 EXTENDED THROUGH 6-2-89
 06/02/1989 763 EXPIRES

 STATE ENTITY ACRES

 COLORADO MONTROSE DISTRICT
 COLORADO SAN JUAN RA
 COLORADO ARCHULETA COUNTY

 CASE DISPOSITION: 08/01/1976 AUTHORIZED

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

EXAMPLES p. 7

EXAMPLE 3 (COC60003)

Scenario:

The lease is committed to three CA's, received allocated production from two CA's and actual production from one. The account is transferred to APS. All or part of the lands have been determined to be within a KGS area and the rental was increased effective lease year June 1, 1975. In turn, each of the CA's ceased producing and terminated.

Action 1:

The lease is committed to the first CA (COC56789) and received allocated production from the CA.

Action 2:

The lease is committed to the second CA (COC67890) and is now considered held by actual production as the CA well is on the leasehold. The lease is committed to the third CA (COC45678) and received allocated production from the CA.

Action 3:

Last production was established on CA COC45678. The CA terminated and the lease was extended. Last production is established on CA COC67890. The CA terminated and the lease was extended.

Action 4:

Last production is established on CA COC56789. The CA terminated and the lease was extended.

EXAMPLES p. 8

Action 1

05/01/1974 246 LEASE COMMITTED TO CA COC56789

Effective May 1, 1974, lease COC60003 was committed to CA CO050P0877C101, serial no. COC56789. Some of the old contract numbers are too long to put in Action Remarks. Therefore, if optionally including this contract number in the SRP, it should appear in General Remarks and be referenced with an alpha tie.

08/14/1974 651 HELD BY PROD - ALLOCATED

Enter date of first production on the CA. From the Memo of First Production it is determined that the well is not on this lease. There is no other production on this lease so the primary production code is 651.

08/14/1974 660 MEMO OF 1ST PROD - ALLOC /1/COC56789

This is based on the Memo of First Production and used in conjunction with codes 651 and 643.

09/02/1974 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is producing.
2. The lease is committed to CA COC56789, effective May 1, 1974.
3. The lease is held by allocated production on CA COC56789, with first production date of August 14, 1974. The Memo of First Production was signed on September 2, 1974.
4. The account was transferred to AFS on September 15, 1974, effective August 14, 1974.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
6. Part or all of the lands have been classified as being within a KGS and the rental rate is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.

Example 3 (COC60003)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME ADDRESS % INTRST INTEREST
ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
06 6.0S 94.0W 16 LOT 4,5
17 LOT 1,7-10,15,16
20 NENE
21 N2NW

***** TOTAL ACRES: 476.100 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
03/22/1971 387 CASE ESTABLISHED
03/22/1971 888 DRAWING HELD
06/01/1971 868 EFFECTIVE DATE
05/01/1974 246 LEASE COMMITTED TO CA /A/COC56789
08/14/1974 651 HELD BY PROD (ALLOCATED)
08/14/1974 660 MEMO OF 1ST PROD-ALLOC /1/COC56789
09/02/1974 643 PRODUCTION DETERMINATION /1/
09/15/1974 102 ACCOUNT TFRD TO AFS EFF 8-14-74
01/04/1975 510 KMA CLASSIFIED LYON FIELD
03/10/1975 315 RENTAL RATE ADJUSTED \$2.00/AC

COMMENTS:
01 /A/COC050P0877C101

STATE ENTITY ACRES
COLORADO GRAND JUNCTION DISTRICT
COLORADO GLENWOOD SPRINGS RA
COLORADO GARFIELD COUNTY

CASE DISPOSITION: 06/01/1971 AUTHORIZED

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

EXAMPLES p. 9

Action 2

02/01/1977 246 LEASE COMMITTED TO CA COC67890

Lease COC60003 is committed to CA CO050P0877C103, serialized as COC67890, effective February 1, 1977.

03/10/1977 650 HELD BY PROD - ACTUAL

The Memo of First Production for CA COC67890 indicates that the CA well is on lease COC60003. Previously, the only source of production on this lease was allocated; therefore, the primary production code was 651. Because actual production takes precedence over allocated, the production code 651 is deleted and 650 is entered using the date the actual production began.

03/10/1977 658 MEMO OF 1ST PROD - ACTUAL /2/COC67890;#20-1

Based on the Memo of First Production, code 658 is used in conjunction with the 650 code.

03/25/1977 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 643.

06/02/1977 246 LEASE COMMITTED TO CA COC45678

Lease COC60003 is committed to a third CA, CO050P0877C105, serialized as COC45678.

06/07/1977 660 MEMO OF 1ST PROD - ALLOC /3/COC45678

This entry is made based on of the Memo of First Production for CA COC45678. In this situation this code is used independently of the 651 code. This lease now has actual production and as stated, code 650 supersedes all of the other production codes. Because we have a 650 code, we will not enter a 651 code, but we do enter the 660 code, as this is a new source of production.

06/30/1977 643 PRODUCTION DETERMINATION /3/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is now actual.
3. The lease is now committed to three CA's: COC56789, COC67890 and COC45678.
4. First Production was established on August 14, 1974, from CA COC56789.

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

EXAMPLES p. 10

5. The lease account was transferred to APS on September 15, 1974, effective August 14, 1974.
6. Rentals of 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
7. Actual production was established from CA No. COC67890, on March 10, 1977.
8. The account will most likely never return to BRASS to pay rentals at an increased rate.
9. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.
10. The lease now has two sources of allocated production (COC56789 and COC45678) and one source of actual production (COC67890).

Example 3 (COC60003)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 A
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME ADDRESS % INTRST INTEREST

ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY

06 6.0S 94.0W 16 LOT 4,5
17 LOT 1,7-10,15,16
20 NENE
21 N2NW

***** TOTAL ACRES: 476.100 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

03/22/1971 387 CASE ESTABLISHED
03/22/1971 888 DRAWING HELD
06/01/1971 868 EFFECTIVE DATE
05/01/1974 246 LEASE COMMITTED TO CA /A/COC56789
08/14/1974 660 MEMO OF 1ST PROD-ALLOC /1/COC56789
09/02/1974 643 PRODUCTION DETERMINATION /1/
09/15/1974 102 ACCOUNT TFRD TO AFS EFF 8-14-74
01/04/1975 510 KMA CLASSIFIED LYON FIELD
03/10/1975 315 RENTAL RATE ADJUSTED \$2.00;AC
02/01/1977 246 LEASE COMMITTED TO CA /B/COC67890
03/10/1977 650 HELD BY PROD (ACTUAL)
03/10/1977 658 MEMO OF 1ST PROD-ACTUAL /2/COC67890:#20-1
03/25/1977 643 PRODUCTION DETERMINATION /2/
06/02/1977 246 LEASE COMMITTED TO CA /C/COC45678
06/07/1977 660 MEMO OF 1ST PROD-ALLOC /3/COC45678
06/30/1977 643 PRODUCTION DETERMINATION /3/

COMMENTS:
01 /A/CO050P0877C101
02 /B/CO050P0877C103
03 /C/CO050P0877C105

STATE ENTITY ACRES

COLORADO GRAND JUNCTION DISTRICT
COLORADO GLENWOOD SPRINGS RA
COLORADO GARFIELD COUNTY

CASE DISPOSITION: 06/01/1971 AUTHORIZED

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

EXAMPLES p. 11

Action 3

01/09/1984 522 CA TERMINATED COC45678

This entry was made based on receipt of the Memo of Last Production for CA COC45678. The last production date was established as January 9, 1984, the CA terminated on the same day.

01/09/1984 647 MEMO OF LAST PROD-ALLOC /4/COC45678

This code is used each time a source of production ceases.

01/30/1984 643 PRODUCTION DETERMINATION /4/

Use in conjunction with code 647.

06/10/1985 522 CA TERMINATED COC67890

This entry was made based on the Memo of Last Production for CA COC67890. The last production date was established as June 10, 1985; the CA terminated on the same day.

06/10/1985 646 MEMO LAST PROD-ACTUAL /5/COC67890

This code is used each time a source of production ceases. Because all actual production has ceased, the 650 code is removed and the 651 code entered using the date of change.

06/30/1985 643 PRODUCTION DETERMINATION /5/

Use in conjunction with code 643.

From this SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is allocated production.
3. First production was established on August 14, 1974, from CA COC56789.
4. The lease account was transferred to AFS on September 15, 1974, effective August 14, 1974.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
6. Actual production was established from CA No. COC67890; on March 10, 1977.
7. The account will most likely never return to BRASS to pay rentals at an increased rate.
8. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.

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

EXAMPLES p. 12

9. CA COC45678 ceased production and terminated effective January 9, 1984.
10. CA COC67890 ceased production and terminated effective June 10, 1985.
11. The lease is now committed to one CA: COC56789
12. The lease now has one source of allocated production; therefore, it remains in an indefinite term.
13. The lease was extended for a period of time to be no less than through January 9, 1986, due to the termination of COC45678.
14. The lease was extended for a period of time to be no less than through June 10, 1987, due to the termination of COC67890.

Example 3 (COC60003)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 B
 CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
 LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST

 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

 M_ TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
 06 6.0S 94.0W 16 LOT 4.5
 17 LOT 1,7-10,15,16
 20 NENE
 21 N2NW

***** TOTAL ACRES: 476.100 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

 03/22/1971 387 CASE ESTABLISHED
 03/22/1971 888 DRAWING HELD
 06/01/1971 868 EFFECTIVE DATE
 05/01/1974 246 LEASE COMMITTED TO CA /A/COC56789
 08/14/1974 660 MEMO OF 1ST PROD-ALLOC /1/COC56789
 09/02/1974 643 PRODUCTION DETERMINATION /1/
 09/15/1974 102 ACCOUNT TPRD TO AFS EFF 8-14-74
 01/04/1975 510 KMA CLASSIFIED LYON FIELD
 03/10/1975 315 RENTAL RATE ADJUSTED \$2.00;AC
 02/01/1977 246 LEASE COMMITTED TO CA /B/COC67890
 03/10/1977 658 MEMO OF 1ST PROD-ACTUAL /2/COC67890;#20-1
 03/25/1977 643 PRODUCTION DETERMINATION /2/
 06/02/1977 246 LEASE COMMITTED TO CA /C/COC45678
 06/07/1977 660 MEMO OF 1ST PROD-ALLOC /3/COC45678
 06/30/1977 643 PRODUCTION DETERMINATION /3/
 01/09/1984 522 CA TERMINATED COC45678
 01/09/1984 647 MEMO OF LAST PROD-ALLOC /4/COC45678
 01/30/1984 643 PRODUCTION DETERMINATION /4/
 02/10/1984 235 EXTENDED THROUGH 1/9/86
 06/10/1985 522 CA TERMINATED COC67890
 06/10/1985 646 MEMO OF LAST PROD-ACTUAL /5/COC67890;#20-1
 06/10/1985 651 HELD BY PROD (ALLOCATED)
 06/30/1985 643 PRODUCTION DETERMINATION /5/
 09/02/1985 235 EXTENDED THROUGH 6-10-87

 COMMENTS:
 01 /A/CO050P0877C101
 02 /B/CO050P0877C103
 03 /C/CO050P0877C105

 STATE ENTITY ACRES
 COLORADO GRAND JUNCTION DISTRICT
 COLORADO GLENWOOD SPRINGS RA
 COLORADO GARFIELD COUNTY

 CASE DISPOSITION: 06/01/1971 AUTHORIZED

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

EXAMPLES p. 13

Action 4

01/02/1988 522 CA TERMINATED COC56789

This entry was made based on receipt of the Memo of Last Production for CA COC56789. The Last production date was established as January 2, 1988. The CA terminated on the same day. The lease received a two-year extension due to the termination of the CA.

01/02/1988 647 MEMO OF LAST PROD-ALLOC /6/COC56789

When CA COC56789 ceased production and terminated, the last source of production ceased. The 651 code is also removed at this time. Use in conjunction with code 643.

01/02/1988 649 LEASE PAYING MIN ROYALTY

Because all production has ceased on this lease, royalty from production will no longer be due. Having had a producing well on the leasehold, the lease will not be returned to BRASS. The lease will serve out its remaining term in a minimum royalty status on AFS.

01/02/1990 763 EXPIRES

Used in conjunction with 649.

01/29/88 643 PRODUCTION DETERMINATION /6/

Use in conjunction with code 647.

From this SRP the reader can determine:

1. The lease is not a producing lease.
2. First production was established on August 14, 1974, from CA COC56789.
3. The lease account was transferred to AFS on September 15, 1974, effective August 14, 1974.
4. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
5. Actual production was established from CA No. COC67890, on March 10, 1977.
6. The account will most likely never return to BRASS to pay rentals at an increased rate.

Example 3 (COC60003)

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

EXAMPLES p. 14

7. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.
8. CA COC45678 ceased production and terminated effective January 9, 1984.
9. CA COC67890 ceased production and terminated effective June 10, 1985.
10. CA COC56789 ceased production and terminated effective January 2, 1988.
11. The lease was extended for a period of time to be no less than through January 9, 1986, due to the termination of COC45678.
12. The lease was extended for a period of time to be no less than through June 10, 1987, due to the termination of COC67890.
13. The lease was extended for a period of time to be no less than through January 2, 1990, due to the termination of COC56789.
14. There is no production on the lease as of January 2, 1988.
15. The lease remained on AFS paying minimum royalty for the rest of its term.
16. The lease expires January 2, 1990.

Example 3 (COC60003)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 C
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME ADDRESS % INTRST INTEREST
ABC CORPORATION 2850 YNGFLD, LKWD, CO 100.00000 LESSEE

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
06 6.0S 94.0W 16 LOT 4,5
17 LOT 1,7-10,15,16
20 NENE
21 N2NW

***** TOTAL ACRES: 476.100 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
03/22/1971 387 CASE ESTABLISHED
03/22/1971 888 DRAWING HELD
06/01/1971 868 EFFECTIVE DATE
05/01/1974 246 LEASE COMMITTED TO CA /A/COC56789
08/14/1974 660 MEMO OF 1ST PROD-ALLOC /1/COC56789
09/02/1974 643 PRODUCTION DETERMINATION /1/
09/15/1974 102 ACCOUNT TFRD TO AFS EFF 8-14-74
01/04/1975 510 KMA CLASSIFIED LYON FIELD
03/10/1975 315 RENTAL RATE ADJUSTED \$2.00;AC
02/01/1977 246 LEASE COMMITTED TO CA /B/COC67890
03/10/1977 658 MEMO OF 1ST PROD-ACTUAL /2/COC67890:\$20-1
03/25/1977 643 PRODUCTION DETERMINATION /2/
06/02/1977 246 LEASE COMMITTED TO CA /C/COC45678
06/07/1977 660 MEMO OF 1ST PROD-ALLOC /3/COC45678
06/30/1977 643 PRODUCTION DETERMINATION /3/
01/09/1984 522 CA TERMINATED COC45678
01/09/1984 647 MEMO OF LAST PROD-ALLOC /4/COC45678
01/30/1984 643 PRODUCTION DETERMINATION /4/
02/10/1984 235 EXTENDED THROUGH 1-9-86
06/10/1985 522 CA TERMINATED COC67890
06/10/1985 646 MEMO OF LAST PROD-ACTUAL /5/COC67890:\$20-1
06/30/1985 643 PRODUCTION DETERMINATION /5/
09/02/1985 235 EXTENDED THROUGH 6-10-87
01/02/1988 235 EXTENDED THROUGH 1-2-90
01/02/1988 522 CA TERMINATED COC56789
01/02/1988 647 MEMO OF LAST PROD-ALLOC /6/COC56789
01/02/1988 649 LEASE PAYING MIN ROYALTY
01/29/1988 643 PRODUCTION DETERMINATION /6/
01/02/1990 763 EXPIRES

COMMENTS:
01 /A/CO050P0877C101
02 /B/CO050P0877C103
03 /C/CO050P0877C105

STATE ENTITY ACRES
COLORADO GRAND JUNCTION DISTRICT
COLORADO GLENWOOD SPRINGS RA
COLORADO GARFIELD COUNTY

CASE DISPOSITION: 06/01/1971 AUTHORIZED

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

EXAMPLES p. 15

EXAMPLE 4 (COC60004)

Scenario:

The lease is committed to a unit in the last year of its primary term. Prior to the lease expiration, the initial unit well is determined to be non-paying on a unit basis. The lease is extended per conditions set out in the Yates Decision. The lease later is held by location within the producing unit. The lease is later included in two PA's.

Action 1:

The lease is committed to the Blue Mesa Unit (COC23456X) prior to lease expiration, and the lease is extended per conditions set out in the Yates Decision.

Action 2:

The Initial PA within the unit is established. The lease is outside of the PA; all leases committed to the unit are now considered held by production and transferred to AFS.

Action 3:

The second PA (COC23456B) was established and the lease is included within the PA.

Action 4:

The third PA (COC23456C) is established based on a well on this lease.

EXAMPLES p. 16

Action 1

06/15/1983 232 LSE COMMITTED TO UNIT COC23456X;Blue Mesa

From the unit approval letter it is determined that the entire lease is committed to the Blue Mesa Unit, serialized as COC23456X.

07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X

Lease COC60004 is due to expire July 31, 1983. The initial unit well was determined to be non-paying on a unit basis. However, it was determined to be capable of paying on a leasehold basis. The non-paying determination letter stated all leases committed to the unit agreement that are due to expire are extended per the Yates Decision. At this time the 657 code is entered on only those leases that are held from expiration due to the Yates Decision. The serial number of the unit is entered in Action Remarks.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. Conditions existed that provided for the lease to be extended per conditions set out in the Yates Decision on July 20, 1983. The lease will be extended by this provision until the unit terminates or the initial PA is established.
3. Rentals are still due to BRASS at 50. per acre and must be paid in a timely manner.

Example 4 (COC60004)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

 NAME ADDRESS % INTRST INTEREST

 ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
 LAKEWOOD, CO 80215

M_ TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY

 23 34.0N 6.0W 29 PROT ALL
 30 PROT ALL

***** TOTAL ACRES: 1484.000 *****

 ACTN DATE CODE ACTION ACTION REMARKS PEND ACT

 09/06/1972 124 APLN RECEIVED
 08/01/1973 868 EFFECTIVE DATE
 06/15/1983 232 LEASE COMMITTED TO UNIT COC23456X;BLUE MESA
 07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X

 STATE ENTITY ACRES

 COLORADO MONTROSE DISTRICT
 COLORADO SAN JUAN RA
 COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1973 AUTHORIZED

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

EXAMPLES p. 17

Action 2

09/02/1983 653 HELD BY LOC IN PROD UNIT

Enter the effective date of the initial PA. When the initial PA of the unit is established, all of the leases committed to the unit are considered held by production. This lease is outside of the PA and receiving no allocation, so code 653 is the primary code.

09/02/1983 659 LOCATED IN PRODUCING UNIT /1/COC23456X

Enter the effective date of the initial PA. In Action Remarks enter the unit serial number. The new code represented here by the 659 code creates the historical record of production sources. Use in conjunction with code 643.

09/20/1983 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 659.

From this SRP the reader can determine:

1. The lease was committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire; however, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per acre, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre are still due, but now to AFS.
4. The lease is held by the production within the unit, but has no production on the lease or attributed to the lease.

Example 4 (COC60004)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME ADDRESS % INTRST INTEREST
ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
23 34.0N 6.0W 29 PROT ALL
30 PROT ALL

***** TOTAL ACRES: 1484.000 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
09/06/1972 124 APLN RECEIVED
08/01/1973 868 EFFECTIVE DATE
06/15/1983 232 LEASE COMMITTED TO UNIT COC23456X;BLUE MESA
07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X
09/02/1983 653 HELD BY LOC IN PROD UNIT
09/02/1983 659 LOCATED IN PROD UNIT /1/COC23456X
09/20/1983 643 PRODUCTION DETERMINATION /1/
10/02/1983 102 ACCOUNT TFRD TO AFS EFF 9-2-83

STATE ENTITY ACRES
COLORADO MONTROSE DISTRICT
COLORADO SAN JUAN RA
COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1973 AUTHORIZED

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

EXAMPLES p. 18

Action 3

02/02/1984 651 HELD BY PROD - ALLOCATED

From the PA approval letter and Schedule B, it is determined that the lease has now been included within a PA. The well is not on this lease, but it is receiving allocated production from the PA. Code 653 is removed and code 651 is entered using the effective date of the PA. The allocated production (651) supersedes held by location in a producing unit (653).

02/02/1984 660 MEMO OF 1ST PROD - ALLOC /2/COC23456B

Enter the effective date of the PA and the PA serial number in Action Remarks. Production has to have been established to form a PA; therefore in this case the establishment of the PA is the same as a Memo of First Production. The current production code identifies whether the production is actual or allocated. Use in conjunction with codes 651 and 643.

03/01/1984 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire; however, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per year, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre were due to AFS for lease year August 1, 1983.
4. The lease was included within PA COC23456B on February 2, 1984.
5. The lease is a producing lease.
6. The primary source of production is allocated production.
7. Beginning with lease year August 1, 1984, rental of 50. per acre is due on the lands outside the PA and minimum royalty or royalty is due on those lands within the PA (the exact acreage can be determined by looking at the SRP for the PA).
8. Part or all of the lands have been determined to be within the Burns Field KGS and the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.

Example 4 (COC60004)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

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NAME ADDRESS % INTRST INTEREST
ABC CORPORATION 2850 YOUNGFIELD ST 100.00000 LESSEE
LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
23 34.0N 6.0W 29 PROT ALL
30 PROT ALL

***** TOTAL ACRES: 1484.000 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
09/06/1972 124 APLN RECEIVED
08/01/1973 868 EFFECTIVE DATE
06/15/1983 232 LEASE COMMITTED TO UNIT COC23456X;BLUE MESA
07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X
09/02/1983 659 LOCATED IN PROD UNIT /1/COC23456X
09/20/1983 643 PRODUCTION DETERMINATION /1/
10/02/1983 102 ACCOUNT TFRD TO AFS EFF 9-2-83
02/02/1984 651 HELD BY PROD (ALLOCATED)
02/02/1984 660 MEMO OF 1ST PROD-ALLOC /2/COC23456B
03/01/1984 643 PRODUCTION DETERMINATION /2/
06/10/1984 510 KMA CLASSIFIED BURNS FIELD
08/02/1984 315 RENTAL RATE ADJUSTED \$2.00:AC

STATE ENTITY ACRES
COLORADO MONTROSE DISTRICT
COLORADO SAN JUAN RA
COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1973 AUTHORIZED

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

EXAMPLES p. 19

Action 4

05/04/1985 650 HELD BY PROD - ACTUAL

From the PA approval letter, it is determined that the PA well is on the lease. Since actual production supersedes allocated production, the 651 code is deleted and the 650 code is entered, using the PA effective date.

05/04/1985 658 MEMO OF 1ST PROD - ACTUAL /3/COC23456C;#30-1

Enter the PA effective date and the PA serial number and well number in Action Remarks. Use in conjunction with codes 650 and 643.

06/03/1985 643 PRODUCTION DETERMINATION /3/

Use in conjunction with code 658.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire. However, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per year, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre were due to AFS for lease year August 1, 1983.
4. The lease was included within PA COC23456B on February 2, 1984.
5. The lease is a producing lease.
6. Beginning with lease year August 1, 1984, rental of 50. per acre is due on the lands outside the PA and minimum royalty or royalty is due on those lands within the PA's (the exact acreage can be determined by looking at the SRP's for the PA's).
7. Part or all of the lands have been determined to be within the Burns Field KGS and the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.
8. PA COC23456C was established based on a well number 30-1 that is on this lease, effective May 4, 1984.
9. The primary source of production is now actual.

Example 4 (COC60004)

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

EXAMPLES p. 20

10. This lease will most likely not return to BRASS because it has a producing well on it.
11. Although the lease has a producing well on it, not all of the lands are necessarily paying minimum royalty. If there are still some lands that are not included within a PA, those lands will still pay rentals at 50. per acre.

Example 4 (CO60004)

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

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

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LAKEWOOD, CO 80215

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
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***** TOTAL ACRES: 1484.000 *****

ACTN DATE CODE ACTION ACTION REMARKS PEND ACT
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06/15/1983 232 LEASE COMMITTED TO UNIT COC23456X;BLUE MESA
07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X
09/02/1983 659 LOCATED IN PROD UNIT /1/COC23456X
09/20/1983 643 PRODUCTION DETERMINATION /1/
10/02/1983 102 ACCOUNT TFRD TO AFS EFF 9-2-83
02/02/1984 660 MEMO OF 1ST PROD-ALLOC /2/COC23456B
03/01/1984 643 PRODUCTION DETERMINATION /2/
06/10/1984 510 RMA CLASSIFIED BURNS FIELD
08/02/1984 315 RENTAL RATE ADJUSTED \$2.00;AC
05/04/1985 650 HELD BY PROD (ACTUAL)
05/04/1985 658 MEMO OF 1ST PROD-ACTUAL /3/COC23456C:#30-1
06/03/1985 643 PRODUCTION DETERMINATION /3/

STATE ENTITY ACRES
COLORADO MONTROSE DISTRICT
COLORADO SAN JUAN RA
COLORADO ARCHULETA COUNTY

CASE DISPOSITION: 08/01/1973 AUTHORIZED

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

ADDITIONAL GUIDANCE* Special or Unique Situations

Over the life of a lease a number of special or unique situations or actions may occur. These may be a result of unique drilling or production conditions, special lease or agreement requirements, or in some cases, actions which were taken either in error or not in conformance with the existing program policy. Although abstracting and coding of lease data may reveal unusual situations or errors that may need corrective actions, such corrective actions are not necessary for the entry of data. Whether such situations result from error or unusual conditions, the lease coding needs to follow the data standards as closely as possible in order to maintain data consistency. In those instances where additional information not specifically required by the instructions is deemed necessary to reflect the unique or unusual actions that took place, this information should be included in the General Remarks. An alpha tie in Action Remarks, with a brief statement made in General Remarks explaining the nature of the unique or unusual action or situation.

* Documentation Missing from Case File

In some cases the standard documentation required for data entry is not in the case file. This may occur because either the original document is missing from the case file or the documentation may never have been required to be created for such actions. In such instances, the case abstractor needs to make a best estimate of when the action took place or should have taken place, and then make a brief explanation in General Remarks. As an example, assume a producing lease case file has no first production memo because either it is missing or it was not required for the lease (such as for prospecting permit leases). In such an example, the appropriate historical first production code (Action Code 658 or 660) should be entered with an alpha tie in Action Remarks to General Remarks. Examples of an explanatory note to include in General Remarks are "/A/ First production memo missing from file, first production date based on District's individual well records" or "/A/ First production memo not required for prospecting permit lease, first production date based on lease issue date being the same as discover date."

* Productive Portions of Leases Segregated or Partially Assigned

When the productive portions of a lease are segregated or partially assigned out, the appropriate current production Action Code 650, 651, or 653 should be removed. However, all the other production codes, including cessation codes, should remain on the parent lease for historical information. For those historical production codes that remain on the parent lease but which no longer apply to the lands remaining, an alpha tie in Action Remarks to General Remarks should explain that the lands covering this action have been transferred, specifying the lease serial number to which they have been transferred. The new lease created by the segregation or assignment, that includes the productive or formerly productive lands, should be coded with the appropriate current production status codes and historical codes using the data standard instructions.

* Marginally Productive Wells

The first production memo for a marginally producing well may indicate a well completion date but not a determination that the well is capable of producing in paying quantities. When this occurs, existing policy requires a subsequent report to be written stating whether the well is capable of producing in paying quantities. In these instances, do not enter a first production code based on the first production memo, but enter the date indicated in the subsequent report that the well is considered capable of production in paying quantities. This guidance applies to Action Codes 650, 651, 658, and 660.\

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

▪ Lease Effective After Action Date

In some rare instances production-related actions may occur prior to the effective date of a lease. For instance, in some cases a CA first production memo or PA approval may apply to lands before they are lease. In such a case, the lease cannot be considered capable of production by such actions prior to the lease being issued. In this case, the date to use for the appropriate production code would be the lease effective date. This same principal applies to all other production-related lease codes. No code's action date is to occur prior to the lease effective date.

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

PRODUCTION CODING GLOSSARY OF TERMS

- A -

actual production: a lease that has a well that is capable of production in paying quantities and is physically located on that lease.

agreement invalidation: a term used for an agreement that has not met the public interest requirement. The public interest requirement is defined for a unit agreement as being satisfied only if the unit operator commences actual drilling operations and thereafter diligently proceeds in such operations in accordance with Section 9 of the unit agreement. In the case of multiple obligation wells, failure to commence drilling the required multiple wells beyond the first well may result in invalidation of the unit agreement. The public interest requirement is defined for a communitization agreement as being satisfied only if the well dedicated thereto has been completed for production in the communitized formation at the time the agreement is approved or, if not, that the operator thereafter commences and/or diligently continues drilling operations to a depth sufficient to test the communitized formation or establish to the satisfaction of the authorized officer that further drilling of the well would be unwarranted or impracticable.

allocated production: a lease that shares in the production from a well that is capable of production in paying quantities but the well is not physically located on that lease.

- C -

communitization agreement: an agreement to combine two or more mineral leases in order to have sufficient acreage to comply with the applicable spacing rules required to drill a well.

current production status: a code that indicates the current production status of a lease. The presence of one of the current production status codes (650 - HELD BY PROD - ACTUAL, 651 - HELD BY PROD - ALLOC, or 653 - HELD BY LOC IN PROD UNIT) in Case Recordation indicates that the lease is either currently capable of production, or held by production. The absence of a current production status code indicate that the lease is currently nonproductive.

- F -

first production memorandum or its equivalent: a memorandum prepared after a well is completed for oil and/or gas production and which represents the first production, actual or allocated, from the respective lease, unit, or communitization agreement. The memorandum provides the full specifics concerning the well and, if possible, the date of first production resulting from a determination that the well is capable of producing leasehold substances in paying quantities. If such a determination is not possible, a preliminary memorandum is issued having no date of first production and comments that a final paying well determination is pending. Once the final determination is made, a subsequent memorandum indicating a date of first production or a negative paying well determination is prepared. A memorandum is not issued for a well determined not to be capable of producing leasehold substances in paying quantities unless royalties are due for test production. Such a memorandum only contains comments to the effect that the well is not capable of production in paying quantities but that test royalties are due.

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

The term also refers to documents whose subject lines do not specifically indicate first production memorandum. Equivalents of first production memoranda include final approvals for secondary recovery units, approvals concerning participating areas (PA) in exploratory units whether the initial PA or a revision/consolidation to a PA, and joiners. Unit segregations and partial assignments where the production source is now located on the newly created lease require the entry of the appropriate historical and production status codes into Case Recordation.

- H -

held by location in a producing unit: a lease that is fully committed to a producing unit but is not located within a participating area.

- J -

joinder: a legal instrument which, when executed, commits the interest of the signatory party to the unit agreement and, in the case of a working interest owner, to the unit operating agreement.

- L -

last production memorandum or its equivalent: a memorandum prepared when the last producible well on or allocated to a lease or communitization/unitization agreement ceases production in paying quantities. This term also refers to documents whose subject lines do not specifically indicate last production memorandum. Equivalents of last production memoranda include approvals concerning the termination of participating areas or communitization/unitization agreements, and unit contractions. Unit segregations and partial assignments, where the production source is no longer located on the base lease, also require an entry in Case Recordation explaining the production source has transferred to another lease.

lease paying minimum royalty: when actual production ceases on a lease that is still in its primary or fixed term, the lease remains subject to minimum royalty and will not revert to a rental (terminable) status for the life of that lease. As a result, the code 649 - LEASE PAYING MIN RLTY, should be entered in Case Recordation.

- O -

or its equivalent: see first production memorandum and/or last production memorandum. This term refers to memoranda whose subject line does not specifically indicate first or last production, but whose function serves the same purpose. The equivalent of a first production memorandum may be a PA approval memorandum. Other equivalents may be a PA consolidation or revision memorandum.

- P -

participating area consolidation: separate participating areas of a unit agreement are often established for the same producing horizon when there is uncertainty as to whether the production is continuous between the two areas. These separate participating areas are consolidated or combined if subsequent information shows them to be producing from a common reservoir.

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

participating area revision: a participating area of a unit agreement is revised when additional paying wells are completed in the formation for which the participating area has been established. The amount of acreage that is brought into the participating area by the revision is dependent on the same geologic and engineering criteria used in determining the initial participating area. Participating areas also are revised when lands previously included in a participating area are eliminated by the subsequent completion of a dry hole which proves those lands to be not capable of producing unitized substances in paying quantities.

primary source of production: one of the following sources of production: (1) actual production, (2) allocated production, and (3) location within a producing unit and outside the participating area. For reporting and data entry purposes, (1) actual takes precedence over (2) allocated and (3) location; and (2) allocated takes precedence over (3) location. For example, if a lease contains all three types of production, the actual takes precedence requiring input of the reporting code 650 - HELD BY PROD - ACTUAL.

production determination: a decision by the authorized officer that a source of production is capable of producing in paying quantities or no longer capable of production. The action code 643 - PRODUCTION DETERMINATION is used to reflect the production determination dates which is the "date of signing" of the first or last production memoranda, or the date the PA/PA revision approval or PA termination is signed. The purpose of this code is as an indicator or a flag. Often the above-mentioned documents are signed long after the actual production or termination is effective. The use of this code 643 is important because without it, neither the Minerals Management Service nor the BLM can make ongoing "present day" queries of the system without missing some of these production determination actions which may have occurred long before the signature date.

production history: the record of all production-related actions that have occurred on a lease (all action codes required in the production-related data standards, with the exception of the current production status codes 650, 651, and 653).

production in paying quantities: production from a lease of oil and/or gas of sufficient value to exceed direct operating costs and the cost of lease rentals or minimum royalty.

production source: for the purposes of production coding data entry, the category of production that holds a lease. The three production source categories are: (1) actual production, (2) allocated production, and (3) held by location in a producing unit.

prospecting permit oil and gas leases: under the original provisions of the Mineral Leasing Act of 1920, leases were not issued as they are today, but rather through a prospecting permit process. Originally, a qualified applicant was granted a two-year prospecting permit which allowed the permittee to explore for oil and gas deposits. If the permittee discovered valuable deposits of oil and gas he/she was entitled to be granted a lease for one-fourth of the permit area for 20 years at a 5 percent royalty rate. Many of these leases are still in effect and have been successively eligible for renewal at the end of their 20-year terms. In these and many other older leases, first production memoranda were not required by policy and such documents will not be found in the case files.

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

- U -

unit agreement: an agreement or plan for development and operation which provides for the recovery of oil and/or gas from the lands made subject to it as a single consolidated entity without regard to separate ownerships and for the allocation of costs and benefits on a basis defined in the agreement or plan.

unit contraction: a unit area may contract either by voluntary action by the unit operator or automatically under the terms of the unit agreement. If after unit approval, additional drilling, production, or geophysical data show that portions of the unit area are not within the limits of the oil and/or gas reservoir, the operator may apply to have the lands contracted out of the unit area. Lands within a unit area are automatically contracted down to the established participating areas either 5 years after the formation of the first participating area, or with continuous development activities, a maximum of 12 years after the formation of the first participating area.

unit expansion: when applying for a unit agreement, the operator proposes a unit area representing a potential oil and/or gas structure or reservoir based on the geologic, geophysical, production, and engineering data available. The authorized officer designates a logical unit area prior to approval of the unit. After unit approval, drilling and production activities and additional geophysical work may show that the limits of the oil and/or gas structure may extend past the unit boundaries. If the operator submits an application for expansion of the unit area and the authorized officer agrees with the proposal, the unit is expanded.

unit segregation: the separation of a Federal lease into two individual leases as a result of unitization. Any lease that covers lands within and outside a unit area that is committed to a unit agreement shall be segregated into separate leases in accordance with the Mineral Leasing Act of 1920, as of the effective date of the approval of the unit agreement. One lease will include the committed lands and the other lease will include the lands outside the unit boundary (43 CFR 3107.3-2).