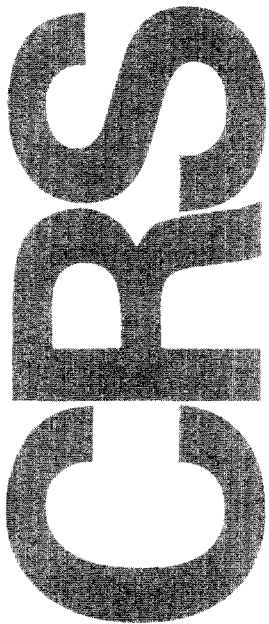


ONSHORE AND OUTER CONTINENTAL SHELF OIL AND GAS
LEASING AND OPERATIONS

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ABSTRACT

The following paper is a discussion of the procedures involved in the leasing and operational aspects of acquiring crude oil and natural gas from lands onshore and in the Outer Continental Shelf (OCS) which are under the jurisdiction of the United States. This includes the departments and agencies of the Government in terms of their responsibilities for leasing and for oil and gas operations; the categories of Federal land ownership and control; the mechanics of leasing; rents and royalties. Also discussed are the rules and regulations which govern the operations of extracting oil and gas, and handling the products after extraction.

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ONSHORE AND OUTER CONTINENTAL SHELF OIL AND GAS LEASING AND OPERATIONS

INTRODUCTION

The Federal Government owns about one third of the total land of the continental United States, or about 738 million acres out of the total of 2.3 billion acres. 1/ Approximately 850,000 square miles of Outer Continental Shelf (OCS) lands are under the jurisdiction of the United States and could be leased for mineral resources. 2/ Both the onshore lands and the OCS lands are important sources of oil and gas as part of the Nation's energy supply and important sources of revenue to the national treasury. For example, according to statistics from the Department of the Interior, 3/ about 8.84 percent of the United States' production of oil and condensates, and more than 23.10 percent of the Nation's natural gas came from the OCS in 1980. Oil and gas valued at \$13.06 billion with royalties amounting to \$2.14 billion came from the OCS in 1980. Onshore production of oil and gas from public lands in 1980 was valued at \$4.88 billion which provided royalties of \$605 million. 4/

1/ U.S. Department of the Interior. Bureau of Land Management. Public Land Statistics 1980. Washington, Govt. Print. Off., 1981, p. 10.

2/ Maley, Terry S. Handbook of Mineral Law. Second edition, Boise, Idaho. MMRC Publications, 1979, p. 38.

3/ U.S. Department of the Interior, Geological Survey. Outer Continental Shelf Statistics, 1953 Through 1980. Washington, U.S. Govt. Print. Off., June 1981, p. 89.

4/ U.S. Department of the Interior. Geological Survey. Federal and Indian Lands Coal, Phosphate, Potash, Sodium, and Other Mineral Production, Royalty Income and Related Statistics, 1920 Through 1980. Washington, U.S. Govt. Print. Off., June 1981, p. 20.

Since the public lands, including the OCS lands, are part of the national heritage, the Congress has always been interested in achieving the optimum return in needed products from these lands, while at the same time, safeguarding them and their environments, and conserving their natural resources. To these ends, Congress began to enact legislation controlling mining and other mineral activities on public lands as early as 1807. Since that time, Congress has passed more than 70 legislative acts related to the control and direction of mining and other activities related to acquiring minerals from lands under jurisdiction of the United States. The laws, together with the many regulations required by the laws, provide ample guidance for the professionals who are concerned on a daily basis with matters pertaining to leasing publicly owned oil and gas lands. The objective of this paper is to make available to congressional readers a summary of some of the important aspects of oil and gas leasing and operations in the publicly held lands.

There are volumes of laws and regulations covering onshore and OCS oil and gas leasing. Therefore, a summary such as presented in this paper amounts to selecting certain subjects for coverage. Readers who may wish to go into great detail on either onshore or OCS oil and gas leasing will find this paper too brief for that purpose. However, the paper should be useful to those individuals who need a brief overview of the subject or who follow the footnotes to more basic documents. Some references which furnish detailed information on onshore and OCS leasing include the laws on mineral lands and mining (30 U.S.C. 181 et seq.); the Outer Continental Shelf Lands Act as amended (43 U.S.C. 1331 et seq.); Code of Federal Regulations (CFR) 43, Public Lands; CFR 30, Mineral Resources; Compilation of Regulations Related to Mineral Resources Activities on the OCS, published by the U.S. Department of the Interior, January 1981; and Handbook of Mineral Law by Terry S. Maley [see note 2].

ONSHORE OIL AND GAS LEASING

Authorization for leasing onshore lands under the jurisdiction of the United States for exploring and producing oil and gas is contained in the Mineral Lands Leasing Act of February 25, 1920, as amended (U.S. Code, title 30, Mineral Lands and Mining, Chapters 3A and 5). Section 181 of title 30, as amended by P.L. 97-78, contains the following general provision for leasing mineral lands:

Deposits of coal, phosphate, sodium, potassium, oil, oil shale, gilsonite (including all vein-type solid hydrocarbons), or gas, and lands containing such deposits owned by the United States, including those in national forests, but excluding lands acquired under the Appalachian Forest Act, and those in incorporated cities, towns, and villages and in national parks and monuments, those acquired under other Acts subsequent to February 25, 1920, and lands within the naval petroleum and oil-shale reserves, except as hereinafter provided, shall be subject to disposition in the form and manner provided by this chapter to citizens of the United States, or associations of such citizens, or to any corporation organized under the laws of the United States, or of any State or Territory thereof, or in the case of coal, oil, oil shale, or gas, to municipalities. Citizens of another country, the laws, customs, or regulations of which deny similar or like privileges to citizens or corporations of this country, shall not by stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this chapter.

According to statute (43 U.S.C., section 2), the Secretary of the Interior or other officers which the Secretary may designate shall perform all executive duties pertaining to the surveying and sale of the public lands of the United States. Further, section 226 of title 30 specifically authorizes the Secretary of the Interior to lease lands subject to disposition under this law which are known or believed to contain oil or gas deposits.

Government Departments/Agencies Responsible for Onshore Oil and Gas LeasingDepartment of the Interior

The Department of the Interior (DOI) is the executive department which has jurisdiction over nearly 70 percent of all Federal lands; lands held in trust by the United States; conservation and development of mineral and water resources;

the conservation, development, and utilization of fish and wildlife resources; preservation and administration of the Nation's scenic and historic areas; a variety of other activities involving conservation and reclamation efforts as well as economic and social development in the United States and its territories. 5/ The DOI is responsible for administering oil and gas leasing, exploration, and production of oil and gas on lands either owned or under the jurisdiction of the United States. Several bureaus and offices of the DOI have specific responsibilities and/or functions in leasing onshore oil and gas lands and in the activities which involve oil and gas exploration, development and production. However, these responsibilities do not constitute the sole prerogatives of any of DOI's bureaus or offices.

Bureau of Land Management. The Bureau of Land Management (BLM) is responsible for the management of about 341 million acres of public lands which are located primarily in the western States and Alaska with scattered parcels located in other States. The BLM has mineral management responsibilities for all lands under the jurisdiction of the U.S., including public lands and the Outer Continental Shelf (OCS). It also is responsible for subsurface resource management of some 169 million acres where mineral rights have been reserved to the Federal Government. 6/

Land resources under the management of the BLM include non-fuel-minerals, oil and gas, geothermal energy, wildlife habitats, endangered plant and animal species, rangeland vegetation, recreational and cultural resources,

5/ Office of the Federal Register, National Archives and Records Service, General Administration. The United States Government Manual 1981/82. Washington, U.S. Govt. Print. Off., May 1981, p. 338.

6/ Office of the Federal Register. The United States Government Manual 1981/82, p. 356.

wild and scenic rivers, designated conservation and wilderness areas, and open spaces. 7/

As the leasing agent for oil and gas, the BLM prepares, issues, and administers all regulations on oil and gas leasing, including lease sales. It conducts necessary studies and analyses and makes recommendations to the Secretary of the Interior concerning all matters pertaining to oil and gas leasing.

The headquarters of the BLM is located in Washington, D.C., and field offices are located throughout the United States. An Eastern States office located in Alexandria, Virginia, serves all of the States bordering on and east of the Mississippi River. An office located in Billings, Montana, serves the area in the States of Montana, North Dakota, and South Dakota. An office in Santa Fe, New Mexico, has an area of responsibility which encompasses Oklahoma, Texas, and New Mexico. The areas of Wyoming, Kansas, and Nebraska are under the jurisdiction of an office in Cheyenne, Wyoming. Other offices with responsibilities only for the areas of States in which they reside include those in Anchorage, Alaska; Phoenix, Arizona; Sacramento, California; Denver, Colorado; Boise, Idaho; Reno, Nevada, and Salt Lake City, Utah. 8/

U.S. Geological Survey. The objectives of the U.S. Geological Survey (USGS) are to perform surveys, investigations, and research concerning topography, mineral and water resources; classify land as to mineral character and water resources; and enforce departmental regulations applicable to water resources. 9/

The USGS maintains 3 regional offices. An office in Reston, Virginia, serves the eastern region which includes the following States: Maine, New

7/ Office of the Federal Register. The U.S. Government Manual 1981/82, p. 356.

8/ Office of the Federal Register. The U.S. Government Manual 1981/82, p. 355.

9/ Office of the Federal Register. The U.S. Government Manual 1981/82, p. 351.

Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Tennessee, Kentucky, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Puerto Rico and the Virgin Islands. An office in Denver, Colorado, serves the central region which comprises North Dakota, South Dakota, Montana, Wyoming, Nebraska, Utah, Colorado, Kansas, Iowa, Missouri, Oklahoma, New Mexico, Texas, Arkansas, and Louisiana. The western region consists of Washington, Oregon, Idaho, California, Nevada, Arizona, Alaska, and Hawaii, and is served by an office located in Menlo Park, California. 10/

Minerals Management Service (MMS). The MMS was established on January 19, 1982, to improve the management, and provide more effective management oversight and accountability for the minerals related activities previously conducted by the former Conservation Division of the U.S. Geological Survey.11/ The functions of the MMS include enforcing departmental regulations applicable to oil, gas and other mineral leases, permits, licenses, development contracts and gas storage contracts; and publishing and disseminating data obtained from these activities. The MMS appraises mineral property values prior to lease sales. It supervises exploration, development, and exploitation operations for leases on Federal, Indian and certain naval petroleum reserve land and is responsible for the collection of rents and royalties and the maintenance of production records of Federal leases. The MMS assists the BLM in discharging its responsibilities for leasing. Offices of the MMS are co-located with those of the USGS.

10/ Office of the Federal Register. The U.S. Government Manual, 1981/82, p. 318.

11/ U.S. Department of the Interior. Secretarial Order No. 3071. Federal Register. v. 47, no. 22, Feb. 2, 1982, p. 4751.

National Park Service. The National Park Service of the DOI administers the system of national parks, monuments, historic sites, and recreation areas. Among the objectives of the National Park Service are protection of the natural environment of areas under its jurisdiction, assisting State and local governments and citizen groups in the development of park areas, the protection of the natural environment, and the preservation of historic properties. 12/

Lands within the National Parks are not generally open to the extraction of minerals either under leases or patented mining claims. However, the exercise of rights to minerals which do not belong to the United States often involves park lands and, consequently, the National Park Service. Access to minerals, including oil and gas, which do not belong to the United States are often on or through park lands. The minerals may be in lands which belong to private entities and are obtainable only by the use of park lands. In other instances, land containing mineral deposits may have been transferred to the United States and made a part of the National Park System with the previous owner retaining rights to the minerals. The Park Service is responsible for administering the Park Service regulations (36 CFR Part 9) which control all activities on national park lands related to the exercise of mineral rights. In accordance with mining laws, the Park Service participates with the BLM and the MMS in the management of leases of land in the National Park System. 13/

Bureau of Indian Affairs. The principal objectives of the Bureau of Indian Affairs (BIA) of the DOI are to actively encourage and train Indian and Alaskan Native persons to manage their own affairs under the trust relationships with the Federal Government; to facilitate further development of their human and

12/ Office of the Federal Register. U.S. Government Manual 1981/1982, p. 316.

13/ Maley, Terry S. Handbook of Mineral Law, p. 32.

natural resource potential; to mobilize public and private aids to the advancement of Indian and Alaska Native people for use by them; and to utilize the skill and capabilities of these persons. 14/ The BIA is responsible for supervising the issuance and administration of mineral leases, including oil and gas leases on Indian lands. The MMS is responsible for the technical aspects of the leasing of Indian lands for oil and gas production.

Department of Agriculture

Forest Service. The Forest Service of the Department of Agriculture is responsible for the national interest in forestry. To discharge its responsibility, the Forest Service includes among its objectives and policies the promotion and achievement of a pattern of forestry uses that will meet timber requirements now and in the future; protect and improve the quality of air, water, soil, and natural beauty; and encourage growth and development of forestry-based enterprises that readily respond to consumers' changing needs. The Forest Service manages 154 national forest areas and 19 national grassland areas comprising 188 million acres in 41 States and Puerto Rico. 15/

The Forest Service administers regulations (36 CFR Parts 251, 252, and 293) which cover prospecting, exploration and mining activities in the National Forest System by individuals operating in compliance with mining laws. The Service also works with the BLM and MMS in managing leases on National Forest lands pursuant to the mining laws. 16/

14/ Office of the Federal Register. The U.S. Government Manual, 1981/1982, p. 320.

15/ Office of the Federal Register. The U.S. Government Manual, 1981/1982, pp. 127-128.

16/ Maley, Terry S. Handbook of Mineral Law, p. 20.

Land Ownership

Federal Public Domain Lands

On the basis of size, the Federal public domain lands represent the most important category of Federal ownership. Lands in this category have never been transferred from Federal ownership. According to the BLM of the Department of the Interior, 17/ there are about 678 million acres of land in the public domain category. Of this amount, about 160 million acres are reserved as National Forest Lands under the jurisdiction of the Forest Service of the Department of Agriculture, and about 61 million acres are reserved as park land under the National Park Service of the DOI. The Fish and Wildlife Service has approximately 59 million acres and the Bureau of Indian Affairs has about 227 thousand acres in the public domain. There are other departments, agencies and bureaus of the Federal Government with land holdings in the public domain but the BLM has by far the largest holding with jurisdiction over about 395 million acres. 18/

Federal acquired lands

Federal agencies may acquire title to lands from private owners under special circumstances such as purchases, condemnations, or by donations. Lands thus obtained are known as acquired lands. 19/ Statistics concerning these lands are reported separately from those pertaining to Federal public domain lands.

According to the BLM, 20/ the Federal Government owns about 60 million acres of acquired lands. Of this total amount, the Forest Service holds

17/ U.S. Department of the Interior. Public Land Statistics 1980, pp. 111-112.

18/ U.S. Department of the Interior. Public Land Statistics 1980, p. 11.

19/ Maley, Terry S. Handbook of Mineral Law, p. 37.

20/ U.S. Department of the Interior. Public Land Statistics 1980, p. 12.

about 27.5 million acres. The Park Service has about 7 million acres and the Fish and Wildlife Service and the BLM hold 4.3 and 2.3 million acres, respectively. The Bureau of Indian Affairs has about 0.5 million acres.

The Mineral Leasing Act for Acquired Lands of August 7, 1947 (30 U.S.C., sections 352-359) contains provisions which govern the leasing of mineral deposits on acquired lands, including oil and gas. The law recognizes that the United States may not own any mineral interest, or may own only a partial mineral interest, in a particular parcel of land which is under consideration for leasing. The Secretary of the Interior is authorized to lease partial interest, and future interest in those instances in which the United States has no mineral interest at the time of leasing, if the Secretary considers such actions to be beneficial to the public.

The Handbook of Mineral Law 21/ explains how that the United States may have a partial interest, or no interest in the minerals in some acquired lands. Originally, the Federal Government held title to both the surface and mineral estate. As the land was conveyed to State and private ownership under a variety of disposal laws, three general types of titles were transferred: (1) title in fee simple or the Federal Government's entire interest in the land; (2) the surface estate was conveyed but the entire mineral estate was reserved to the United States; and (3) the surface estate and a portion of the mineral estate were conveyed, but certain minerals or types of minerals were reserved to the United States. These three general types of titles make it possible for a title for a particular tract of land to be split into two or more parts. For example, on a particular tract of land, the Federal Government may own the leasable minerals (oil, gas, coal, potash, etc.); the State may own all minerals except the leasable minerals (copper, lead, iron, etc.); and the

21/ Maley, Terry S. Handbook of Mineral Law, pp. 75-79.

surface estate may be in private ownership. Thus, when the Federal Government acquires land, the title to such lands may be split as discussed above. Therefore, with respect to every parcel of land, the results can be that the United States has partial interests in the mineral deposits in the lands, no interest in such deposits, or title to the entire mineral estate.

Federal Land Withdrawals

The term "withdrawal" is defined in section 103(j) of the Federal Land Policy and Management Act of 1976 (P.L. 94-579)) as follows:

... withholding an area of Federal land from settlement, sale, location, or entry, under some or all of the general land laws, for the purpose of limiting activities under those laws in order to maintain other public values in the area or reserving the area for a particular public purpose or program

Several categories of withdrawals are significant in the leasing of lands in the public domain or of acquired lands for oil and gas exploration and production. The Forest Reserve Act of 1891 (16 U.S.C. 471) authorized the President to establish National Forests by Presidential Proclamation. The basic legislative authorities governing the administration and management of the National Forest Lands are the Organic Administration Act of 1897 (16 U.S.C. 475), and the National Forest Management Act of 1976 (43 U.S.C. 1701). Vacant unappropriated public lands within the National Forest System are generally open to entry under mining and mineral leasing laws.

The Wilderness Act of September 3, 1964 (16 U.S.C. 1131) provides that from September 3, 1964, until December 31, 1983, lands classified under the National Wilderness Preservation System will remain open to mineral exploration. However, effective January 1984, the wilderness areas will be withdrawn from all forms of appropriation under the mining and mineral leasing laws. 22/

22/ 43 CFR, Subpart 3100.

The Wild and Scenic Rivers Act of October 2, 1968 (16 U.S.C. 1271-1287) was passed for the purpose of preserving in a free-flowing condition certain selected rivers with scenic, historic, wildlife, and other special values. For the rivers designated in the Wild and Scenic River System, minerals in Federal lands within a quarter of mile of the banks are withdrawn from all forms of appropriation under the mining laws and the mineral leasing laws. Many of the rivers designated as part of the Wild and Scenic River System are also "navigable waters" as defined in the Submerged Lands Act of August 7, 1953 (43 U.S.C. 1301-1343). This means that the river beds may be owned by the State, while lands on either side of the river bed may be under Federal jurisdiction. 23/

National parks have been withdrawn through specific acts of Congress and national monuments are established by the Congress or by Executive authorizations. Lands in national parks and monuments are generally not subject to mining except where specifically authorized by law. 24/

National Wildlife Refuges

In accordance with the provisions of the National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd-668 jj), national wildlife refuges are established and maintained for the restoration, preservation, and management of wildlife and wild lands habitat. Although Congress has established some refuges by statute, most refuges have been established by executive action in consonance with the law. The aggregate of national wildlife refuges is referred to as the "National Wildlife Refuge System." According to the Department of the Interior, 25/ the national wildlife refuge system encompasses all lands,

23/ Maley, Terry S. Handbook of Mineral Law, pp. 39-40.

24/ Maley, Terry S. Handbook of Mineral Law, p. 96.

25/ U.S. Department of the Interior. U.S. Fish and Wildlife Service. Directory of National Wildlife Refuges. Washington, U.S. Govt. Print. Off., 1977, p. 1.

waters, and interests therein administered by the U.S. Fish and Wildlife Service as wildlife refuges and waterfowl production areas. The total refuge system consists of about 34,000,000 acres mostly located on Federal lands and waters. At the present time, there are 410 refuge units.

Although most of the refuges are withdrawn from mining and mineral leasing laws, several refuges are at least partially open. For example, according to the "Final Environmental Statement on Operation of the National Wildlife Refuge System," 12 refuges had producing oil or gas wells in 1974. 26/

Indian lands

Indian reservations are lands originally belonging to the public domain which are set aside by treaty, act of Congress, or Executive order for a particular group of Indians. Such reservation lands are effectively withdrawn from entry, and Federal mining laws do not apply. 27/ However, most minerals in Indian lands are available through a leasing system which is authorized by the Tribal Council or other authorized representative of the tribe.

Geophysical Exploration

Oil and gas exploration is the search for reservoir traps or underground rock formations with accumulations of oil and gas. One of the commonly used exploration methods is the geophysical survey. This type of survey might employ one or more of several devices such as gravimeters, magnetometers, and/or seismographs. 28/

26/ U.S. Department of the Interior. U.S. Fish and Wildlife Service. Final Environmental Statement, Operation of the National Wildlife Refuge System. Washington, Govt. Print. Off., 1976, p. III-81.

27/ Maley, Terry S. Handbook of Mineral Law, pp. 97, 389-402.

28/ Williams, Howard R. and Charles J. Meyers. Oil and Gas Law. (Abridged Edition). New York, Matthew Bender, 1973, p. 4.

Although geophysical exploration is allowed on oil and gas leases, exploration can be conducted without a lease if an exploration permit is obtained. Simultaneously with the filing of the notice of intent to conduct oil and gas exploration, and before entering the land, a compliance bond in the amount of \$5,000 must be filed with the district manager of the BLM. 29/ Upon completion of the oil and gas exploration, a notice of completion is filed and the district manager has 90 days to notify the permittee as to whether or not the conditions of the permit have been met. Nationwide bonds of \$50,000 and statewide bonds of \$25,000 are permitted which provide coverage respectively for nationwide and statewide oil and gas explorations. Bonds are also required for oil and gas operations pursuant to leases. Holders of nationwide and statewide bonds for oil and gas operations under leases are permitted to amend these bonds to include exploration activities in lieu of furnishing additional and separate bonds. 30/

Mechanics of Onshore Oil and Gas Leasing

Noncompetitive leases

Under the provisions of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 181, et seq.), lands in the public domain which are not within any known geologic structure (KGS) of a producing oil or gas field may be leased to the first qualified applicant without competitive bidding. As defined by the Department of the Interior, a KGS is technically the trap in which an accumulation of oil or gas has been discovered by drilling and has been determined to be productive. The limits of a KGS extend to all contiguous acreage that is presumptively productive. 31/

29/ 43 CFR 3104.9.

30/ 43 CFR 3104. 9-4.

31/ 43 CFR 3100. 0-5.

Applications to lease must be filed in the State land office of the BLM. If the land is in a State for which there is no land office, the application must be filed with the BLM in Washington, D.C. As stipulated in the leasing regulations, applications must be accompanied by a filing fee of \$75 and the first year rental at a rate of \$1 per acre. 32/

Competitive leases

Lands within a KGS geological structure of a producing oil or gas field may be leased only by competitive bidding to the highest qualified bidder.33/ Competitive oil and gas leases onshore are offered through notices of sales published in newspapers which are circulated in the county in which the lands or deposits are situated or in other publications which the appropriate officer of the BLM may authorize. The notice of sale must contain a description of the lands offered, conditions of the sale, specified rental and royalty rate, time and place of sale, and the procedures for submitting bids.

Simultaneous filings, selection, and reselection procedures

Certain lands may be leased only in accordance with the rules for simultaneous filing of applications for leases. This includes all lands which are not within a KGS and are covered by cancelled or relinquished leases, leases which have been terminated because rent has not been paid, or leases which will expire at the end of their primary or extended terms in accordance with leasing laws. 34/

A list of lands for which applications may be received must be posted in the appropriate BLM office at the beginning of business on the first working day of January, March, May, July, September, and November. The posted list

32/ 43 CFR 3103.1-3 and 3103.3-1, as amended by rule-making published in the Federal Register, v. 47, no. 13, Jan. 20, 1982, p. 2864.

33/ 43 CFR 3101.1-1.

34/ 43 CFR 3112.1-1.

must include a notice that the lands listed will be subject to filing or lease applications from the time of the posting until the close of business on the fifteenth working day thereafter. The lands must be properly described in the notices. Applications should be filed in the appropriate BLM office and each application must be accompanied by a filing fee in the amount of \$75. 35/

The selection procedure for the first qualified applicant begins with randomly selecting three applications for each numbered parcel of land. The order in which the applications are selected fixes the order in which the successful applicants shall be determined. Where only two applicants file for a particular parcel, the successful applicant also will be determined in the order in which the applications are selected. A single filing for a parcel of land automatically will render the applicant successful if otherwise qualified. 36/

If properly filed applications are omitted from the selection process, reselection procedures must be effected. Omitted applications may not be withdrawn by the applicants. The reselection will consist of the omitted application(s) and a number of blank applications equal to the number of applications which were included in the first selection. The reselection is conducted in the same manner as the original selection. If an omitted application is not selected first, second, or third priority in the new selection, the priority established in the original selection will stand. If an omitted application is selected first, second, or third priority, it will displace any application selected with the same and lower priorities in the original selection. However, no application(s)

35/ 43 CFR 3103.1-3 and 3103.1, as amended by rule-making published by rule-making published in Federal Register, v. 47, No. 13, January 20, 1981, p. 2864.

36/ 43 CFR. 3112.3-1.

chosen in the first selection may be eliminated from priority as a result of the selection of an omitted application in the reselection. The number of priorities shall be increased as necessary. 37/ Simultaneous filings and the selection process are sometimes referred to as oil lotteries. The processes of applying for and bidding on onshore oil and gas leases are summarized in attachment I.

Bonds

The Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.) and the Mineral Leasing Act for Acquired Lands of 1947 (30 U.S.C. 351) authorize the Secretary of the Interior to issue regulations which require oil and gas operators to post bonds conditioned upon compliance with all terms and conditions of leases. There are several categories of bond coverage delineated in the pertinent regulations. 38/

A general lease and drilling bond in the amount of not less than \$1,000 must be furnished prior to entry and commencement of geophysical exploration or drilling operations by the lessee or his operator. Alternatively, an operator's bond in the amount of not less than \$1,000 may be furnished in lieu of a general lease and drilling bond. The approved unit operator may furnish and maintain a unit operator's bond. The latter must be furnished upon request and in at least the amount recommended by the area oil and gas supervisor.

In lieu of general lease and drilling bonds and operator's bonds, holders of leases or approved operating agreements may furnish a bond in the amount of at least \$25,000 covering all leases and operations in any one State. Similarly, holders of leases or approved operating agreements may furnish a bond in the

37/ 43 CFR 3112.3-2.

38/ 43 CFR 3104.

amount of at least \$150,000 covering all leases or operations on a nationwide basis. The authorized officer, on his volition, or upon the recommendation of the area oil and gas supervisor, may elect to increase the amount of any bond required by regulations.

Lease term

The primary term for all noncompetitive leases is 10 years and so long thereafter as oil or gas is produced in paying quantities. 39/ The primary term for competitive leases is 5 years and so long thereafter as oil or gas is produced in paying quantities. 40/

The oil and gas leasing regulations include provisions for extending or renewing leases on the basis of applications from the lessees and approval of the applications. 41/ Leases on lands not within the KGS of a producing oil or gas field may be extended for a period of 5 years, and so long thereafter as oil or gas is produced in paying quantities. Leases on lands within the KGS of a producing oil or gas field may be extended for a period of 2 years and so long thereafter as oil or gas is produced in paying quantities.

Acreage limitation and lease size

An offer for a noncompetitive lease may not include more than 10,240 acres. The lands in the offer should be entirely within an area of 6 miles square or within an area not exceeding 6 surveyed sections in length or width measured in cardinal directions. No offer may be made for less than 640 acres except under certain specified conditions. 42/

39/ 43 CFR 3110.

40/ 43 CFR 3120.

41/ 43 CFR 3107.

42/ 43 CFR 3110, 3120.

Lands which are within the KGS of a producing oil or gas field will be divided into leasing blocks or tracts of not greater than 640 acres each and these must be as nearly compact in area as possible. If two or more units are awarded to any bidder, the units where the acreage does not exceed 640 acres may be included in a single lease.

A lessee may hold a maximum of 246,000 acres in any one State except Alaska where a lessee may hold a maximum of 300,000 acres. Not more than 200,000 acres may be held under option by a lessee in any State. 43/ According to the Handbook of Mineral Law, an option is a special agreement which gives the potential lessee exclusive right to explore land, the right to cancel the agreement while conducting exploration, and the right to lease during or at the end of the option period. 44/

Rentals and Royalties

Rental requirements

Payments of rents are required in advance. The first filing of an offer must be accompanied by full payment of the first year's rent. As delineated in CFR 43, section 3103.3-1 as amended, rental rates vary from \$0.50 per acre per year to \$3.00 per acre per year for leases which have been held for more than 5 years. The rental rate of \$0.50 per acre per year applies only to leases issued in Alaska prior to September 2, 1960. Other factors which influence rental rates are whether leases are issued competitively or noncompetitively, and whether or not particular legislative provisions are applicable to certain leases. 45/

43/ 43 CFR 3101.1-5.

44/ Maley, Terry S. Handbook of Mineral Law, p. 455.

45/ 43 CFR 3103. 2-1, 3103. 3-1, 3103. 3-2.

Royalty on production

The mineral lands and mining law (30 U.S.C. 181, et seq.), with but few exceptions, requires royalty rates of not less than 12 1/2 percent in amount or value of production removed or sold from leases. Leases designated by regulations 46/ to require a minimum royalty rate of 12 1/2 percent include non-competitive leases; all leases issued prior to August 8, 1946, except competitive, exchange, and renewal leases; leases on land within the productive limits of any oil or gas deposit on August 8, 1946; and leases on new deposits which are defined as those discovered after May 27, 1941. Several substantive amendments to the mineral lands and mining laws became effective on the passage of the Act of August 8, 1946, and the results of some of these amendments form the basis for the current regulations on royalty and production.

According to the regulations on royalties for oil, 47/ renewed and exchange leases, which previously carried a flat 5 percent royalty, have royalty rates which increase as the productivity of wells increase. The rate begins with 12 1/2 percent on average production of not over 110 barrels per day per well for the calendar month and increases to a maximum royalty rate of 25 percent for production of over 400 barrels per day per well for the calendar month. Noncompetitive leases which were issued prior to September 2, 1960, may be extended or renewed on the basis of applications for lessees. The variable step-scale royalty rates apply to these leases. Leases for terms of 20 years, renewal of 20-year leases, or exchanges for 20-year leases issued prior to August 8, 1946, may be exchanged for new leases which will come under the variable step-scale royalty rate. The primary term for leases obtained by exchanges and extensions is 5 years. 48/

46/ 43 CFR 3103.3-4.

47/ Ibid.

48/ 34 CFR 3107.

An exception to the requirement that the royalty rate for oil and gas extracted from public lands be not less than 12 1/2 percent involves holders of leases for lands in Alaska which were issued and were outstanding prior to May 3, 1958. Lessees who drill and make the first discoveries of oil and gas in commercial quantities in any geological structure are required to pay royalty on all production under these leases at the rate of 5 percent for the first 10 years following the date of discovery. After the first 10 year period, the royalty rate of 12 1/2 percent is required. 49/

Royalty rates on leases issued on the basis of competitive bidding are prescribed in the notices announcing the lease sales. Leases issued subsequent to the sale require use of the published royalty rates.

The royalty rates on gas, including inflammable gas, helium, carbon dioxide, natural gases, and mixtures of natural gases, natural or casing head gasoline, and other liquid products obtained from gas are determined on the basis of the measured volume of gas coming from the wells and the application of royalty rates of 12 1/2 or 16 2/3 percent as prescribed in the regulations. If the average production of gas per well per day for the calendar month does not exceed 5 million cubic feet, the applicable royalty rate is 12 1/2 percent. If the average production of gas per well per day for the calendar month exceeds 5 million cubic feet, the applicable royalty rate is 16 2/3 percent. 50/

Under certain conditions, a lessee may pay a minimum royalty of \$1 per acre per year in lieu of rental. This is payable at the expiration of each lease year after a discovery has been made on the leased lands. The lease either must have

49/ 43 CFR 3103.3-4.

50/ 43 CFR 3103.3-4.

been issued on or after August 8, 1946, or issued prior to that date with the lessee having filed an election under section 15 of the Act of August 8, 1948. 51/

Waiver, Suspension, or Reduction of Rental or Minimum Royalty

As authorized by the Act of June 3, 1948, (62 Stat. 292), the Secretary of the Interior, for the purpose of encouraging the greatest ultimate recovery of oil and gas and in the interest of conservation, may waive, suspend, or reduce the rental, royalty, or minimum royalty on an entire leasehold or part thereof. The Secretary may take this action when it has been determined to be necessary to promote development, or when it has been found that a lease cannot be successfully operated under the original terms. 52/

51/ 43 CFR 3103.3-5.

52/ 43 CFR 3103.3-7.

ONSHORE OIL AND GAS OPERATIONSRegulations

The operational phase (or extraction of oil and gas from onshore lands owned or controlled by the United States) occurs under regulations based on laws on mineral lands and mining under 30 U.S.C., section 226, et seq. . The regulations which pertain to oil and gas operations are delineated in 30 CFR, Part 221. If Indian lands are involved, the pertinent regulations are found in 25 CFR, Subchapter P, Mining, and Subchapter Q, Oil and Gas.

Area oil and gas supervisor

The area oil and gas supervisor, under the supervision of the Minerals Management Service (MMS), is responsible for administering all regulations pertaining to oil and gas operations on lands owned or controlled by the United States, including Indian lands. The functions of the area supervisor are to require compliance with applicable regulations which assure that all operations result in maximum recovery of oil and gas, and that the environment is protected from harmful practices. The supervisor has the authority to supervise and direct oil and gas operations and to perform other duties prescribed in the regulations, including making inspections and issuing instructions. Some specific operations which require the attention of the supervisor include drilling and producing operations; measuring gas and oil; determination of royalty liability; receipt and delivery of royalty; assessment of damage to the land; and determination of infractions of regulations. 53/

Protective measures

When necessary, the supervisor must require correction of any condition which is causing or is likely to cause damage to any formation containing oil or gas, or other mineral deposits. Conditions which are dangerous to life or

53/ 30 CFR 221.3.

property, or wasteful of oil, gas, or water, must be corrected. Substantially vertical drilling must be required when necessary to protect the interests in other properties. The supervisor requires plugging and abandoning of any well or wells which are no longer used or useful as planned. In instances where the lessee fails to comply with such protective measures, the supervisor will perform the necessary work at the expense of the lessee or by expenditure of available public funds, and submit reports as a basis for action to obtain reimbursement. 54/

Development of the oil and gas field

Development is defined as drilling in a proven field for the purpose of completing the desired pattern of oil and gas production. 55/ The supervisor is required to approve well-spacing and well-casing programs which have been determined to be necessary for the proper development of leases. The supervisor has the authority to fix the percentage of the potential capacity of any oil or gas well to be recovered and to specify the time and method for determining the potential capacity of wells. It is also the supervisor's responsibility to assist and advise lessees in planning and conducting tests and experiments for the purpose of increasing efficiency of operations. 56/

Production records

The supervisor is required to compile and maintain records of production and prices and to determine royalties accrued. He or she must estimate drainage and compute losses to the lessor resulting from these, and estimate the amount

54/ 30 CFR 221.9.

55/ Kash, Don E. Energy Under the Oceans. University of Oklahoma Press. Norman, Oklahoma, 1973, p. 49.

56/ 30 CFR 221.10, 221.11.

and value of oil, gas, and other products wasted. On a monthly basis, the supervisor renders statements to the lessee or his agents, showing the amount of oil, gas or other hydrocarbons produced or sold and the amount or value of production accruing to the lessor as royalty from each lease. The statement for each month must show the loss by drainage or waste and the compensation due to the lessor as reimbursement. In case of loss or waste of natural gas, reimbursement must be computed at a price of not less than 5 cents per 1000 cubic feet. The computation for loss of gas does not include any disposal of gas that has been determined to be sanctioned by the laws of the United States or the State in which it occurs. In instances of leases on Indian lands, and lands within naval reserves, the supervisor shall determine rental liability, record rental royalty and other payments, and maintain lease accounts. 57/

Sales agreements

The supervisor is authorized to approve field orders or temporary purchase agreements granting to transportation agencies or purchasers authority to receive products from leased lands, sign receipts for royalty oil or gas delivered to a representative of the lessor, and approve sales agreements and contracts. All of these acts may be accomplished under any special conditions prescribed by the supervisor, but they are subject to modification or revocation, as a result of review by higher authorities. 58/

Suspension or resumption of drilling or production operations

The area oil and gas supervisor has authority to grant temporary approval of applications for suspension of operations or production, or relief from drilling or production requirements under leases or to reject such applications. The

57/ 30 CFR 221.12.

58/ 30 CFR 221.13.

applicant has the right to appeal the supervisor's decision. When drilling or producing operations have been suspended on a lease, the supervisor has authority to approve resumption of these operations. 59/

Requirements for lessees

Lessees are required to comply with the terms of leases, applicable regulations and amendments, and with written instructions of the supervisor. They are required to take all reasonable precautions to prevent waste, damage to formations or deposits containing oil, gas, water, or mineral deposits, and injury to life or property. Before commencing drilling or other operations, lessees must have submitted a satisfactory bond.

Specific requirements for lessees include the following: 60/

(1) Wells may not be drilled within 200 feet of the outer boundaries of leased lands or within 200 feet of the boundary of any legal subdivision. Lessees of Indian lands may not drill wells within 200 feet of houses or barns standing on leased lands. Exceptions to these restrictions on the locations of wells may be obtained by special permission.

(2) When required by the supervisor, lessees are responsible for submitting acceptable well-spacing and well-casing programs.

(3) Lessees must obtain permission from the supervisor to drill, redrill, repair, deepen, plug back, shoot, plug and abandon wells, use any alternative methods of recovering production, or use a well or formation for storage of gas or disposal of water.

(4) Lessees are required to drill diligently and to produce continuously to protect the lessor from loss of royalty by drainage. Should losses by

59/ 30 CFR 221.14.

60/ 30 CFR 221.18-221.35.

drainage occur, lessees must pay sums estimated by the supervisor to reimburse the lessors for loss of royalty.

(5) Whenever drilling or producing operations are suspended for 24 hours or more, lessees must close the mouths of the wells with suitable plugs or other fittings acceptable to the supervisor.

(6) Vertical drilling is required unless permission for deviation is obtained from the supervisor.

(7) Lessees are required to test for the presence of oil and gas in commercial production quantities at the time the oil and gas formations are penetrated and before suspending drilling operations.

(8) Lessees may not pollute streams, damage the land surface, or pollute the underground water of the leased or other land. If useless liquid products cannot be treated, destroyed, or disposed of by usual methods, the supervisor must be consulted and any alternative method of disposal approved by the supervisor.

(9) Lessees are responsible for gauging or measuring the oil produced on leased lands and must provide for storage on the leasehold in suitable tanks.

(10) Upon abandonment, the lessee must immediately plug the well or condition it as a water well. In instances where the lessee of lands of the United States strikes water instead of oil or gas, and the water is of sufficient quantity and suitable quality to be valuable and usable at a reasonable cost, the Secretary of the Interior may take over the well. If a satisfactory agreement is reached, the lessee may condition the well in lieu of plugging and abandoning it.

(11) Lessees are obligated to prevent the waste of oil or gas. To this end, the lessee must consume it beneficially, market it, or return it

to the productive formation. If waste of gas occurs, the lessee must pay the lessor the full value of all gas wasted at a price of not less than 5 cents for each 1000 cubic feet.

OUTER CONTINENTAL SHELF OIL AND GAS LEASINGDefinition of the Outer Continental Shelf (OCS)

The position of the United States Government regarding jurisdiction over the Outer Continental Shelf (OCS) lands was established by Presidential Proclamation 2627 of September 28, 1945. ^{61/} The pertinent part of that proclamation is:

... the Government of the United States regards the natural resources of the subsoil and seabed of the Continental Shelf beneath the high seas but contiguous to the coasts of the United States as appertaining to the United States, subject to its jurisdiction and control.

The Submerged Lands Act of May 22, 1954 (43 U.S.C. 1305-1315) granted the Coastal States all lands in the zone that extends seaward three geographical miles from the coastline. A court decision provided that in the Gulf of Mexico, the Coastal States' jurisdiction extends to three marine leagues or about nine geographical miles. The Outer Continental Shelf Lands Act of August 7, 1953, (43 U.S.C. 1331-1343), specifically provided that all lands seaward of the three geographical mile limit (about nine geographical miles in the Gulf of Mexico) are under Federal ownership and jurisdiction. For the purpose of Federal ownership and leasing, the seaward limit of the OCS is the 200-meter contour line of water depth which is sometimes referred to as the 100-fathom or 600-foot contour. This line was established in 1958 by the Geneva Convention on the Outer Continental Shelf and the convention was ratified by the United States in 1961. ^{62/} The pertinent language in the Geneva Convention is:

...to a depth of 200 meters or beyond that limit, to where the depth of the superadjacent waters admit to the exploration of the natural resources of the said areas.

^{61/} U.S. Congress. House. Outer Continental Shelf Lands Act Amendments of 1977. House Report No. 95-590, 95th Congress. 1st sess. Report by Ad Hoc Select Committee on the Outer Continental Shelf. Washington, U.S. Govt. Print. Off., 1977, p. 56.

^{62/} Borgese, Elisabeth and Ginsburg, Norton. Ocean Yearbook. London and Chicago, University of Chicago, 1978, p. 277.

Authority for Leasing OCS Lands for Oil and Gas

Authorization for leasing OCS lands for oil and gas, as well as other minerals, is contained in the OCS Lands Act of August 7, 1953 (67 Stat. 462), as amended by the OCS Lands Act Amendments of September 18, 1978 (92 Stat. 629). This legislation authorized the Secretary of the DOI to administer mineral exploration and development and to conserve the natural resources of the OCS. It established a national policy for OCS oil and gas development embracing a concept of a balance between the potentials for environmental damage, discovery of oil and gas, and adverse impact on the coastal zone. Timing and locations of OCS lease sales are required to be delineated in 5-year plans which must be prepared by the Secretary of the DOI and submitted to the Congress for approval or disapproval.

The law includes provisions for establishing systems of bidding on OCS lands which are expected to promote competition and participation by small companies in OCS lease sales and to ensure the public a fair and equitable return on its lands.

Appropriate consideration is required for the impacts related to OCS oil and gas activities, both onshore and at sea, which might cause damage to the environment, property, endanger human life and health, or adversely alter the social and economic fabric of Coastal States. Provisions are included in the law to render funds available to assist Coastal States with onshore impacts of OCS activities, pay claims for damage or loss of fishing gear, and defray costs of cleaning up oil spills. The law provides for participation of Coastal States and local governments in OCS policy and planning decisions which affect their jurisdictions.

The OCS Lands Act requires the Secretary of the Interior to prescribe rules and regulations as necessary to implement the provisions of the law.

Further, the Secretary may at any time amend these rules and regulations as determined to be necessary for the prevention of waste and to insure conservation of the natural resources of the OCS. In enforcing the law and regulations, the Secretary of the Interior is required to cooperate with the other departments and agencies of the Federal Government and the affected States.

Laws Which Affect Implementing the OCS Lands Act

Several other legislative acts have applications or direct impacts on implementing the provisions of the OCS Lands Act. In some instances the legislation on leasing OCS lands requires that these related or supporting laws be observed or taken into account. In other instances, these supporting laws require or authorize participation of other agencies or departments of the Federal Government. Some examples of related or supporting laws are:

Coastal Zone Management Act of 1972 (16 U.S.C. 1451-1464)

National Environmental Policy Act of 1969 (42 U.S.C. 4332)

Longshoremen's and Harbor Workers' Compensation Act (33 U.S.C. 901)

Fish and Wildlife Act (16 U.S.C. 742(a)0754)

Water Pollution Prevention and Control Act (33 U.S.C. 1251-1356)

Clean Air Act (42 U.S.C. 7401 et seq.)

Natural Gas Act (15 U.S.C. 717).

Government Departments/Agencies Administering OCS Leases and Operations

Department of Commerce, National Oceanic and Atmospheric Administration (NOAA)

The Department of Commerce, through the National Oceanic and Atmospheric Administration (NOAA), has a supporting role in the leasing of OCS lands for the development of oil and natural gas. The basic mission of NOAA is the execution of programs and functions designed to further the Nation's safety, welfare, security and commerce through increasing the knowledge and rational

use of the natural environment, including the atmosphere, oceans, and their boundaries. 63/ The capabilities, expertise, and assigned responsibilities of NOAA in its basic mission are involved in the leasing of OCS lands for oil and gas development and production.

An example of the use of NOAA's capabilities in OCS oil and gas leasing is the pre-lease environmental assessment of the Alaskan continental shelf. In this program, NOAA collects and processes environmental data for delivery to the appropriate office in the DOI. Typically, these data would pertain to ocean transport processes and other physical and chemical oceanographic factors, and to marine fauna. 64/

The Coastal Zone Management Act (CZMA) of 1972, as amended (16 U.S.C. 1451-1464), is administered by NOAA. Under the CZMA, two programs, the Coastal Energy Impact Program (CEIP) and the Coastal Zone Management (CZM) Program, include methods and funding to assist Coastal States in coping with the impacts of OCS oil and gas development off their coasts. For example, the resources of the CEIP program are directed toward such impacts of OCS activities as population changes in the coastal zone; changes in employment patterns, including those in fishing and tourism; damages, threats of damages, or degradation of valuable environmental or recreational resources; increased, or threats of increased risks to public health, safety, or real property. 65/

63/ U.S. Library of Congress. Congressional Research Service. Ocean Functions of the Federal Government of the United States. Report No. 80-190 ENR, by William H. Hymes. Washington, 1980. p. 44.

64/ U.S. Department of the Interior. Outer Continental Shelf Oil and Gas Information Program: Alaska Index (December 1974-June 1979). U.S. Geological Survey, U.S. Geological Survey. Open-File Report 79-1345. Prepared by Mitre Corporation, Aug. 1979. McLean, Virginia, 1979, pp. 72-73.

65/ 15 CFR, Part 931.

Department of Defense/U.S. Army Corps of Engineers.

The OCS Lands Act Amendments of 1978, (92 Stat. 629), extended the authority of the Secretary of the Army to prevent obstructions to navigation in the navigable waters of the United States to include artificial islands, installations, and other devices used on the OCS. As the agent for the Secretary of the Army, the U.S. Army Corps of Engineers is responsible for issuing navigation permits. The Corps is also responsible for the issuance of permits for the construction of pipelines in navigable waters.

Department of Energy.

The Department of Energy (DOE) influences the OCS oil and gas leasing programs by its responsibilities for developing and maintaining a national energy policy. 66/ The DOE is responsible for developing and submitting bidding systems in accordance with the provisions of the OCS Lands Act Amendments of 1978 (92 Stat. 629).

Department of the Interior

Minerals Management Service. The Minerals Management Service (MMS), established in January 1982, is responsible for leasing as well as other aspects of oil and gas development in the OCS. Some of the specific functions of the MMS include estimation of quantities of proven oil and gas reserves; selection of tracts of land for leasing; supervision of exploration and other operations; collections of rent, royalties and other fees; maintenance of production records; the issuance of information on production and revenues received. The MMS prepares and issues regulations for the OCS oil and gas activities under its jurisdiction, approves operating plans and issues drilling permits. 67/

66/ 42 USC 7172(b).

67/ Telephone conversation with MMS representative, April 8, 1982.

Responsibilities for leasing lands in the OCS were shifted from the Bureau of Land Management (BLM) to the MMS in May, 1982. 68/ The responsibilities for leasing includes functions such as planning and scheduling lease sales, preparing environmental impact statements, coordinating activities with State and local government officials prior to lease sales, holding public hearings, publishing notices of sales, and administering the lease sales. In addition to offices in Reston, Virginia, near Washington, D.C., the MMS has regional offices which are concerned with OCS oil and gas in Anchorage, Alaska, Los Angeles, California, Metairie, Louisiana, and New York City, New York. 69/

U.S. Geological Survey (USGS). The USGS furnishes estimates of the quantities of undiscovered oil and gas reserves in OCS lands. The USGS also assists the MMS in selecting tracts of OCS lands for leases and in making decisions as to whether or not leases should be issued.

National Park Service. The National Park Service provides information and advice in OCS leasing and operations planning activities as appropriate for its areas of interest and expertise. Generally such advice and information pertains to possible impacts of OCS activities on parks and conservation areas. 70/

Department of Justice.

The Department of Justice is responsible for reviewing reports on OCS lease sales for the purpose of ascertaining whether or not sales are in compliance with the provisions of antitrust laws. The Department of Justice also has

68/ Watts consolidates offshore leasing in MMS; unsettles BLM onshore officials. Federal Lands News Weekly, May 17, 1982, pp. 1 and 5.

69/ Telephone conversation with MMS representative, April 8, 1982.

70/ U.S. Department of Interior. Outer Continental Shelf Oil and Gas Information Program: Directory of Federal, State, and Local OCS-Related Activities and Contracts. U.S. Geological Survey. U.S. Geological Survey Open-File Report 79-1481. Washington, U.S. Govt. Print. Off., 1980, pp. 2-16.

responsibilities for reviewing proposed permits for gas pipelines to insure compliance with competitive principles. 71/

Department of Transportation

U.S. Coast Guard. This agency has functions in OCS oil and gas extraction, development, and production which involve issuing permits, monitoring OCS operations, and preparing and enforcing safety regulations. Lessees must obtain permits for aids to navigation from the USCG before initiating drilling. The USCG, together with the DOI, requires that the best available and safest technologies be used in the operation of artificial islands, installations and other devices on the OCS. Promulgation of regulations or standards which apply to unregulated hazardous working conditions is a responsibility of the USCG. The USCG, in collaboration with the National Institute of Occupational Safety and Health, is required to conduct studies of underwater diving techniques and equipment to enhance human safety and to improve diver performance. 72/

Materials Transportation Bureau, Office of Pipeline Safety. The Office of Pipeline Safety of the Materials Transportation Bureau is responsible for regulations governing pipelines on the OCS. 73/

U.S. Environmental Protection Agency.

The Federal Water Pollution Control Act, as amended (33 U.S.C. 1251-1376), authorized the Administrator of the Environmental Protection Agency (EPA) to issue permits under the National Pollutant Discharge Elimination System (NPDES) and to prescribe conditions under which such permits would be issued.

71/ 92 Stat. 639.

72/ 92 Stat. 655.

73/ 92 Stat. 638.

Under the authority of this act, the EPA issues NPDES permits for drilling on the OCS. 74/

OCS Leasing Program and Schedules

The OCS Lands Act Amendments of 1978 (43 U.S.C. 1801-1866), require the Secretary of the Interior to prepare, periodically revise, and maintain an oil and gas leasing program. The leasing program is to consist of a schedule of proposed lease sales indicating, as precisely as possible, the size, timing, and location of leasing activity which, according to the Secretary's determination, will best meet national energy needs for the five-year period following its approval or reapproval.

During the preparation of any proposed leasing program, the Secretary of the Interior invites and considers suggestions from any interested Federal agency, including the Department of Justice, and from the Governors of affected States. The Secretary also may consider suggestions from the executives of affected local governments, those suggestions which have been submitted previously to the Governors of the States, and those from any other persons.

After the preparation of the leasing programs and at least sixty days prior to publication in the Federal Register, the Secretary sends copies to the Governors of affected States for review and comment. The Governors may solicit comments from executives of local governments in their States. If comments from Governors are received at least fifteen days prior to the submission of the proposed program to the Congress and include requests for modification of the proposed program, the Secretary must reply in writing, granting or denying these requests in whole or in part. All correspondence between the Secretary and the Governors of affected States, together with any additional information

74/ 30 Stat. 1152.

and related data, accompanies the submission of the proposed program to the Congress. The Congress approves or disapproves the program.

Geophysical and Geological Exploration in the OCS

According to the provisions of the OCS Lands Act Amendments of 1978 (92 Stat. 629), any person may conduct geophysical or geological exploration, or geological and geophysical scientific research in the OCS. These activities may be conducted on unleased lands, or on lands under lease to a third party. Regulations issued by the DOI (30 CFR 251.2) define "geological exploration of mineral resources" as any operation conducted in the OCS which utilizes geological or geochemical techniques such as core and test drilling, well-logging techniques, and various bottom sampling techniques to produce information and data on mineral resources. Geophysical or geological scientific research consists of investigations conducted in the OCS using solid or liquid explosives, or drilling activities for scientific research purposes.

Geophysical or geological exploration and scientific research are conducted on the basis of permits issued by the USGS and notification of planned activities submitted to the MMS by the operators. Regulations issued by the DOI (30 CFR 251-5) prescribe requirements for permits and notices. The geological and geophysical activities for mineral exploration or scientific research must be conducted in such a manner as to preclude: interfering with or endangering operations under any lease; causing harm or damage to aquatic life; causing pollution; or interfering with other uses of the ocean area. Operators must report to the MMS the occurrences of hydrocarbon detection, any encounter with or occurrence of environmental hazards, and any adverse effect on the environment or aquatic life induced by the exploration activities.

Test drilling activities under geophysical or geological exploration and scientific research require special permits. A permit for deep stratigraphic test drilling requires the submission of a drilling plan to the MMS for approval. The term, "deep stratigraphic test," according to regulations issued by the DOI (30 CFR 251.2), means drilling which involves penetration into the sea bottom of more than 50 feet (15.2 meters) in consolidated rocks or a total of more than 300 feet (91.4 meters) in sediment and rock. Before issuing a permit, or accepting a notification of shallow test drilling, the MMS may require the operator to furnish certain geological and/or geophysical data. Shallow test drilling means drilling into the sea bottom to depths less than those specified in the definition of a deep stratigraphic test.

All regulations relating to drilling on the OCS pertain to drilling activities for geological or geophysical exploration, or scientific research. 75/ (See OCS Oil and Gas Operations, page 48.) In order to minimize duplicative geological exploration activities involving the penetration of the seabed of the OCS, a person proposing to drill a deep stratigraphic test must afford all interested parties, through a signed agreement, an opportunity to participate in the drilling on a cost-sharing basis. 76/

Data and information collected in geophysical or geological exploration, or from scientific research are available to the MMS on the basis of reimbursement to the permittees. Under the provisions of the Freedom of Information Act (5 U.S.C. 552) and regulations on disclosure of information and data submitted under permits, the MMS has the authority to make these data widely available. 77/

75/ 30 CFR 251.6-2.

76/ 30 CFR 251.6-3.

77/ 30 CFR 251.14.

Mechanics of OCS Oil and Gas Leasing

Introduction

The leasing of OCS lands for oil and gas is conducted in accordance with leasing programs discussed above and the regulations of 43 CFR 3300, both of which are authorized by the OCS Lands Act, (67 Stat. 462) as amended by the OCS Lands Act Amendments (92 Stat. 629). The schedule for leases is contained in the leasing programs. All leasing activities are conducted by the Bureau of Land Management with the assistance of the MMS and the U.S. Geological Survey.

Nomination of Tracts of OCS Lands for Leasing

Resource reports. Technical resource reports are furnished by pertinent Federal agencies on the broad geographical OCS area under consideration for a lease sale. ^{78/} These reports include information on geology, potential mineral resources, other valuable resources, and the potential effects of mineral operations on all the resources within the natural as well as the socioeconomic environment of the area under consideration.

Call for nominations and comments. After completion of the review of resource reports, the geographical area to be covered by the call for nominations and comments is defined. Upon approval by the Secretary of the Interior, an official "call for nominations and comments" is published in the Federal Register. The purposes of the "call" are to solicit nominations and comments from Federal agencies, State and local governments, industry, special interest groups and the public about (a) the tracts to be selected for leasing, (b) which tracts may require special attention and analysis, or (c) which tracts may have resource activities such as fishing which should be considered during tract selection

^{78/} U.S. Department of the Interior. Outer Continental Shelf Oil and Gas Information Program: Directory of Federal, State, and local OCS-Related Activities and Contracts, pp 2-5.

procedures. ^{79/} A tract is defined as the geographical and legal extent of a single lease area which is usually 5760 acres [9 square miles] in size. ^{80/} Respondents are normally allowed 60 to 90 days to submit tract nominations, depending on the OCS area under consideration.

Tentative tract selection. When the nominations and comments have been received, a tentative selection of tracts is made for study in a specific area or region through the environmental impact study (EIS) process. Tracts may be included which have not been nominated by respondents. The process of tentatively selecting tracts requires consideration of all available environmental information, multiple use conflicts, resource potential, industry interest and many other factors. Comments received from State and local governments and interested parties in response to calls for nominations and comments must be considered. ^{81/}

Environmental impact statement. The National Environmental Policy Act of 1969 (42 USC 4321-4347), requires that an Environmental Impact Statement (EIS) be prepared before final selection of tracts. Initially, a draft EIS is prepared by an OCS regional office to describe the existing environment, proposed action, and probable environmental impacts. The draft EIS is published for review and comment. Public hearings are held to discuss the draft EIS and to solicit further comments. A final EIS is published after all comments and recommendations on the draft have been considered.

OCS Lease Sales

Proposed notice of sale. On the basis of the recommendations of the BLM and after consideration of other comments and recommendations, the Secretary of

^{79/} 43 CFR 3313.

^{80/} 43 CFR 3314.

^{81/} Ibid.

the Interior approves (or disapproves) the proposed notice of sale. If approved by the Secretary, the proposed notice of sale is sent to the Governors of any affected States and published in the Federal Register. Sales procedures and methods of bidding are included in the proposed notice.

Within 60 days after receiving notice of a proposed lease sale, Governors of affected States or officials of any affected local governments may submit recommendations to the Secretary on the size, timing, or location of the lands of the proposed lease sale. The Secretary is required to communicate to the Governors in writing the reasons for acceptance or rejection of Governors' recommendations. In addition, the Department of Energy normally is allowed 30 days to review and comment on the proposed notice of lease sale. 82/

Final tract selection. At the close of the 60-day period during which comments are allowed, a final decision is made as to whether or not a lease will be held, and if so, which tracts will be offered, the method(s) of bidding, lease stipulations, and all other terms and conditions of the sale. 83/

Final notice of sale. The final notice of sale is published in the Federal Register as the official publication, and may be published in other media. The notice must appear in the Federal Register at least 30 days prior to the date of the lease sale, and must state the place and time at which bids should be filed, and at which bids will be opened. 84/ The OCS leasing process is summarized in Attachment II.

82/ 43 CFR 3315.2, 3315.3.

83/ U.S. Department of the Interior. Outer Continental Shelf Oil and Gas Information Program: Directory of Federal, State, and Local OCS-Related Activities and Contracts, pp. 2-7.

84/ 43 CFR 3315.4.

Bidding systems. The OCS Lands Act Amendments of 1978 (92 Stat.629), require six bidding systems for use in bidding for leases on OCS lands. These systems are delineated in 10 CFR, Part 376, and are summarized below:

(1) Cash bonus bid with a fixed royalty rate of not less than 12 1/2 per centum in amount or value of the production saved, removed or sold and an annual rental. The amount of cash bonus to be paid is determined by the successful bidder. The royalty rate of not less than 12 1/2 per centum at the beginning of the lease period, and the annual rental rate to be paid are specified in the "notice of OCS lease sale" which is published in the Federal Register.

(2) Royalty rate bid based on per centum in amount or value of the production saved, removed or sold, with a fixed cash bonus, and an annual rental. The royalty rate to be paid is determined by the successful bidder. The cash bonus and the annual rental fee to be paid are specified in the notice of lease sale.

(3) Cash bonus bid with diminishing or sliding royalty rate of not less than 12 1/2 per centum at the beginning of the lease period in amount or value of the production saved, removed, or sold and annual rental. The royalty rate to be paid by the successful bidder will be a percentage of the amount or value of production saved, removed or sold. The royalty rate will be calculated using either a sliding scale formula, which relates the royalty rate established thereby to the adjusted value of the oil and gas produced during the production period, or a schedule that establishes the royalty rate that will be applied to specified ranges of adjusted value of production. The royalty rate must not be less than 12 1/2 per centum at the beginning of the lease period and shall be specified in the notice of OCS lease sale which appears

in the Federal Register. The amount of rental must be specified in the notice of lease sale. The amount of cash bonus is determined by the successful bidder.

(4) Cash bonus bid with a fixed share of the net profits of no less than 30 per centum to be derived from the production of oil and gas from the lease area and a fixed annual rental. The amount of cash bonus to be paid is determined by the successful bidder. The annual rental to be paid will be specified in the "notice of lease sale" published in the Federal Register. The capital recovery factor needed to calculate the allowance for capital recovery in accordance with 10 CFR 390.020, is specified in the notice of lease sale. Net profit share base determination and net profit share calculations are made in accordance with instructions prescribed in 10 CFR 390.021 and 390.022, respectively.

(5) Net profit share rate bid with a fixed cash bonus and an annual rental. The amount of cash bonus and the annual rental to be paid are specified in the notice of lease sale published in the Federal Register. The capital recovery factor, or a schedule for determining the capital recovery factor on the basis of the net profit share rate bid, needed to calculate the allowance for capital recovery in accordance with 10 CFR 390.020, is specified in the notice of OCS lease sale published in the Federal Register. The net profit share base is calculated in accordance with 10 CFR 390.021. The net profit share rate, which determines the fixed share of the net profits to be paid, is determined by the successful bidder.

(6) Work commitment bid based on a dollar amount for exploration with a fixed cash bonus, a fixed royalty in amount or value of the production saved, removed, or sold, and an annual rental. The work commitment is the bid for the lease and is determined by the successful bidder. The bid must be submitted in accordance with specifications contained in the notice of OCS lease sale

which is published in the Federal Register. The work commitment is the dollar amount which the bidder must satisfy by either performance of sufficient qualifying exploration activities or, failing that, by cash payments, or by a combination of exploration activities and cash payments. At his option, the lessee must make a cash deposit for the full amount of the work commitment, or submit a performance bond. The amount of bonus, royalty rate, and annual rental are specified in the notice of OCS lease sale which is published in the Federal Register.

The exploration activities which qualify for credit against the bid encompass geological investigations and directly related activities; geophysical investigations including seismic, geomagnetic, and gravity surveys; data processing and interpretations; exploratory drilling, core drilling, re-drilling; and well completion and abandonment. Qualifying activities also include drilling of wells sufficient to determine the size and areal extent of any newly discovered field, the cost of mobilization and demobilization of drilling equipment, and any other activities as specified in the approved plan.

Submission of competitive bids. All tracts are offered for lease by competitive bidding. Separate sealed bids must be submitted for each tract unit as described in the notice of lease sale. Bids may not be submitted for less than an entire tract. One-fifth (1/5) of the amount of the cash bonus must be submitted along with each bid unless otherwise stated in the notice of sale. 85/

Bids received in response to the notice of lease sale must be opened at the time and place specified. The opening of bids is for the sole purpose

of publicly announcing and recording the bids received and no bids are accepted or rejected at the time they are opened.

The Secretary of the Interior has the authority to reject any and all bids received for any tract, regardless of the amount offered for any tract. The Attorney General may review the results of the lease sale prior to the acceptance of bids and issuance of leases. 86/ Leases are awarded to the highest responsible, qualified bidder.

If the Secretary of the Interior or his representative, usually an authorized official of the BLM, does not accept the highest bid for a lease within 60 days after the date on which the bids were opened, all bids for that lease will be considered rejected. Bidders whose deposits have been held must be promptly notified of the action which is being taken by the authorized official.

Joint bidding. Joint bids, or bids by two or more persons, are permitted under the provisions of the OCS Lands Act, as amended. 87/ The law defines a "person" to include, in addition to a natural person, an association, a State, a political subdivision of a State, or a private, public or municipal corporation.

Lease Conditions

Lease size. A lease may not exceed 5,760 acres unless an authorized official of the DOI determines that an area of larger size is necessary to achieve a reasonable economic production unit. 88/ The maximum lease size of 5,760 acres, or 9 square miles, was adopted in the OCS to be compatible with blocks of submerged

86/ 92 Stat. 645.

87/ 43 CFR 3316.3.

88/ 43 CFR 3314.

lands in the Gulf of Mexico which were being leased by the State of Texas at the time when the OCS lands Act was enacted.

Terms of lease. Oil and gas leases must be issued for an initial period of 5 years, or not to exceed 10 years where it is found that a longer period is necessary to encourage exploration and development because of unusually deep water or other unusually adverse conditions. Leases may continue after the initial period of 5 years for as long as oil or gas is produced in paying quantities, or approved drilling or well reworking operations are conducted. 89/

Rentals. Rentals are payable in advance on an annual basis at the rate specified in the lease. 90/ Typical rental rates are \$3 per acre per year for unproven areas and \$10 per acre per year for proven areas. 91/

Royalties. The OCS Lands Act, as amended, requires that royalties on oil and gas shall not be less than 12 1/2 per centum of the amount or value of the production saved, removed or sold from the leases. The rate generally amounts to 16 2/3 per centum for OCS oil and gas. 92/

Bond. Successful bidders are required to furnish corporate surety bonds in the amount of \$50,000 conditioned upon compliance with all terms of the lease. Blanket bonds to cover all leases in the amount of \$300,000 may be substituted. Additional bond may be required at the discretion of the Bureau of Land Management. 93/

89/ 43 CFR 3316.

90/ 43 CFR 3317.

91/ Maley, Terry S. Handbook of Mineral Law, p. 352.

92/ Maley, Terry S. Handbook of Mineral Law, p. 352.

93/ 43 CFR 3318.

Coastal Zone Management Act of 1972

The Coastal Zone Management Act of 1972 (16 USC 1451, et seq.) requires that after the coastal zone management program of a State has been approved by the Secretary of Commerce, any person who submits a plan for exploration, development, or production on the OCS, must have the plan reviewed by the affected State. The plan must be in compliance with requirements for consistency with the State's coastal zone management program. According to the provisions of the OCS Lands Act, as amended, the Secretary of the Interior may not approve the plans unless they are in compliance with requirements for consistency, that is, consistent with the State's approved coastal program.

OUTER CONTINENTAL SHELF OIL AND GAS OPERATIONSLaws and Regulations for Oil and Gas Operations in the OCS

The OCS Lands Act (67 Stat. 467) and the OCS Lands Act Amendments (92 Stat. 629) contains provisions which authorize the Secretary of the Interior to prepare and issue regulations to govern all aspects of oil and gas operations in the OCS. Pertinent regulations are contained in 30 CFR 250. The regulations are administered by area oil and gas supervisors who are under supervision of the MMS.

Functions of the area oil and gas supervisor

Under the MMS, the jurisdiction of the area oil and gas supervisor includes drilling and production operations, handling and measurement of production, determination and collection of rents and royalties, and generally all operations conducted on the basis of oil and gas leases. 94/

The supervisor has the authority to act on requests, applications, and notices from lessees submitted in accordance with the regulations, and to require lessees to comply with applicable laws, regulations, lease terms, and OCS orders. The supervisor is responsible for insuring that all operations are conducted in a manner which will protect the natural resources of the OCS and result in the maximum recovery of oil and gas in a manner compatible with sound conservation practices. 95/

The supervisor is required to inspect and regulate all operations and is authorized to issue OCS or other orders needed to prevent damage to or waste of natural resources, or injury to life or property. The supervisor may authorize departures from OCS or other orders when such departures

94/ 30 CFR 250.10.

95/ 30 CFR 250.11.

are necessary for: the proper control of a well; conservation of natural resources; protection of aquatic life; protection of human health, safety, or property; or protection of the natural environment. The supervisor may suspend any operation which, in his or her judgment, threatens serious or irreparable harm to life, property, the leased deposits, or to the environment. 96/ Requests from lessees for suspension of operations or production may be acted on by the supervisor. 97/

The supervisor may require samples, tests, or surveys to determine the energy of reservoirs, the quality and quantity of oil and gas or other minerals, and other characteristics of the oil and gas structure. The supervisor is responsible for approving operations such as well location, well spacing, well capacity, and production rates. Other operations which require the supervisor's approval include easements to construct and maintain platforms, pipelines, fixed structures and artificial islands on the OCS for use in drilling, producing, handling, storing and heating operations. The supervisor also approves the amount or value of production due the lessor from royalty and the amount due from waste or failure to drill and produce. 98/

Modification of royalties and rental

The MMS may reduce the rental or royalty on a deposit, or part of a deposit, if it cannot be operated successfully at the existing rental and royalty rates. A decision such as this would be made for the purpose of increasing recovery of leased mineral deposits. 99/

96/ 30 CFR 250.11.

97/ 30 CFR 250.12.

98/ 30 CFR 250.13-250.20.

99/ 30 CFR 250.21.

Requirements for the Lessees of Oil and Gas Operations in the OCSDiligent drilling

The lessee or the designated operator is required to drill diligently and produce all wells which are necessary to protect the lessor from drainage by production on other properties, or else to compensate the lessor for the loss.^{100/}

Exploratory drilling plan on leased lands

Before commencing each exploratory drilling program on a lease, including the construction of platforms, the lessee is required to submit a plan to the supervisor for approval. This plan must contain a description of the drilling vessels, platforms, or other structures together with their locations, design, and other major features, including features pertaining to the prevention and control of pollution. The general location of each well must be shown. The plan must show structural interpretations based on available geological and geophysical data, and other information as required by the supervisor. ^{101/}

The exploration plan, together with an environmental report pertaining to the exploration, should be submitted at the same time. Prior to approval of the plan, the supervisor furnishes each affected State with an advance copy of the environmental report. The States have 10 days to register objections. After the supervisor determines the adequacy of the plan, copies of the proposed plan are furnished to the Governors and coastal zone management agencies of affected States, to the U.S. Office of Coastal Zone Management, and to the public. The supervisor may not approve or deny the plan until written

^{100/} 30 CFR 250.33

^{101/} 30 CFR 250.34-1.

comments have been received from each affected State or until 30 days after each State has received a copy of the plan. Any revision to the plan must be approved by the supervisor. 102/

Wells for exploration may not be drilled until the supervisor approves an application for a permit to drill. When an application is received, the supervisor furnishes copies to the affected States. 103/

Development and production plans

Prior to commencing development and production activities, the lessee is required to submit a proposed development and production plan for the supervisor's approval. An environmental report must accompany the proposed plan. (The environmental report for exploration plans, and that for development and production plans are similar, but the latter is more detailed.) The plan must include a description of the work to be performed, a time schedule, description of the drilling vessels, platforms or other offshore structures to be used and their location, and locations of each proposed well. The contents of the plan must include interpretations of all available geological and geophysical data, descriptions of the environmental safeguards to be implemented, safety standards and features for the proposed operation, and other data or information as required by the supervisor. 104/

The proposed development and production plan, with the exception of portions containing proprietary and financial information, is furnished to the Governors of affected States, their Coastal Zone Management Offices, and the U.S. Office of Coastal Zone Management. The Governors are allowed 60 days to comment on

102/ 30 CFR 250.34-1.

103/ 30 CFR 250.34-1.

104/ 30 CFR 250.34-2.

proposed plans. Within 60 days following the close of the 60-day comment period, the supervisor must approve or disapprove the plan. 105/

Along with development and production plans, lessees are required to submit environmental reports. These reports include information such as the locations, descriptions, and sizes of offshore and land-based facilities; amounts of land, rights-of-way, and easements required in states; proposed means of transporting oil and gas to shore and proposed means of transportation on land; estimates of frequency of boat and aircraft arrivals and departures from onshore terminals and routes needed; requirements for labor, material and energy; the approximate number, timing, and duration of employment of persons who will be engaged in onshore development and production activities; the approximate number of people and families to be added to the existing population; such other information as the supervisor may require. These reports are furnished to the Governors and other officials of the States by the supervisor. 106/

The supervisor may not approve plans affecting land or water use in areas covered, or which conflict with a State's coastal zone management plan which has been approved pursuant to the Coastal Zone Management Act (CZMA) of 1972, unless that State agrees to the plan. This is a requirement of the OCS Lands Acts Amendments of 1978 (92 Stat. 652) and the CZMA (90 Stat. 1018).

Compliance with the National Environmental Policy Act

Prior to approval of a proposed exploration, or development and production plan, or of significant revisions to these plans, the supervisor is required to prepare an environmental assessment to determine if the proposed activities constitute a major Federal action which affects significantly the quality of

105/ 30 CFR 250.34.2.

106/ 30 CFR 250.34-3.

the human environment, and consequently would require a preparation of an environmental impact statement. This preliminary assessment is also required by a provision of the National Environmental Policy Act of 1969 (42 U.S.C. 4321-4347). Whenever the supervisor determines that an EIS is necessary, the MMS will determine whether or not it should cover a specific site, or whether or not the EIS should cover other areas for which plans have been proposed or are expected to be proposed. 107/

Well records

The lessee is required to make available to the supervisor complete records of all well operations. The record must include entries such as data on production, drilling, casing, safety devices, redrilling, deepening, repairing, cementing, plugging, and abandoning of wells, and the data on the characteristics of oil and gas, mineral deposits, and water in each formation. 108/

Well control

Lessees are required to construct and equip wells in a manner which will control the formation of pressures and fluids, and support unconsolidated sediments. Sufficient quantities of material must be used to prevent blow-outs. Blow-out prevention and related well-control equipment must be installed and maintained in operative condition. The supervisor may require additional measures depending on the nature and characteristics of particular wells. 109/

Pollution

The lessee must take precautionary measures not to pollute the ocean by spillage or leakage of oil or waste materials. All spills must be recorded;

107/ 30 CFR 250.34-4.

108/ 30 CFR 250.38.

109/ 30 CFR 250.41.

major spills must be reported to the supervisor, the Coast Guard and the Director of the Federal Water Pollution Control Administration. If oil spills result in damages, the lessee is responsible for control and removal. 110/

Abandonment of wells

The lessee is required to promptly plug and abandon wells that are not used or are not useful. However, productive wells may not be abandoned until their lack of capacity for further profitable production of oil and gas has been demonstrated to the satisfaction of the supervisor. No well may be abandoned until the supervisor approves the plugging procedures. 111/

110/ 30 CFR 250.43.

111/ 30 CFR 250.44.

ATTACHMENT I

Applications/Bids for Onshore and Gas Leases

Noncompetitive Leases	Simultaneous Filings	Competitive Leases
: : : Application to : : lease filed in State: : : land office of the : 1.: Bureau of Land : : Management with : : filing fee of \$75 : : and first year's : : rental for land at : : \$1/acre. : : :	: : : List of lands available : : for simultaneous filings : 1.: posted/advertised on 1st : : business day of every 2nd : : month beginning with Jan- : : uary. : : : : : : : : : : :	: : : Notice of sale usually : : published once a week : : for 5 consecutive weeks : : in newspapers and other : 1.: media in county(s) where : : land is situated. Notice : : describes land, specifies : : rent and royalties required.: : Time and place of sale : : specified. : : :
: : : Lease offered to : 2.: the first qualified : : applicant. : : :	: : : Applicants submit : : "simultaneously oil : : and gas entry cards." Each: 2.: entry card accompanied by : : filing fee of \$75.00. : : Applicants may file only : : one application/card for : : each parcel of land. : : :	: : : Bids submitted on day of : 2.: sale together with 1/5 of : : the amount bid. : : :
	: : : Drawing held. Three entry: : cards drawn for each : : leasing unit and the order: : in which : they are drawn : : determines the : priority : : for offering the parcel : : of land for lease. : : :	: : : Lease awarded to : : the highest qualified : : bidder. : : :

- [illegible]