United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Nevada State Office
1340 Financial Boulevard
Reno, Nevada 89502-7147
http://www.blm.gov/nv/st/en.html

In Reply Refer To: March 14, 2012
3120

Notice of Competitive Oil and Gas Lease Sale

The Nevada State Office is holding a competitive oral sale of Federal lands in the State of Nevada for oil and gas leasing. We are attaching a list that includes the parcel numbers, legal land descriptions, and corresponding stipulations. The list is available on the Internet at:
http://www.blm.gov/nv/st/en/prog/minerals/leasable_minerals/oil___gas/oil_and_gas_leasing.html
If the site is not accessible, you may request a paper copy from our Information Access Center by calling (775) 861-6500 between the hours of 8:00 a.m. and 4:00 p.m.

Anyone submitting an informal Expression of Interest (EOI) that certain lands be offered in an oil and gas competitive lease auction and the EOI includes split estate lands—private surface/Federal minerals—must provide, with the EOI, the name and address of the current private surface owner(s). Whenever a split estate parcel is included in an oil and gas Notice of Competitive Lease Sale, the Bureau of Land Management (BLM) will send a courtesy letter to the surface owner(s). The letter will provide the surface owner(s) notice of the scheduled auction as well as information about the BLM's regulations and procedures for Federal oil and gas leasing and development on split estate lands.

Any EOI including split estate lands that is submitted in the future, or now pending with a BLM State Office, that does not provide the name and address of the surface owner(s) will not be processed by the BLM and such lands will not be placed on a list of lands included in a Notice of Competitive Lease Sale until the required information is provided.

Information regarding leasing of Federal minerals overlain with private surface referred to as "Split Estate" is available at the following Washington Office website:
http://www.blm.gov/wo/st/en/prog/energy/oil_and_gas/best_management_practices/split_estate.html
A Split Estate brochure is available at this site. The brochure outlines the rights, responsibilities, and opportunities of private surface owners and oil and gas operators in the planning, lease sale, permitting/development, and operations/production phases of the oil and gas program:

National Environmental Policy Act (NEPA) documents for the attached parcels can be found on the internet at:
http://www.blm.gov/nv/st/en/prog/minerals/leasable_minerals/oil___gas/oil_and_gas_leasing.html

When and where will the sale take place?

When: The competitive sale begins at 9:00 a.m. on Tuesday, June 12, 2012. The sale room opens at 8:00 a.m. for registration and assignment of bidder numbers.

Where: We will hold the sale at the Bureau of Land Management, Nevada State Office, 1340 Financial Boulevard, Reno, Nevada 89502. Onsite parking is available.

Access: The sale room is accessible to persons with disabilities. If you need a sign language interpreter or materials in an alternate format, please tell us no later than one week before the sale. You may contact Donna Grill at (775) 861-6513.

How do I participate in the bidding process?

Before the sale starts, you must complete a bidder registration form to obtain a bidding number. The forms are available at the registration desk. Anyone with an outstanding debt to BLM will not be allowed to register.

To participate in the BLM bidding process, you must register and obtain a bidder number. If you are bidding for more than one party, you must register and obtain a separate bidder number for each company or individual you represent. The BLM will begin registering bidders at 8:00 a.m. on the day of the sale.

When you register to bid, you will be required to show a valid government-issued photo identification (ID) to verify your identity. If you do not provide a valid photo ID, you will not be allowed to register as a bidder and participate in the auction.

You will also be asked to sign a statement to confirm that any bid you cast will represent a good-faith intention to acquire an oil and gas lease and that you understand that any winning bid will constitute a legally binding commitment to accept the lease and pay monies owed. Further, you will acknowledge that you understand that it is a crime under 18 U.S.C. 1001 and 43 U.S.C. 1212 to knowingly and willfully make any false, fictitious, or fraudulent statements or representations regarding your qualifications; bidder registration and intent to bid; acceptance of a lease; or payment of monies owed; and that any such offense may result in a fine or imprisonment for not more than 5 years or both. You will also acknowledge that you understand that it is a crime under 30 U.S.C. 195 (a) and (b) to organize or participate in any scheme to defeat provisions of the mineral leasing regulations. Any person who knowingly violates this provision will be punished by a fine of not more than $500,000, imprisonment for not more than 5 years, or both.

If you, or the party you represent, owe the United States any monies that were due the day of a previous oil and gas lease auction conducted by any BLM office (the minimum monies owed the day of sale), you will not be allowed to register to bid at this lease sale. The Mineral Leasing Act requires that leases be issued to a "responsible qualified bidder" (30 U.S.C. 226(b)(1)(A)). Any bidder, or party represented by a bidding agent, that does not pay the minimum monies owed the day of the sale is not a "responsible qualified bidder" and will be barred from participating in any oil and gas lease auction nationwide until that debt to the United States is settled. In addition, if you or the party you represent defaults at any three sales conducted by any BLM office, you or the party you represent will be barred permanently from participating in any other BLM oil and gas lease sale auction.

What is the sale process?

Starting at 9:00 a.m. on the day of the sale:

- the auctioneer offers the parcels in the order they are shown on the attached list;
- the decision of the auctioneer is final;
- names of high bidders (lessees) remain confidential until the results list is available.

If a parcel contains fractional acreage, round it up to the next whole acre. For example, a parcel of 100.48 acres requires a minimum bid of $202 (101 acres x $2).

What conditions apply to the lease sale?

- **Parcel withdrawal or sale cancellation:** We reserve the right to withdraw any or all parcels before the sale begins. If we withdraw parcels or cancel a sale, we will post a notice in our Information Access Center and announce the withdrawn parcels at the sale. We will also post a notice to our web page. If we cancel the sale, we will try to notify all interested parties in advance.

- **Fractional interests:** If the United States owns less than 100 percent of the oil and gas mineral interest for the land in a parcel, we will show that information with the parcel. When we issue the lease, it will be for the percentage or fraction of interest the United States owns. However, you must calculate your bonus bid and advance rental payment on the gross acreage in the parcel, not the United States net interest. For example, if a parcel contains 200 acres and the United States owns 50 percent of the oil and gas mineral interest, the minimum bonus bid will be $400 ($2 X 200 acres) and the advance annual rental will be $300 ($1.50 X 200 acres) for the first 5-years and $400 ($2 X 200 acres) for the remainder of the lease term. Royalty on production will be calculated on the United States net oil and gas mineral interest.

- **Lease terms:** Leases issue for a primary term of 10 years. They continue beyond the primary term as long as oil or gas is produced in paying quantities on or for the benefit of the lease. Rental is $1.50 per acre for the first 5 years ($2 per acre after that) until production begins. Once a lease is producing, we charge a royalty of 12.5 percent on the production removed or sold from the lease. You will find other lease terms on our standard lease form (Form 3100-11, October 2008 or later edition).
- **Stipulations:** Some parcels are subject to surface use restrictions or conditions affecting how you conduct operations on the lands. The stipulations become part of the lease and replace any inconsistent provisions of the lease form.

- **Bid form:** On the day of the sale, successful bidders must submit a properly completed bid form (Form 3000-2, August 2007 or later edition) along with their payment. The bid form is a legally binding offer to accept a lease and all its terms and conditions. Once the form is signed you cannot change it. We will not accept any bid form that has information crossed out or is otherwise altered.

We recommend you get a copy of the bid form and complete all but the money part before the sale. You can fill out the money part at the sale. Your completed bid form certifies that:

1) You and the prospective lessee are qualified to hold an oil and gas lease under the regulations at 43 CFR 3102.5-2;
2) You and the prospective lessee have complied with 18 U.S.C. 1860, a law that prohibits unlawful combinations, intimidation or collusion among bidders.

- **Federal acreage limitations:** Qualified individuals, associations, or corporations may only participate in a competitive lease sale and purchase Federal oil and gas leases from this office if such purchase will not result in exceeding the State limit of 246,080 acres of public domain lands and 246,080 acres of acquired lands (30 U.S.C. 184(d)). For the purpose of chargeable acreage limitations, you are charged with your proportionate share of the lease acreage holdings of partnerships or corporations in which you own an interest greater than 10 percent. Lease acreage committed to a unit agreement or development contract that you hold, own or control is excluded from chargeability for acreage limitation purposes.

The acreage limitations and certification requirements apply for competitive oil and gas lease sales, noncompetitive lease offers, transfers of interest by assignment of record title or operating rights, and options to acquire interest in leases regardless of whether an individual, association, or corporation has received, under 43 CFR 3101.2-4, additional time to divest excess acreage acquired through merger or acquisition.

- **Payment:**
    - **You cannot withdraw your bid.**
    - **Payment due on the day of the sale:** You cannot withdraw a bid. For each parcel you win, you must pay the minimum bonus bid of $2 per acre or fraction of an acre, the first year's advance rental of $1.50 per acre or fraction of an acre, and a non-refundable administrative fee of $150. You must pay these monies by 4:00 p.m. on March 13, 2012, at the sale site.

The minimum monies owed on the day of the sale for a winning bid are monies owed to the United States (43 CFR 3120.5-2(b) and 43 CFR 3120.5-3(a)). If payment of the minimum monies owed the day of the sale is not received by the date and time above, the BLM will issue a bill for the monies owed. If payment is not received by the bill due date, a demand letter will be sent to you that will include additional fees. If payment is not received as requested by the demand letter, the U.S. will immediately pursue collection by all appropriate methods, and when appropriate, collect late fees, interest, administrative charges, and on past-due amounts assess civil penalties. "All appropriate methods" include, but are not limited to, referral to collection agencies and credit reporting bureaus; salary or administrative offset; offset of Federal and state payments, including goods or services; Federal and state tax refund offset; and retirement payment offset. Debts may be sent to the Internal Revenue Service and charged as income to you on Form 1099C, Cancellation of Debt (Federal Claims Collection Act of 1966, as amended; The Debt Collection Improvement Act of 1996; 31 CFR part 285).

- **Remaining payments:** If your bonus bid was more than $2 per acre or fraction of an acre and you didn't pay the full amount on the day of the sale, you must pay the balance of your bonus bid by 4:00 p.m. on June 26, 2012, which is the 10th working day following the sale. If payment is not received by BLM in full by this date, you lose the right to the lease and you will forfeit the money you paid on the day of the sale. We may offer the parcel in a future sale.

- **Method of payment:** You can pay by:
    - personal check;
    - certified check;
    - money order; or
    - credit card (Visa, Mastercard, American Express or Discover).

Please note, BLM will not accept credit or debit card payments to the Bureau for an amount equal to or greater than $100,000. We also will not accept aggregated small amounts to bypass this requirement. We encourage you to make any payments of $100,000 or more by Automated Clearing House (ACH) or Fed Wire transfer.

Make checks payable to: Department of the Interior-BLM. We do not accept cash. If you previously paid us with a check backed by insufficient funds, we will require a guaranteed payment, such as a certified check. Anyone with an outstanding debt to BLM will not be allowed to register or bid at the sale.

Lease issuance: After we receive the bid forms and all monies due, we can issue the lease. Usually, a lease is effective the first day of the month following the month we sign it. If you want your lease to be effective the first day of the month in which we sign it, ask us in writing before we sign the lease.

How can I find out the results of this sale?

We post the sale results in our Information Access Center and on the Internet at:
http://www.blm.gov/nv/st/en/prog/minerals/leasable_minerals/oil___gas/oil_and_gas_leasing.html
You can purchase a printed copy of the results list from the Information Access Center.

How do I file a noncompetitive offer to lease after the sale?

Lands that do not receive a bid and are not subject to a pre-sale offer are available for a two-year period beginning the day after the sale. To file a noncompetitive offer, you must submit:

Three copies of standard lease form 3100-11, Offer to Lease and Lease for Oil and Gas properly completed and signed. **(Note: We will accept reproductions of the official form, including computer generated forms that are legible and have no additions, omissions, other changes, or advertising. If you use an obsolete lease form, we will reject your offer).** You must describe the lands in your offer as specified by the regulations at 43 CFR 3110.5; and submit:
$380 nonrefundable administrative fee; and

First year's advance rental ($1.50 per acre or fraction thereof).

File offers on the day of the sale and the first business day after the sale in the Information Access Center. We consider these offers simultaneously filed. When a parcel receives more than one filing by 4:00 p.m. on the day after the sale, we will hold a drawing to determine the winner. Offers filed after this time period, receive priority according to the date and time of filing in this office.

How do I file a noncompetitive presale offer?

Under our regulations at 43 CFR 3110.1(a), you may file a noncompetitive presale offer for land that:

is available; and
has not been under lease during the previous one-year period; or
has not been included in a competitive lease sale within the previous two-year period.

Your noncompetitive presale offer to lease must be filed prior to the official posting of this Sale Notice. If your presale offer was timely filed, was complete and we do not receive a bid for the parcel that contains the lands in your offer, it has priority over any other noncompetitive offer to lease for that parcel filed after the sale. Your presale offer to lease is your consent to the terms and conditions of the lease, including any additional stipulations. If you want to file a presale offer, follow the guidance listed above for filing a noncompetitive offer after the sale and the regulations at 43 CFR 3110.1(a).

If we don't receive a bid at the sale for the parcel(s) contained in your presale offer, we will issue the lease. You can withdraw your presale offer prior to the date we sign your lease.

How do I nominate lands for future sales?

File a letter with this office describing the lands you want posted to a sale – please refer to the Nevada State Office guidelines at the following link;
http://www.blm.gov/nv/st/en/prog/minerals/leasable_minerals/oil___gas/oil_and_gas_leasing.html
file a presale offer

When is the next competitive oil and gas lease sale scheduled in Nevada?

We are tentatively holding our next competitive sale on September 11, 2012. Nominations for the December 11, 2012, oil and gas sale are due in our office by 4:00 p.m. on March 16, 2012.

May I protest BLM's decision to offer the lands in this Sale Notice for lease?

Yes, under the regulation at 43 CFR 3120.1-3, you may protest the inclusion of a parcel listed in this sale notice. All protests must meet the following requirements:

We must receive a protest no later than close of business on the 30th calendar day subsequent to the date of posting of the sale notice. If our office is not open on the 30th calendar day subsequent to the date of posting of the sale notice, a protest received on the next day our office is open to the public will be considered timely filed. The protest must also include any statement of reasons to support the protest. We will dismiss a late-filed protest or a protest filed without a statement of reasons.
A protest must state the interest of the protesting party in the matter.

You may file a protest either by mail, in hardcopy form or by telefax. You may not file a protest by electronic mail. A protest filed by fax must be sent to (775) 861-6710. A protest sent to a fax number other than the fax number identified or a protest filed by electronic mail will be dismissed.
If the party signing the protest is doing so on behalf of an association, partnership or corporation, the signing party must reveal the relationship between them. For example, unless an environmental group authorizes an individual member of its group to act for it, the individual cannot make a protest in the group's name.

If BLM receives a timely protest of a parcel advertised on this Sale Notice, how does it affect bidding on the parcel?

We will announce receipt of any protests at the beginning of the sale. We will also announce a decision to either withdraw the parcel or proceed with offering it at the sale.

If I am the high bidder at the sale for a protested parcel, when will BLM issue my lease?

We will make every effort to decide the protest within 60 days after the sale. We will issue no lease for a protested parcel until the State Director makes a decision on the protest. If the State Director denies the protest, we will issue your lease concurrently with that decision.

If I am the successful bidder of a protested parcel, may I withdraw my bid and receive a refund of my first year's rental and bonus bid?

No. In accordance with BLM regulations (43 CFR 3120.5-3) you may not withdraw your bid.

If BLM upholds the protest, how does that affect my competitive bid?

If we uphold a protest and withdraw the parcel from leasing, we will refund your first year's rental, bonus bid and administrative fee. If the decision upholding the protest results in additional stipulations, we will offer you an opportunity to accept or reject the lease with the additional stipulations prior to lease issuance. If you do not accept the additional stipulations, we will reject your bid and we will refund your first year's rental, bonus bid and administrative fee.

If BLM's decision to uphold the protest results in additional stipulations, may I appeal that decision?

Yes, you may. Note, an appeal from the State Director's decision must meet the requirements of Title 43 CFR §4.411 and Part 1840.

May I appeal BLM's decision to deny my protest?

Yes, you may. Note, an appeal from the State Director's decision must meet the requirements of Title 43 CFR §4.411 and Part 1840.

May I withdraw my bid if the protestor files an appeal?

No. If the protestor appeals our decision to deny the protest, you may not withdraw your bid. We will issue your lease concurrently with the decision to deny the protest. If resolution of the appeal results in lease cancellation, we will authorize refund of the bonus bid, rentals and administrative fee if:

There is no evidence that the lessee(s) derived any benefit from possession of the lease during the time they held it, and;
There is no indication of bad faith or other reasons not to refund the rental, bonus bid and administrative fee.

Who should I contact if I have a question?

If you have questions, please contact Donna Grill at telephone number (775) 861-6513, send a facsimile to (775) 861-6710, write to the attention of NV923.d at the address on the letterhead, or send electronic mail to dgrill@blm.gov.

/s/ Justin Abernathy

Justin Abernathy
Acting Chief, Branch of Minerals Adjudication