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EXPLANATION OF MATERIAL TRANSMITTED:

This handbook establishes procedures for each action necessary to accomplish management of the Fluid Mineral estate. The Fluid Mineral estate consists of the subsurface resources of Hydrocarbons (Oil and natural gas, and various other gases such as hydrogen, carbon dioxide, helium, and nitrogen) and Geothermal (where the heat of the earth can be captured). The Handbook has been prepared for BIA Realty Staff, P.L. 93-638 contracts and self-governance tribes to provide reference materials that support the strategic direction described in the DOI Fiduciary Trust Model.

Operating procedures in this handbook include:

- Issuance of a new competitive bid or a negotiated lease;
- The required coordination for use of multiple resources on one tract (both surface and subsurface) and minimizing conflicts;
- Procedures for the monitoring of production, rent, and royalty receipts;
- Required processes for the plugging and abandonment of a wellbore; and
- The reclamation of the affected property.

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Fluid Mineral Estate

PROCEDURAL HANDBOOK

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1.0 INTRODUCTION

This handbook is intended as a "hands-on" user manual that details step-by-step procedures for each action necessary to accomplish management of the Fluid Mineral estate. The Fluid Mineral estate consists of the subsurface resources of Hydrocarbons (Oil and natural gas, and various other gases such as hydrogen, carbon dioxide, helium, and nitrogen) and Geothermal (where the heat of the earth can be captured). The Handbook has been prepared for BIA Realty Staff, P.L. 93-638 contracts and self-governance tribes to provide reference materials that support the strategic direction described in the Department of the Interior's Fiduciary Trust Model.

Operating procedures in this handbook include:

- Issuance of a new competitive bid or a negotiated lease;
- The required coordination for use of multiple resources on one tract (both surface and subsurface) and minimizing conflicts;
- Procedures for the monitoring of production, rent, and royalty receipts;
- Required processes for the plugging and abandonment of a wellbore; and
- The reclamation of the affected property.

The Handbook identifies the roles of the tribe, Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Office of the Special Trustee for American Indians (OST), and Office of Natural Resources Revenue (ONRR). Procedural distinctions are provided for the differences in operations between Tribal lands, and allotted or restricted lands. A Glossary of Terms and Acronyms List are also included in the handbook.

1.1 Fluid Mineral Leasing Overview

The Fluid Mineral leasing process consists of two specific methods of contracting the mineral estate for development: (1) Competitive Bidding Sales; and (2) Negotiation. Each leasing procedure is discussed in detail in this Handbook. These methods are determined by law, regulation, and policy for any given reservation area.

Pre-leasing responsibilities include identification of un-leased lands or formations and their associated owners, response to landowner or industry requests to pursue leasing, preparation of a bid sale list for publication, and participation with a mineral owner in negotiations. BIA also verifies that the potential lessee can conduct business in Indian country.

When mineral development begins, BIA works closely with the mineral owners, the lessee and operator, the Bureau of Land Management (BLM), and other responsible parties to ensure the safest and most efficient location for the surface facilities.

- BIA, as the responsible surface management agency, approves the location and method of operation to be employed.

- BLM will approve the Application for Permit to Drill (APD) and associated National Environmental Policy Act (NEPA) requirements after consultation with the BIA. The BLM will thereafter be the primary agency for determination that the operator complies with all operational requirements as defined in the Tripartite Memorandum of Understanding (MOU).[1]

Once the lease comes into production, BIA and BLM monitor the operations to ensure compliance with the terms and conditions of the lease and protection of the environment according to the findings of the NEPA documentation. The field monitoring responsibility continues for BIA and BLM throughout the life of the operations. The BLM monitors and approves the plugging of the wellbore and restoration of the surface. The BLM also has primacy over fluid mineral operations because Congress has given that agency authority to collect fines and other monetary inducements to force compliance with regulations and law. Final abandonment will not be approved by the BLM until the surface reclamation work required by the APD, Notice of Intent to Abandon, or Subsequent Report Plug and Abandon has been completed and the required reclamation is acceptable to the BIA. BIA ensures that the reclamation is successful which may require several years of monitoring and only then is the BLM released from its primary responsibility for the well. The BIA has the authority to terminate the lease and revoke the lease bond. This may be adequate protection if the bond will cover abandonment expenses or if a new lease can be sold since the wellbore and related surface damage will be the liability of the new lessee.

1.2 Indian Energy Mineral Steering Committee - Tripartite MOU

Individual federal agencies have specific areas of responsibility in all phases of the lease/agreement development process. The BLM is responsible for all downhole operations and all surface related facilities to assure protection of the resource and human health and safety. ONRR is responsible for accurate accounting of the value of the product(s) as reported by the lessee/operator, and the subsequent distribution of those monies to both BIA and OST for disbursement to Indian beneficiaries. The following is a summary of each Agency's responsibilities for oil and gas management:

A. Bureau of Indian Affairs (BIA) performs the following leasing and permitting functions:

- Advertises and conducts lease sales.
- Receives bonus monies and first year rentals
- Approves leases as the duly authorized representative of the Secretary of the Interior.
- Collects rental income until the leases are in production or terminate.
- Maintains current mineral ownership records.
- Determines whether the issuance of a lease, a permit, or a mineral agreement is in the best interest of the Indian mineral owner.

[1] This MOU was created by the Indian Energy Mineral Steering Committee, formed by BIA, BLM and ONRR to define roles and establish duties/responsibilities for Indian fluid minerals development and managing the Indian mineral estate. It will soon be replaced with the Onshore Energy and Mineral Lease Management Interagency Standard Operating Procedures.

- Determines whether the drilling constitutes a significant environmental impact. The actual environmental documentation is created by Agency or Regional Offices or may be provided by a prospective lessee. In many lease situations, a categorical exclusion may be appropriate because detailed NEPA documentation is determined by the site specific environmental requirements within an APD application.
- Disseminates copies of approved leases, permits and mineral agreements to BLM and Lessees. The ONRR does not receive copies of approved leases, permits and mineral agreements until they become productive.
- Approves assignments, communitization and unitization agreements, rights-of-way and farmouts but only if the farmout is a contractual agreement with an owner who holds an interest in an oil and gas lease which states the farmor will assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions (drill a well, to a specific depth, for a defined period of time, producing a certain volume of oil and/or gas, etc.).
- Approves any subsequent agreement changes, such as successor operators, sub-operators, amendments, contraction and termination of agreements.
- Cancels leases, permits and minerals agreements for due cause, i.e., violation of lease terms.
- Approves and maintains files on required bonds and corporate information.
- Provide instruction to OST to distribute monies from producing leases received through ONRR to Tribal accounts and Individual Indian Money (IIM) accounts.
- Approves downhole abandonment procedures in consultation with BLM, and the Environmental Protection Agency (EPA).
- Assists in assumption of marginal wells by tribes.

B. Bureau of Land Management (BLM) performs the following functions:

- Provides pre-sale and post-sale valuation of tracts, including leases derived from direct negotiations.
- Requires compliance with 43 CFR operational regulations, onshore orders, Notice to Lessee (NTL) and other instructions of the authorized officer.
- Issues drilling permit and prescribe types and frequency of form submittals required by operator.
- Monitors all production activities and may require temporary shutdown of operations for violation of regulatory requirements.
- Prepares environmental assessment for drilling wells and other surface disturbing activities, with input from other surface managing agencies.
- Enforces compliance of environmental requirements including producing operations, plugging of wells and restoration of disturbed areas.
- Provides engineering and technical assistance as needed.
- Determines and advises on the adequacy of bonding.
- Identifies drainage and other pertinent issues, and notifies BIA and makes recommendations for remedy.
- Conducts production verification; i.e., Detailed Production Accounting Inspection (DPAI)

C. **Office of Natural Resources Revenue (ONRR),** formerly Minerals Management Service, performs the following functions:

- Collects, accounts for, and pays out monies owed on producing leases that will be distributed to Indian mineral owners. Reconciles production volumes with revenue received in compliance with 30 CFR 203, Relief or Reduction in Royalty Rates.
- Collects Monthly Report of Operations, forms ONRR-4054 (Oil and Gas Operations Report) and ONRR 2014 (Report of Sales and Royalty Remittance) from operators.
- Conducts audits and compliance reviews.
- Publishes quarterly bankruptcy list.
- Negotiates settlements for disputed royalties with the approval of the Assistant Secretary - Indian Affairs.

D. **Office of the Special Trustee for American Indians (OST)** performs the following functions:

- Disburses monies received from ONRR according to BIA ownership and distribution instruction.
- Disburses monies received in the BIA lockbox on non-producing leases according to BIA distribution instruction.
- Records receipts and disbursements in the Trust Fund Accounting System (TFAS).
- Reports receipts to beneficiaries via an Explanation of Payments (EOP). (See OST Collections and Disbursements Handbook)

1.3 Farmout Agreements

Farmout Agreements are essential instruments in the oil and gas industry because they enable multiple parties to share the risk and expense as well as the benefits of projects that one party would be unable to complete on its own. A farmout is an agreement between the lessees and a third party that assigns the operations of a well, not the lease. An oil and gas farmout agreement has been defined as "an agreement by one who owns drilling rights to assign all or a portion of those rights to another in return for drilling and testing on the property." The entity that owns the drilling rights is the "farmor," while the entity that receives the right to drill is the "farmee." A farmout agreement differs from an operating agreement in that under a farmout agreement the farmee is seeking to earn an interest in the farmor's lease, while the parties to an operating agreement already own joint interests in a lease/leases or in the contract area and agree to combine these interests for joint operations. Another distinction is that the farmee carries the farmor for all or a part of the costs to drill the well, while the parties to an operating agreement share such costs "heads up." A farmout agreement is not recognized or approved by the Secretary unless the agreement is consummated by a lease assignment. (See 4.10 – Assignment of Lease Interest).

1.4 Communitization and Unit Agreements

The purpose of entering into communitization and unit agreements is to protect the 'correlative rights' of the mineral estate owners from the drainage of hydrocarbon fluids within their property boundaries. Oil

and gas rules and agreements operate under the correlative rights principle which implies that oil or gas is a mobile mineral and can be captured by anyone that produces the mineral without waste or negligence. In this complex arrangement, it is in the best interest of the mineral owner to arrive at lease or agreement terms that is intended to protect his interests in the mobile mineral and allows for an operator to access and develop the mineral in an orderly and efficient manner.

Undeveloped properties are initially "unspaced areas." Unspaced areas are normally considered as having the capacity for a typical oil well drainage area of 40 acres, and natural gas well drainage area of 640 acres. The spacing unit defines the area a well will efficiently drain. The BLM is responsible for determining spacing (and drainage) for the Indian mineral estate. Hydrocarbon fluids spacing is determined by geology, economics and petroleum engineering parameters which provide orderly production and conservation of the resource. BLM and BIA must approve any spacing order for Indian minerals estate. Correctly performed, spacing allows optimal benefits for both the lessor and lessee.

Communitization and unitization processes serve a necessary conservation function by eliminating excessive drilling, protecting adjoining properties from drainage by adjacent wells, maximizing conservation of reservoir energy, and providing a means of sharing in the expenses and profits of a well. Communitization and unitization agreements are used to consolidate multiple lease tracts into a common royalty sharing pool. BIA is the final approving authority for both agreement types.

On existing oil field areas, communitization and unit agreements are initiated with BLM pursuant to established procedures. 43 CFR §3180 states how a "Unit" is established, explored, proved, and developed to full potential. BLM advises the applicant of requirements for submitting a completed agreement for consideration. When the agreement is filed with BLM, the Lessee(s) is required to prove that the lessors have been given notice, either personally or in writing, of the intent to communitize or unitize the lease(s). The company will submit geological, geophysical and engineering data as proof that a common horizon of producible fluid exists that is larger than the standard unspaced or spaced area. BIA is responsible for the protection of Indian minerals in terms of their participation in royalty sharing according to the fiduciary requirement that the participation be in the best interest of the Indian mineral owner and potentially as the responsible surface management agency.

A communitization agreement (CA) joins together two or more separately owned tracts to conform to an authorized production spacing unit associated with a particular oil or gas formation, zone, pool, reservoir or other identifier of a productive horizon. Communitized areas normally encompass a single well spacing unit, which is normally comprised of one section of a Township (640 acres) or some lesser aliquot portion, and may allow for production from more than one well (increased density). Multiple CAs may be issued over the same area to provide for different formations, or production zones, especially where the spacing may be varied according to the type of production being recovered.

CAs essentially provide for the allocation of production from a single well to various interest owners.

Under a CA, all lessors receive a share of production in direct proportion to their percentage of net mineral ownership within the communitized area, i.e., production is allocated on a net mineral acreage basis and under the terms of each mineral lease (See Attachment 14 – Communitized Section/Division of Interest Example).

The purpose of a Unit Agreement (UA) is to conserve and protect the resource through orderly development of a designated area where a common geologic area extends beyond the normal limits of unit spacing; i.e., CA on a 640 acre section. In this instance, the lessees enter into a UA and establish a Unit Operator who may or may not be one of the lessees. The Unit Operator is responsible for all operations within the unit, including payment of royalties, rents, lease compliance, well operations, and reclamations. Even though the Unit Operator is considered the responsible party, this in no way relieves any lessee of his responsibilities under the terms and conditions of his individual lease.

There are basically two types of units: (1) exploration units; and (2) secondary recovery units. Once a unit is established, it undergoes an exploratory stage which serves to define the Participating Area (PA) within the unit. A unit may have more than one PA when different formations become productive. An exploration unit is usually a geologically designated area whose potential is relatively unknown and few or no wells have been drilled. The geological sequence may not be adequately known and the unit may be formed with a stipulation that a certain depth must be achieved in a specified time interval to continue the unit existence. In the case of coal bed methane units, a specified number of wells may be required to continue the unit existence. The exploration unit has a defined life and a defined rate of exploration in order to continue the unit existence. Any participation in the production; and therefore, royalty is related to the acreage within a BLM defined participation area that is considered to be productive by drilling an economic well. This may result in only some of the unit lease holders receiving an allocation of production. If the unit is terminated for any reason, it contracts to the participating area or areas and all other acreage and associated leases are released from the unit. The attractiveness of a unit to an operator is a unit can tie up an economically adequate acreage or number of leases by complying with the unit terms, i.e., a lease may be considered to be extended even though there is no production allocated to the lease by complying with unit terms. The attractiveness of an exploration unit to an Indian lessee is the potential of developing a resource in an area that is not known to be productive.

The secondary recovery unit is usually formed after production has been defined but not necessarily before development is completed. Secondary recovery units are created to enhance production and reserves so that all parties can increase their ultimate profit. The area of the unit and the geological interval is usually defined based on geology and reservoir engineering parameters. The participation or percentage of the unit production may be based on any number of factors, including acreage, pay thickness, porosity, and number of wells, cumulative production or any parameter that the unit participants negotiate. Usually some type of drive mechanism is planned to enhance recovery of the remaining reserves and this usually entails a large investment by the working interest owners to the potential relative benefit of the Indian lessors.

In addition, units may be either undivided interest or divided interest units as defined by the Unit Operator in the proposed UA. In an undivided unit, every lease within the PA shares in production allocations. In a divided interest unit, the unit itself is divided into various blocks, with multiple unit operators, and only the leases within each individual block of the unit participate in royalty allocations.

In summary, unit agreements typically encompass much larger areas and include more leases than CAs, and a UA may incorporate a CA within its boundaries. Based on subsurface geologic and geophysical conditions; i.e., a secondary recovery unit, a division of interest can be calculated differently for CAs and UAs. A CA or UA may be approved before or after approval of a lease pursuant to the Act of May 11, 1938 (63 Stat. §347) which states "Any lease shall be made subject to the terms of the cooperative unit or other plan approved or prescribed by the Secretary either prior or subsequent to the issuance of any such lease."

A paying well is defined as a well capable of paying all drilling costs, supporting production operations and returning a reasonable profit, as determined by BLM. If the well is determined to be a non-paying well, BLM designates the well as a "lease well". In this instance, all production royalties are attributed to only the leases within the designated spacing unit. If the non-paying well is the only well within the unit, the unit remains in effect only if drilling obligations are fulfilled.

1.5 Geothermal Leasing

Geothermal royalty products may include steam, hot water, electricity, heat, and the recovery of associated chemicals and minerals. Pre-leasing procedures for identification of the resource and leasable acreages match those for oil and gas, and the same leasing authorities apply, however IMDA (see Section 2.1 (A.)) is most often cited for Tribal properties. Lease negotiations are usually conducted by the Tribe, but BIA personnel may be asked to participate. Communitization and Unit Agreements are also relevant if warranted. Refer to applicable leasing procedures for further direction. Currently, BLM handles most geothermal leasing for the government.

1.6 Surface Disturbance / Grants of Easement for Right-of-Way (ROW)

Mineral leases have a dominant state of guaranteed rights for ingress and egress within the lease boundaries. Providing ingress and egress to the leasehold needs to be a well managed action to ensure the needs of the lessee are met, and environmental impacts are minimized and mitigated. Easements are necessary for roads, gathering and transmission pipelines, power lines, compressor stations, and off-site and/or off-lease ancillary facilities during exploration, development, and production operations. Grants of Easement for ROW for oil and gas transmission pipelines are limited to a maximum term of twenty years.

Regulations to grant a ROW for oil and gas pipelines are found at 25 CFR § 169.25. All oil and gas pipelines, including connecting lines, should not interfere with existing uses of the property. If a line will be laid under a road, at least one-half of the width of the road must be kept open to travel during

construction, and upon completion of the pipeline, the road must be restored to its original condition.

A pipeline easement should not be embedded in a surface or subsurface lease. Additionally, gas gathering lines and lines used to transport to sales should be identified separately and indicated as such in the grant. These easements should be limited to those used solely for the transportation from a single tract of tribal or allotted land to another lateral or branch of the main lines.

The granting of easements for ROW is under Secretarial authority. Applications are submitted by the lessee or third party at the time of proposed development or for purposes of enhanced operations. The information provided must include:

- Lease and/or surface property identification
- Well names
- Legal descriptions of all on- and off-lease areas to be affected
- Plats and maps of proposed access lines
- Surface ownerships
- Types and needs for access; and
- Proposed mitigative measures necessary to protect the environment

In all cases "as-built" drawings/maps/plats, based on a survey conducted in compliance with 52 IAM 2-H Standards for Indian Trust Lands Boundary Evidence, are provided by the lessee. Both on- and off-lease ROWs must be recorded as an encumbrance on title in the appropriate LTRO.

Multi-use and multi-owner ROWs cannot be granted. Each use and each owner must have a separate and distinct ROW issued, even if the ROW corridor is used in common. ROW is a part of the oil and gas lease rights but a ROW grant is required to ensure surface use control and that the physical location of the lines are recorded in the LTRO. The custody transfer or sales point is considered to be the point where lease rights or the production side of the pipeline terminates and downstream of that point a transmission line is considered to occur even if the line is installed and maintained by the same company. A transmission line will require a formal ROW easement be granted.

As for lateral pipelines on-lease, 25 CFR § 169 states, "Purely lateral lines connecting with oil or gas wells on restricted lands may be constructed upon filing with the Secretary a copy of the written consent of the Indian owners and a blueprint copy of a map showing the location of the lateral. Such lateral lines may be of any diameter or length, but must be limited to those used solely for the transportation of oil or gas from a single tract of tribal or individually owned land to another lateral or to a branch of the main line". The lease gives the lessee the right to construct facilities (roads, gathering and transmission pipelines, power lines, compressor stations, and off-site and/or off-lease ancillary facilities) however it does not excuse them from complying with federal law and regulations. There are no exclusions for on-lease facilities within the regulations. The lateral lines connecting with oil or gas wells facilities are pre-

approved within the lease/agreement and operators are not allowed to build facilities without complying with the ROW regulations. Although the ROW regulations allow for an "abbreviated easement process", they do not waive other requirements. In all cases "as-built" drawings/maps/plats, based on a survey conducted in compliance with Indian Trust Lands Boundary Evidence are provided by the lessee. All ancillary facilities must be recorded as an encumbrance on title (TAAMS) in the appropriate LTRO. This recording process requires an easement to assure the proper lease compliance.

For other on-lease facilities the lease may grant the lessee the right to construct facilities (roads, transmission pipelines, water pipelines, power lines, compressor stations, and ancillary facilities) but must follow the full ROW process. There are no exclusions for on-lease facilities within the regulations. (See the Grants of Easement for Rights-of-Way on Indian Lands Handbook for additional guidance)

1.7 Undesirable Events

The following events constitute an undesirable event resulting from oil and gas activities:

- Well blow out
- Flow-line break
- Oil and gas spills
- Property damage
- Salt water spills
- Personal injury or death
- Contamination
- Theft

All on-lease occurrences of any undesirable events resulting from mining activities are the responsibility of the lessee/operator. The local BIA or BLM office serves as the lead agency to ensure clean-up activities are properly conducted by the lessee/operator.

The Tripartite MOU specifies that the BLM will coordinate all accident investigations but either the BLM or BIA may order shutdown of operations in situations involving imminent danger. It should be emphasized that assuming control of an event via orders to shutdown may transfer liability for the results of the event to the government and therefore it may be wiser to leave serious events under the control of the lessee/operator with direct consultation by the federal agency(s). The BLM has authority to levy fines and penalties for undesirable events and should be a major participant in any consultation concerning an event. When necessary, the participation of other governmental agencies and offices (EPA, OSM, ONRR, etc) may be requested, and their level of participation will vary from incident to incident, based on jurisdiction and severity of event. Lessees/operators must comply with all applicable rules and regulations of any state or any other Federal agency regarding notification and reporting of undesirable events.

A. Undesirable events Categories. Undesirable events are divided into Categories I and II, which separate priority events from those more routine in nature. Each category requires different levels of

response and is contingent upon the degree of severity of incident, as well as jurisdiction based on land status; however, jurisdiction does not affect level of response. The incidents defined fall in either category, based on quantity of spill or severity of events, as follows:

Category I:

This category is classified as PRIORITY ONE and such events are responded to immediately. All incidents are reported to the Regional Environmental Office or other designated office, who categorize the event. The highest degree of coordination and cooperation between all parties is necessary. Priority one events include:

(1) A well blow-out event that cannot be contained immediately by on- site equipment, facilities and manpower. The BLM will be immediately notified, as well as the Leases/Permits (Minerals) section.

(2) A well site incident that produces hydrocarbons or salt water in excess of the locally determined limit, running freely or leaking on to the surrounding land base, down into an arroyo, waterway or residential area. (e.g., flow line break, ruptured tank, or overflow pit).

(3) Equipment failures or other accidents which result in the venting of gas above the locally determine limit.

(4) Contamination situation that poses imminent danger or is immediately life threatening. (5) Any other major undesirable event defined in the BLM NTL-3A.

(5) Any other condition that causes loss of life, severe conditions(s) or damage to property that has substantive value or potential adverse effect on the health and safety of the public.

Category II:

This category is classified as more routine in nature and should not require all offices to be involved. Generally, BIA handles such event (s) within their jurisdiction but it may be necessary to involve the BLM and their authority to levy fines and penalties.

The event may include incidents described in Category I, sub-paragraphs 2 & 3, but involve smaller quantities or events that are not life threatening or do not have major impact on the public health or safety. Category II events also include:

(1) Property damage, when an individual files a complaint about personal property in any amount, including injury or death of animals/livestock.

(a) For Tribal lands, upon the tribe's request the BIA will assist the Tribe in resolving the issue with the operator/company.

(b) For allotted lands, the BIA works directly with the operator/company and landowner to resolve the issue.

(c) For non-trust lands that have been contaminated by operations on trust lands, the BIA works directly with the operator/company and other interested parties to resolve the issue.

(2) Off-lease occurrences of undesirable events, such as breaks on pipeline rights-of-way, other surface leases, truck turn-over, etc.

B. Responsibilities

BIA/BLM:

BIA/BLM is notified immediately of the incident and both will determine the extent of impact of the incident. BIA/BLM ensures that the incident is responded to in a timely, efficient and safe manner; and assures that follow-up is conducted as appropriate.

NOTE: At no time should anyone venture into a dangerous situation without proper equipment and training.

BLM:

- Notify BIA when advised by other parties of any undesirable event. If known, advise of category level of event.
- Determine if the event was avoidable or unavoidable and notify BIA and ONRR.
- Notify by telephone the BIA staff (preferably discuss with Superintendent) concerning oil or gas thefts.
- Handle well operation or theft problems.
- Provide technical assistance upon request concerning well operation problems.
- Participate in field visits to determine impact from major undesirable event. Advise lessee of remedial action needed to correct operational problems.
- Provide copies of incident reports to BIA.
- Enforce 43 CFR 3162.5-1, NTL 3-A, and appropriate On-Shore Orders. Issues notice of violation to lessee/operator when necessary.

Lessee/Operator:

- Must have a contingency plan. This is a Superfund Amendments and Reauthorization Act (SARA Title III) requirement.
- Must have Spill Prevention Control and Countermeasures (SPCC) plan.
- Must notify by telephone:
  - **a.** BIA agency office, the same day of discovery of undesirable event
  - **b.** BLM, as required per NTL-3A
  - **c.** Tribe, as required
  - **d.** National Response Center, operated by the U.S. Coast Guard, as required (800 -424-8802)
  - **e.** CHEMTREC (Chemical Manufacturers Association), as required (800-424-9300)
- With BIA, the Tribe (when required) and other federal agencies consultation, determine

necessary remedial action. Take prompt action to clean-up site and submit required reports within required time periods.

C. Undesirable Events Authorities

Guidance and authorities for handling undesirable events for oil and gas operations are found in applicable laws, such as the Oil Pollution Control Act of 1990 (P. L. 101-380, 104 Stat. 484, 33U.S.C. § 2701), the Comprehensive Environmental Response, Compensation and Liability Act (PL 96-510, 94 Stat. 2767, 42 U.S.C. § 960), and Resource Conservation and Recovery Act (P. L. 94-580, 90 Stat. 2795, 42 U.S.C. § 6901). In addition to the regulations identified at 25 CFR, other regulations and rules affecting undesirable events include but are not limited to the following:

- 40 CFR § 112
- 43 CFR § 3162.5-1
- 43 CFR § 3161.2, 3162.1(a) & 3162.3(b)
- BLM On-Shore Order No. 6
- BLM NTL-3A

1.8 Map Requirements

Maps may be requested of potential lessees or operators of the exploration/production area. Whenever possible, the maps supplied should conform with existing BLM land standards and provided in paper and electronic formats compatible with ArcView or ArcGIS software or as stipulated by BLM or BIA.

If an independent survey is necessary, copies of maps are provided to BIA agency and/or regional offices, and other federal agencies having trust interest in the activity. These maps should, as applicable, show property(s) boundaries, points of egress and ingress in relation to the exploration/production activity, buildings, adjoining properties, rights-of-way granted, bodies of water, land contour, northing, map scale, title block and legend. A citation section, overview map, graticules (latitude and longitude grid) and indexes (index grid) must also be included. Maps should show utilities and roads, both existing and future construction, and must be submitted at a scale specified by the authorizing/approving official.

1.9 Valuations

The BIA minerals manager at the agency or regional level contacts the local BLM state office to request a mineral valuation for the action being taken, be it for a competitive lease sale or a lease negotiation. The BIA request shall include legal descriptions for all properties to be valued by BLM within 60 days in accordance with the Tripartite Agreement. The purpose of the valuation is to assure that any lease issued for Indian mineral properties meets or exceeds fair market value. If fair market value is not obtained in either the lease sale or negotiations, BIA must prepare a written justification explaining why fair market value was not obtained and explain why it is in the best interest of the Indian mineral owners to approve the lease at less than fair market value.

1.10 Bonds

A bond is required for every oil and gas lease (1) to protect the lessor against royalty defaults; (2) to plug any unplugged wells at the end of the lease life; and (3) reclaim any surface disturbance. This is the standard "lease bond."

A performance bond is more typically used as part of an exploration/development agreement, rather than a single lease. Often, such agreements provide for some type of "in-kind" consideration; for example, an agreement may call for the operator to perform a set amount of seismic exploration. A performance bond might be required to protect the lessor if the operator fails to complete their work requirement. A performance bond is not released until BLM and BIA has inspected the leased premise to ensure that all required reclamation is completed and accepted.

A lease bond is not released until the current status of all rent and royalty payments has been verified and ONRR provides BIA with a written release of financial liability for the lessee/operator. In addition, all well abandonment and reclamation must be satisfactorily completed and verified. A bond is not released until BLM/BIA has inspected the leased premise to ensure that all required reclamation is completed and accepted. In the event that an assignor requests a release of a lease or agreement bond from an active lease, the assignee must assume all responsibility for reclamation of the lease via a new bond that is consistent with the costs of abandonment and reclaiming the wells on the lease. It should be emphasized that bonding values are not just replaced; instead the lease should be evaluated by the BLM to update the costs of abandonment and reclamation. The following language is placed on the termination portion of the bond:

> "This bond is terminated only as to liabilities accruing after _____ (the effective date of the surrender of the lease or the date of the approval of the assignment)."

Anyone holding an encumbrance (lease or ROW) record title interest is required to submit and maintain bonding that is payable only to the BIA, Approving Official, and can only be terminated by action of the Secretary of the Interior (BIA Approving Official).

For ROWs a bond is required and may be issued separate from a mineral lease's performance bond. One bond may be issued to cover through-put fees, rents, royalties, operations performance, reclamation, and abandonment. It is the responsibility of the BIA approving official to ensure that bonding is adequate. The company issuing a surety bond must be approved by the Secretary of the Treasury as listed in the Circular No. 570, published in the Federal Register every year. Under certain circumstances, if an operator is covered by another operator or lessee, BIA may agree to accept a rider to the bond for lease's Lessee. Non-lessee operators working on trust lands must furnish evidence they are covered under a bond prior to commencement of operations.

1.11 Expiration of Lease on Its Own Terms

Generally, leases that have not had production established within the primary term will expire. A lease past the primary term expires when production in paying quantities has not occurred within a predefined time as defined by a term of the lease (usually 30 days). The lessee is required to notify both BIA and BLM of their plan for reclamation and abandonment. The Secretary will send a formal decision letter to the lessee, specifying the circumstances for expiration, the lease term under which the expiration is defined and appeal rights wherein the lessee may appeal these findings. After a lease is terminated the lease bond will continued to be held and under no circumstances should the lease bond be released until all abandonment and reclamation has been completed and accepted or a new lease bond is in place which acknowledges the past lease obligations and is adequate to fulfill these obligations. It has been determined that a new lease, approved after an old lease has been terminated, will obligate the new lessee for the wells and reclamation associated with the terminated lease, if the previous lessee and/or previous bond do not fulfill its obligation. The new lessee's potential obligation should be specified in the new lease sale notice or during the negotiation process.

2.0 AUTHORITIES AND POLICIES

2.1 Federal Laws and Regulations

A. Statutes affecting the leasing of fluid minerals are:

1. The Act of March 3, 1909 (allotted land) allows for the general leasing of natural resources on allotted lands, without specific direction or procedure.
2. The 1938 Indian Mineral Leasing Act (tribal land), provides for the competitive leasing of lands owned by a tribe, group, or a band of Indians. The lease is established by conducting competitive bid sales for the purpose of securing the highest responsible qualified bid, at public auction or on sealed bid, after notice and advertisement. The act allows Secretarial approval of a unit or agreement "prior or subsequent" to the issuance of a lease.
3. Section 2 of the Act of May 27, 1908 (35 Stat. 312) for Five Civilized Tribes provides for the competitive leasing of lands on any Indian reservation or lands owned by a tribe, group, band of Indians, or individual Indian mineral estate beneficial owners under Federal jurisdiction. The lease is established by conducting 'competitive bid sales' for the purpose of securing the highest responsible qualified bid, at public auction or on sealed bid, after notice and advertisement.
4. The 1906 Osage Allotment Act provides for the competitive leasing of lands on any Indian reservation or lands owned by the Osage tribe. The lease is established by conducting 'competitive bid sales' for the purpose of securing the highest responsible qualified bid, at public auction or on sealed bid, after notice and advertisement.
5. The 1982 Indian Mineral Development Act (IMDA), codified at 25 U.S.C §§ 2101-2108 (hereinafter referred to as '82 Act) was enacted to permit tribes to enter into certain agreements for the disposition of their tribal mineral resources. IMDA allows tribes to enter into any joint venture, operating, production sharing, service, managerial, lease or other agreement, or any amendment, supplement or other modification of such agreement providing for the exploration, extraction, processing, or other development of oil, gas, uranium, coal, geothermal, or other energy or non- energy mineral resources in which such tribe owns a beneficial or restricted interest, or provided for the sale or other disposition of the production or products of such mineral resources. Congress anticipated tribes would enter into agreements that, while they do not directly produce a mineral product, are necessary for that production.

   Where the Secretary has approved a mineral agreement in compliance with the provision of IMDA, the United States shall not be liable for losses sustained by a tribe or individual Indian under each agreement, provided that the Secretary shall continue to have a trust responsibility to ensure that the rights of a tribe or individual Indian are protected in the event of a violation of the terms of any mineral agreement by any other party to such agreement.

   IMDA allows for any individual Indian owning a restricted or trust minerals interest adjacent to or effected by a tribal mineral agreement to include such resources in that agreement. Such agreement is subject to the concurrence of the parties and a finding by the Secretary that such participation is in the best interest of the individual mineral owner. BIA is required to ensure the

allottee(s) receive an equal or better offer than the tribe received for the agreement to which they will become party.

6. The Energy Policy Act of 2005 amends Title XXVI of the Indian Energy Policy Act of 1992 (25 U.S.C 3501) which provided for development of vertically integrated energy industries on Indian reservations to assist in achieving energy self-sufficiency. The Energy Policy Act allows Tribes to create a Tribal Energy Resource Agreement (TERA) which allows an Indian Tribe, at its own discretion, to enter into a lease or business agreement for the purpose of energy resource development for:
   - All phases of exploration, development and processing of energy mineral resources
   - Electric generation, transmission or distribution
   - Rights of way for pipelines or electric transmission or distribution lines

   A TERA may be created for all of these purposes or may be created for only one specific purpose. The TERA authority may be limited based upon the Tribes capability to assume the respective responsibility or may be segmented under an umbrella authority derived from another Tribe or groups of Tribes that have the environmental or technical expertise and who share in the business contracts. With a TERA in place a Tribe or a group of Tribes may:

   - Be responsible for all Environmental decisions (the Secretary will act as an arbitrator if conflict arises)
   - Be responsible for all Leases, Business Agreements and Rights-of Way involving energy development or transmission.
   - This responsibility has no Secretarial involvement except for approval of the initial TERA agreement and yearly reviews for the first three years and every other year thereafter if agreed upon by the Tribe and the Secretary.
   - Secretary may question any submitted lease or business agreement in relation to TERA specifications
   - Comprehensive TERA agreements must be generated and approved by the Secretary before this authority is given.

B. Regulations affecting BIA's stewardship of fluid minerals include:

1. 25 CFR § 211 - Leasing of Tribal Lands for Mineral Development
2. 25 CFR § 212 - Leasing of Allotted Lands for Mineral Development
3. 25 CFR § 213 - Leasing of Restricted Lands of Members of Five Civilized Tribes, Oklahoma, for Mining
4. 25 CFR § 224 – Tribal Energy Resource Agreements
5. 25 CFR § 225 - Oil and Gas, Geothermal, and Solid Minerals Agreements
6. 25 CFR § 226 – Leasing of Osage Reservation lands for Oil and Gas Mining

C. Federal laws and regulations, segregated by land ownership, include but are not limited to:

1. **Allotted Lands**

- Act of March 3, 1909, 35 Stat.§ 783, 25 U.S.C § 396 (as amended); as implemented by Title 25, Code of Federal Regulations (CFR), Part 212
- Five Civilized Tribes (FCT) [Eastern OK Region]: Act of May 27, 1908, 35 Stat. 312 for allotted lands.
- Five Civilized Tribes (FCT) [Eastern OK Region]: District Court leasing authority is Section 1 of the Act of August 4 1947, Stigler Act (State of OK) for "inherited restricted" lands.

2. **Tribal Lands**

- 25 CFR § 211 implements the Act of May 11, 1938, 25 U.S.C § 396a et seq.
- Act of March 1, 1933, as amended (47 Stat. 1418) (Certain Tribal lands in State of Utah)
- Indian Mineral Development Act of 1982 (IMDA) (96 Stat. 1938), 25 U.S.C §§ 2101-2108
- For Osage: 25 CFR § 226 implements the Act of June 28 1906
- Five Civilized Tribes: 25 CFR § 211 implements the Act of May 11, 1938, 25 U.S.C § 396
- 25 CFR § 224 implements the Energy Policy Act of 2005, public Law 109-58 of Aug.8, 2005 for creation of TERA agreements

D. Supplemental Laws Requiring Compliance include the following:

1. **Environmental Laws**

- The National Environmental Policy Act of 1969, as a mended (42 U.S.C §4332(2)(c), as implemented by 40 CFR §§ 1500-1508, 516 DM 6, Appendix 4,and 30 BIAM Supplement 1, NEPA Handbook
- Endangered Species Act of 1973, as amended, 16 U.S.C §1531 et seq., as implemented by 50 CFR § 402.
- Clean Air Act, 42 U.S.C § 7401 et seq.
- Clean Water Act, 33 U.S.C § 1288, 1314, 1342-1344
- Safe Drinking Water Act, 42 U.S.C § 300(h)

2. **Laws Affecting Cultural Resources**

- Antiquities Act of 1906, 16 U.S.C §431
- National Historic Preservation Act of 1966, as amended (section 106), 16 U.S.C § 470f
- Archaeological and Historical Preservation Act of 1974, 16 U.S.C § 469a-1
- 1979 Executive Order No. 11593 (Protection and Enhancement of the Cultural Environment)
- Archeological Resources Protection Act of 1979, 16 U.S.C § 470a et seq.
- American Indian Religious Freedom Act, 92 Stat. 469
- Native American Graves Protection and Repatriation Act, 25 U.S.C § 3001 *et seq*.

2.2 Secretarial Delegation of Authority

The authority of the Secretary of the Interior to lease Indian lands is redelegated pursuant to 209 DM 8 and 230 DM 1.

2.3 State Authority on Indian Lands

State commissions dealing with minerals development have no authority over Indian lands that are held in trust or subject to a restriction against alienation pursuant to 25 CFR § 1. Lessees or Operators following instructions, orders or regulations of state officials or local governing groups may face penalties and cancellation of their lease(s), when those instructions violate the lease terms and/or regulations, unless they receive approval for following said instructions, orders, or regulations from BIA or other appropriate federal agency and/or Indian minerals owners. State oil, gas and minerals divisions and commissions may manage the rules for orderly spacing to assure maximum recovery, and provide the forum for dispute resolution if BIA and the Tribe adopts their recommendations. If the state does not provide the service, it is the responsibility of BLM, unless the Tribe and/or BIA have taken the primacy and responsibility.

For Five Civilized Tribes, the Oklahoma Corporation Commission issues orders (i.e., spacing and unitization orders) that must be approved by BIA before the orders are recognized as valid. Inherited restricted land is leased by the District Court instead of BIA, and title and the encumbrance are recorded in the county and at Eastern Oklahoma LTRO. When the District Court issues the lease, there is no clear responsibility for the preservation and conservation of the trust resource. BLM has inspection responsibility for leases approved by BIA on allotted and Tribal land; however BLM only provides inspection and evaluation on inherited restricted land upon request from BIA or the mineral owner.

The Osage Tribe and Five Civilized Tribes pay a gross production tax to the State of Oklahoma on royalties, in lieu of a severance tax, and half of the monies received are placed in the Roads and Schools Fund.

2.4 American Indian Probate Reform Act of 2004 (AIPRA)

Pursuant to 25 U.S.C. § 2218 dated November 7, 2000, as amended by the American Indian Probate Reform Act of 2004, except in Alaska, notwithstanding any other provision of law, the Secretary may approve any lease or agreement that affects individually owned allotted land or any other land held in trust or restricted, if the owners of not less than the applicable undivided ownership percentage in the allotted land that is covered by the lease or agreement consent in writing to the lease or agreement; and the Secretary has determined that approving the lease or agreement is in the best interest of the owners of the undivided interest in the allotted land. In addition, the Secretary may give written consent to a lease or agreement (1) on behalf of the individual Indian owner if the owner is deceased and the heirs to, or devisees of, the interest of the deceased owner have not been determined; or (2) on behalf of any heir or devisee referred to in (1) if the heir or devisee has been determined but cannot be located. Secretarial consent will be included in the applicable undivided ownership percentage given below.

The applicable ownership percentage referred to shall be determined as follows:

(a) If there are 5 or fewer owners of the undivided interest in the allotted land, the applicable undivided ownership percentage shall be 90 percent.

(b) If there are more than 5 such owners, but fewer than 11 such owners, the applicable undivided ownership percentage shall be 80 percent.

(c) It there are more than 10 such owners, but fewer than 20 such owners, the applicable undivided ownership percentage shall be 60 percent.

(d) If there are 20 or more such owners, the applicable percentage shall be a majority of the undivided ownership interests in the allotted land.

For the Navajo Allotted fluid minerals estate a different sliding scale parameter is established by Public Law 109-157 the Indian Land Probate Reform Technical Corrections Act of 2005. Consent requirements are:

- < 10 owners requires 100% consent;
- 11 < 51 owners requires 80% consent; and
- 51+ owners requires 60% consent.

Additionally, pursuant to Section 214 (b)(2)(A)(i) of the Act, any lease, resource sale contract, right-of-way, or other document evidencing a transaction affecting the acquired interests to the Land Consolidation Program shall contain a clause providing that all revenue derived from the interest shall be paid to the Secretary.

2.5 FOIA and Privacy Act

In general, lease information is potential public information. However, prior to release of any financial or private information to the public which is related to a lease; adhere to the FOIA exemptions and redacting of un-releasable personal information. For detailed information and assistance, contact FOIA/Privacy Act personnel. Respective lease information should be completely and readily available to the trust beneficiaries, without a FOIA request, except for information protected by the Privacy Act of 1974 (5 U.S.C.§ 522a).

The Freedom of Information Act (FOIA) of 1966 as amended (5 U.S.C.§ 552) was substantially amended in 1974, 1986 and again in 1996 with the introduction of E- FOIA, P.L. 104-231. The Act provides for the right to access agency records and is enforceable in court. All records must be disclosed unless they are exempt and harm could occur because of a disclosure.

E-FOIA takes the1966 Act into the information age, broadens access to include electronic information and provides certain requirements for electronic record searches, disclosure format and computer redactions. The Departmental Manual (DM) as authorized in 383 DM 1, 4, 5, 6, 7, and 8 provides policy and general guidance for administering and implementing FOIA within DOI.

The Privacy Act limits the collection of personal information and protects this information for uses other than what it was collected for, and guarantees the government maintains no secret record systems. 383 DM 1-12 provides policies and procedures for implementing the Privacy Act of 1974.

2.6 Tribal Laws, Ordinances and Regulations

Unless prohibited by federal law, BIA recognizes and complies with tribal laws regulating the mineral estate, including tribal laws relating to resource use, such as environmental protection, building codes, housing codes, zoning, and historic and cultural preservation.

2.7 Appeal Rights

A person or persons whose interests are adversely affected by decisions made by DOI officials have the right to file an appeal of the decision. Appeal rights are discussed in 25 CFR Part 2 – Appeals from Administrative Actions.

3.0 PROCESS AND PROCEDURES OVERVIEW

3.1 Pre-Lease Activities for Fluid Minerals

Pre-Leasing activities are completed to assure accuracy in ownership, availability, and economic value.

3.2 Negotiated Leases for Allotted Lands

The Act of March 3, 1909 allows individual Indian mineral owners to negotiate mineral leases, without prior competitive bid sale procedures, or after receiving a waiver for competitive bidding from the BIA Approving Official. In some cases, laws associated with explicit Indian mineral owners will allow negotiated leases without prior approval from the BIA but the BIA must approve the final negotiated lease. BIA's role in these cases is that of providing technical assistance, if requested, during the negotiations, and approving the negotiated lease.

3.3 Competitive Bid Sales of Fluid Minerals

Competitive bid sales are one method of attracting qualified operators to lease Trust mineral estates identified as prime for development. The Act of May 11, 1938 requires all Tribal lands to be offered in a competitive bid sale.

3.4 IMDA Negotiated Agreements

The 1982 Indian Mineral Development Act allows tribes to negotiate mineral leases, without prior competitive bid sale procedures. BIA only provides technical assistance during the negotiations upon a request from the tribe, and the Secretary's role is approving or disapproving the mineral agreement.

3.5 Tribally Operated Properties

BIA ensures that a Tribal Resolution and other relevant documentation are in place for wells that the tribe intends to operate. BLM provides technical expertise to determine the economic value of the properties and the costs for future abandonment and reclamation. BIA should emphasize the Tribal obligation for abandonment and reclamation and recommend that the Tribe have bonding in place or an escrow account that builds in value from a portion of the mineral production and is obligated to fulfill the final well obligations.

3.6 Tribal Energy Resource Agreements (TERA)

Section Reserved

3.7 Communitization Agreements

The Communitization Agreement (CA) is prepared by the lessee/operator as a proposal submitted to the

Tribe, the BIA, and the BLM. The agencies and tribe examine the proposal to confirm proper identification of the division of interest of each tract/parcel of the mineral estate to be communitized. The long term economic effects of an agreement must be in the best interest of the Indian lessor and these effects must be documented. BIA provides the final approval of the CA.

3.8 Unit Agreements

BIA approves a unit agreement after evaluation of the proposal by the BLM. BIA will confirm that the Indian tracts are under lease, listed with correct acreages, royalty rates and are correctly listed in the division of interest. BIA will document that the unit will serve the best economic interest of the Indian leasee(s).

3.9 Designation of Operator

The lessee may function as the operator of the well(s), or may designate another party to operate the well(s), which may be a working interest owner. A Designation of Operator (DO) is issued to a company/operator to give said company/operator the right to enter on and develop or operate on an Indian lease. A DO must be conveyed by an "owner of rights" on a lease, with full authority to act in his behalf in complying with the terms of the lease and applicable regulations. It is understood that this DO does not relieve the lessee of responsibility for compliance with the terms of the lease and the operating regulations. In case of default on the part of the DO, the lessee will make full and prompt compliance with all regulations, lease terms, stipulations or orders.

Although federal regulations do not give the Secretary authority to approve the issuance of a DO, a DO cannot commence operations on an Indian lease without evidence of bonding. This designation is filed prior to commencement of operations to allow an agent to fulfill obligations of the owner and whoever operates a well/unit or whoever has been designated or accepted by the owners to operate the well or unit, and whoever is responsible for compliance with Departmental rules and policies. The lessee will notify the BIA in writing of any change in the DO.

3.10 Assignment of Lease Interest

Lessees often sell title or non-title working interest portions of a lease to other companies to finance the cost of developing the leased lands. An assignment is the legal instrument whereby Oil and Gas lease interests are assigned or conveyed. These sales of interests are assignment of record Title which is primary ownership of an interest in an oil and gas lease that includes the obligation to pay rent, and the right to assign and relinquish the lease and assignment of operating rights which is the interest or contractual obligation created out of a lease authorizing the holder of that right to enter the leased lands to conduct drilling and related operations, including production, which may include as consideration a share of revenue there from. Operating Rights may or may not be transferred through an operating agreement; however, transfer of operating rights must be filed and approved on the Assignment of Oil

and Gas Lease Operating Rights Form.

3.11 Change of Name

Change of name of the lessee is processed by BIA upon receipt of a request from the lessee. It is mandatory that bonding be changed to reflect the name of the new lessee. If the lessee is the operator, notify BLM (ONRR is notified via BLM lease computer files). Approval of Nationwide Bonds and names changes are done by the Office of Indian Energy and Economic Development (IEED). IEED also approves bond cancellation prior to field offices updating their records. In some cases, with IEED taking these actions, Agencies have to do follow-up processes after-the-fact. If leases need to be reviewed by BLM and ONRR on an operator, for name changes, the Nationwide Bonds have already been approved for a name change without giving Agencies the time to review their records. Companies do not always submit proper documentation to the Agencies for a name change.

3.12 Application for Geological and Geophysical Permits

Seismic exploration provides additional geologic information on the mineral resource along the entire seismic line without respect to land ownership. BIA issue permits for geological or geophysical (seismic) exploration. These permits may also be granted by the Indian mineral owners with the written approval of BIA.

3.13 Application for Permit to Drill

An Application for Permit to Drill (APD) allows for the drilling of a well to extract fluid mineral resources. Both BIA and BLM are involved in the issuance of the permit. BLM has final authority for approval of an APD and is responsible for conformance to the plans detailed in the APD.

3.14 Lease Compliance: Field Inspection and Record Maintenance

The responsibility for monitoring office files and field compliance during operations is a joint effort between BIA, BLM, and ONRR; each agency is assigned specific tasks. BIA must ensure lease provisions are enforced to properly exercise its trust responsibility as required by law.

3.15 Undesirable Events

The tasks involved are usually a result of an accidental spill of fluids or chemicals used in developing and producing oil and gas fluids. Concerns range from simple cleanup to prevention of contamination and human health safety. BLM has primary enforcement authority depending upon the circumstance and should be immediately notified.

3.16 Suspension of Operations

BIA approves the suspension of the lease and its production operations so that formation damage,

equipment losses, or environmental damage is prevented. Suspension may also be appropriate when regulatory time delays put the lease in jeopardy. Regulatory delays may include requests for solicitor's opinion, NEPA analyses, central office decisions, decisions by DOI, etc.

3.17 Lease Termination or Cancellation

Lease management actions are the responsibility of BIA, including notice to the lessor, lessee, BLM, and ONRR of the need to process cancellation/termination activities.

3.18 Plugging, Abandonment and Reclamation

BIA works with the BLM to approve the Lessee's plan of Plugging & Abandonment and ensure that the Lessee Reclamation Plan is appropriate and successful.

4.0 PROCEDURES

This section provides a detailed explanation of each operating procedure associated with the management of fluid minerals.

4.1 PRE-LEASE ACTIVITIES FOR FLUID MINERALS

PURPOSE

Pre-leasing activities are necessary regardless of the type of leasing to be conducted, and the same basic steps in preparing for leasing apply. Pre-leasing activities are completed to ensure accuracy in ownership, availability, and economic value. In addition, Pre-Leasing activities are good for use in maintaining the Lease, Well, Corporate, and Bonding filing systems.

The pre-leasing activities are conducted by either the Minerals or Real Estate staff. Personnel involved are the Petroleum Engineer, Geologist, Mining Engineer, Realty Officer, Realty Specialists, Realty Clerks, Environmental Specialists, and Petroleum Engineering Technicians.

SCOPE

Pre-leasing activities are conducted both in the office and the field, beginning with receipt of request from a landowner(s) to have his mineral estate leased, BLM recommendations, or industry nominations. Field inspections may be necessary to determine the suitability of mineral estate development.

PROCESS

Step 1: **Identify lands to be leased** (25 CFR § 211.20, § 212.20)

A. Request to lease may be received from:

- A mineral owner
- A mineral development company or other interested party
- A tribe that passes a resolution authorizing the advertisement of Tribal lands

B. BIA or BLM may identify lands with high commercial mineral potential.

- Mineral potential may be identified by a minerals assessment.

C. BIA or BLM may identify lands with a need for protection and conservation.

- For example, identification of a tract in danger of trespass or loss due to drainage related offset drilling or increased density.

Step 2: **Verify legal descriptions and ownership for both the surface and mineral estates. Determine any split estates. Determine producing horizons for less and except designations in Pugh Clause leases.**

- Request the appropriate title documents. If an uncertified Title Status Report is requested the

BIA could generate an uncertified Title Status Report in TAAMS. (See Attachment 1 - TSR Request Form).

- Identify all mineral interest owners, both tribal and individual Indians, and any undivided fee interest(s).
- Determine ownership of the surface estate. The issuance of a mineral lease guarantees the lessee the right of ingress and egress in order to develop the mineral estate.
- *Osage does not use or need a TSR because the mineral estate is tribally owned. Surface ownership is not an issue until the lessee/operator submits the Application for Permit to Drill where actual surface disturbance occurs. Both the regulations and the lease grant use of surface for mineral development purposes to the lessee/operator.*

Step 3: **Describe the nominated tracts.**

- Include legal descriptions, surface and mineral ownership, and formation exception(s) where applicable.

Step 4: **Refer the schedule of nominated tracts to the appropriate Line Officer for review.**

- Include examination of existing leases, especially for surface resources and split estates.

Step 5: **Decide method of leasing to occur: Competitive bid sale or Negotiation.**

- If Competitive bidding is selected, it should be determined what type of auction will be conducted, or what the sequence of options will be. Options include: Sealed, Oral, or negotiation after determinations that an acceptable bid(s) have not been received. Combinations of the Options may also be used, i.e., Sealed + Oral + Negotiated.

Step 6: **Request a mineral valuation** (25 CFR § 211.4, § 212.4, § 225.4)

A request for a mineral valuation is currently made to BLM to establish the potential mineral royalty value, bonus amount, and annual lease rental. A mineral royalty value and annual lease rental may be specified by the office initiating the sale based on local experience and bonus valuations will be relative to these defined values. Royalty and bonus recommendations remain with BLM. Coordinate with your local BLM office to determine the preferred timing sequence for delivery of the list of properties planned for the sale offering.

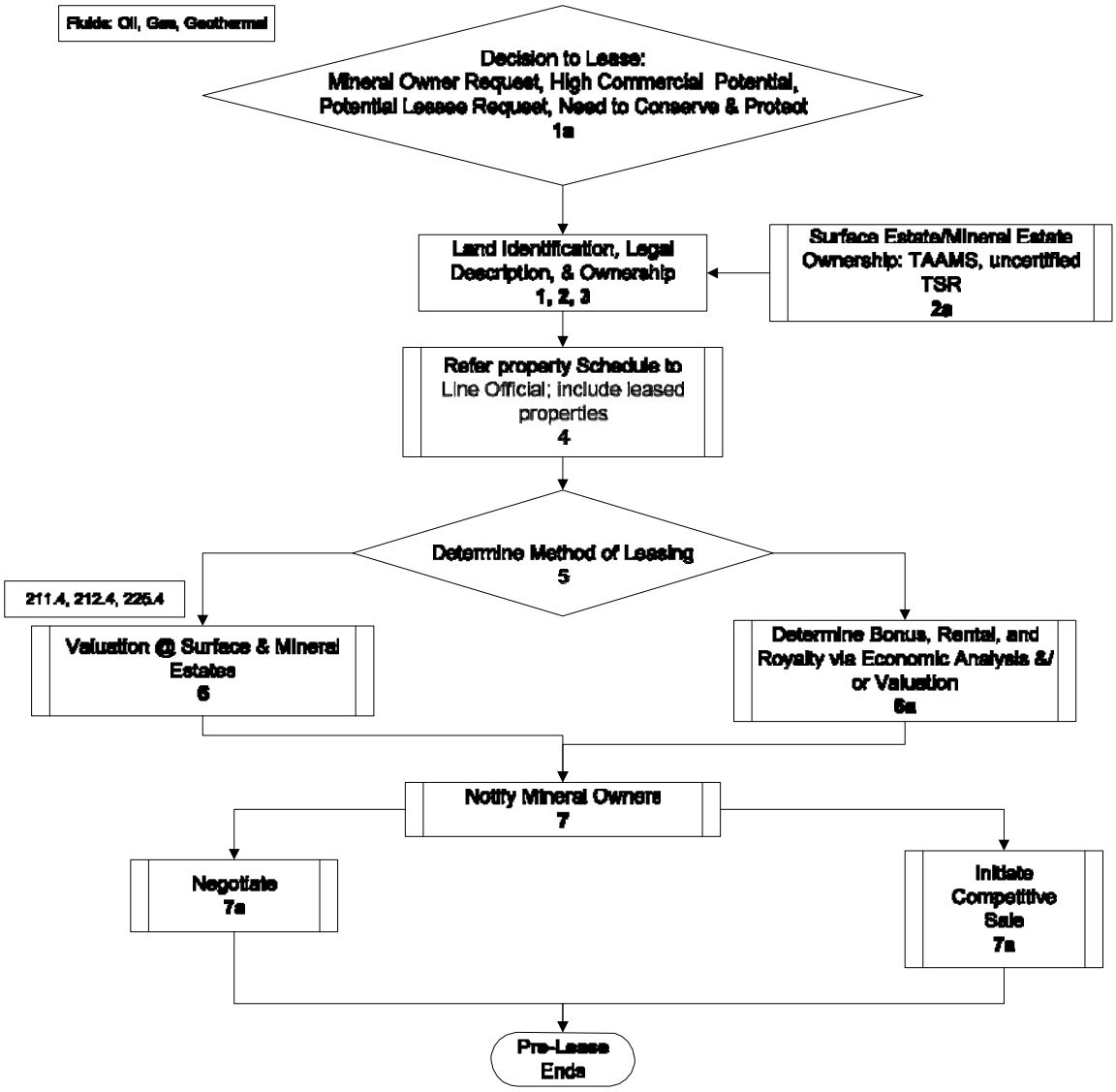
By federal regulation, the Osage tribe has established the minimum acceptable bid for all tracts and types of leasing, so a mineral valuation is not required.

Step 7: **Notify the mineral owners in writing of intent to advertise the minerals for lease, if appropriate.**

Notice to Indian mineral owners is not required in order to advertise allotted lands; however, notices may be sent and meetings convened to disseminate information concerning the proposed lease sale.

Note: If the lease will be negotiated, pre-lease activity stops here.

Pre Lease Flow Chart



4.2 NEGOTIATED LEASES FOR ALLOTTED MINERALS

PURPOSE

The Act of March 3, 1909, allows individual Indian mineral owners to lease their natural resources, without prior competitive bid sale procedures. Only upon request will BIA provide assistance and information during the negotiation of the mineral lease to the extent resources are available. The Secretary's role is that of approving or disapproving the negotiated lease.

If assistance is requested, BIA staff who may be involved include the Petroleum Engineer, Geologist, Mining Engineer, Realty Officer, Realty Specialists, Realty Clerks, Environmental Specialists, and Petroleum Engineering Technicians.

SCOPE

The Secretary or the delegated official must approve mineral leases agreed to under the 1909 Act. No particular lease form is prescribed, but lease forms which cannot be approved under the regulations and the mandate that the lease be in the best interest of the Indian mineral owner should be rejected, if possible, prior to negotiation. All information pertaining to the lease is held as privileged and propriety information except for the environmental document.

The BIA generally performs any pre-lease activity for the Indian mineral owner prior to negotiation of leases.

PROCESS

Step 1: **Receive notification of an individual Indian mineral owner's intent to negotiate a mineral lease.**

- Initiate a leasing checklist. (See Attachment 10 - Lease Approval Checklist)

Step 2: **Upon request, provide technical assistance to support negotiations. In particular, determine that the lease form is reasonable and approvable (local BIA offices may have preferred lease forms to be provided to the mineral owner). Additional technical assistance may be requested from the Division of Energy and Mineral Development (DEMD).**

Step 3: **Request the appropriate title documents to verify ownership, which may include an uncertified Title Status Report, agency ownership files, and state and county records.** (See Attachment 1 - TSR Request Form)

Step 4: **Request a BLM mineral valuation.**

Step 5: **Receive an executed lease and all monies due.**

- Bonus and First Year Annual Rental are collected and deposited in SDS. Collect and record the lease filing fees in FFS.

Step 6: **Review the lease.**

- Confirm that the correct landowners have provided consent to the lease, and are the correct recipients of any and all economic returns from the development of the property.
- Determine, in consultation with designated staff, actions necessary to ensure compliance with NEPA, National Historic Preservation Act (NHPA) and Endangered Species Act.

For additional information, see the 59 IAM 3, National Environmental Policy Act and the NEPA Guidebook (http://www.bia.gov/WhatWeDo/Knowledge/Directives/Handbooks/index.htm).

If the proposed lease is categorically excluded, no consultation may be necessary. Send the categorical exclusion (Cat X) exception checklist to the designated environmental office for signature. (See Attachment 9 - Categorical Exclusion Exception Checklist) (See Chapter 4 in the NEPA Guidebook for directions on completing the checklist).

- Make a written determination that the lease is in the best interest of the Indian mineral owner based upon the following considerations:
  - ✓ Potential economic return
  - ✓ Social, environmental and cultural effects
  - ✓ Provisions for resolving disputes
  - ✓ All provisions of law have been met

- Complete the leasing checklist. (See Attachment 10 - Lease Approval Checklist)

Step 7: **Recommend changes to the lease required to qualify for approval, as required.**

- Notify Lessee of the presence of any undivided fee interest' contained in the tract, and the lessee's responsibility to secure a separate lease agreement with the non-Indian interest owners.

- If the lease cannot be recommended for approval, work with the individual Indian mineral owner(s) and the potential lessee to resolve issues hindering BIA approval.

Step 8: **Realty staff will encode the lease information in TAAMS. If the terms are acceptable, the BIA Approving Official will approve the lease in TAAMS.**

Step 9: **Record the lease in the LTRO.**

Step 10: **Distribute the approved lease to the Lessee, BLM, and the Beneficiary (to individual Indians if requested by them).**

- Forward a copy of the lease to ONRR when production commences.

Step 11: **Transfer SDS funds to the appropriate IIM account(s).**

- See the Collections and Distribution handbook for further instruction.

4.3 COMPETITIVE BID SALES OF FLUID MINERALS

PURPOSE

Competitive bid sales are one method of leasing available for Trust Mineral estates. The bid sales are conducted by either Minerals or Real Estate branch personnel, depending upon the particular organization. Personnel that may be involved include the Petroleum Engineer, Geologist, Mining Engineer, Realty Officer, Realty Specialists, Realty Clerks, Superintendent, Deputy Assistant Superintendent for Trust, Fiduciary Trust Officer and Authorized Collector.

SCOPE

The competitive bid sale is usually conducted, with permission from the Tribe and allottee, at the BIA Agency office or on the reservation where the mineral properties are located.

PROCESS

Preparing for the Bid Sale (25 CFR § 211.20, § 212.20)

Step 1: If a bid sale is intended, prepare the advertisement (See Attachment 2 – Sample Advertisement). The advertisement must include, but is not limited to, the following:

1. The type of bidding process that will be employed, such as one or more of the following:

- ✓ Sealed
- ✓ Oral
- ✓ Sealed plus oral
- ✓ Sealed plus oral plus negotiation
- ✓ Sealed plus negotiation

2. Date of sale

3. Special lease conditions; e.g., Pugh clause (less and exception formation(s)), surface restrictions, rights-of-way requirements, business lease requirements, "right to amend tracts available for bid."

4. Lease form to be used

5. Lessee cost of advertising notice pro-ration. The cost of advertisement is pro-rated among the successful bidders. Include the following language:

> *The successful bidder or bidders will be required to pay the advertisement costs. In the event that no bid is received or accepted on a requested unit, the cost of advertising may be assessed against the applicant who requested that the lands be advertised.*

6. Minimum bonus, rental, and royalty

7. Primary term and ultimate term (if applicable)

8. The right to reject any and all bids

9. The lease is not valid until approved by the Secretary

10. Specify signature percentage requirements under American Indian Probate Reform Act of 2004 (AIPRA) or any other law directly applicable to that land area.

11. Specify that all reasonable actions necessary to complete the lease shall be within30 calendar days or as extended by Secretarial approval, and that failure to complete the lease within this time frame shall result in of the forfeiture of the required payment of 25 percent of any bonus bid for the use and benefit of the Indian mineral owner (25 CFR § 212.20(b)(5)).

12. Provide a statement that undivided non-Indian fee interests may be contained within the advertised tracts, and that it is the responsibility of the successful bidder to secure a separate lease agreement with non-Indian interest owners.

- It is not mandatory that the advertisement of a bid sale include a listing of tracts, but tract lists must be made available upon request from the advertising agency.
- Place the advertisement with highly visible sources; e.g., local and state newspapers, trade journals, Post Office bulletin boards, BLM and BIA central, regional, agency and field offices, potential lessees and nominees.
- Advertise in a local newspaper and trade publication for a minimum of 30 calendar days prior to sale.

Step 2: **Amend the advertisement, if required.**

- To add a tract to the sale, amend and re-advertise the sale for 30 calendar days.
- Minor corrections that do not mislead potential bidders may be announced at the sale.

Step 3: **Record bids received.** (See Attachment 3 – Bid Letter)

- Keep a log that records the date bid was received, submitter's name, tract number and other pertinent information.
- BIA has the option to reject any submitted bids.

Conducting the Bid Sale

Step 4: **Conduct the sale/bid opening.**

- Introduce those participating in the sale, including officials and their duties.
- Explain the roles of the Authorized Collector for the sale and the Official Bid Recorder.
- Read the entire advertisement, excluding tract listing.
- Explain the bidding procedures.
- Explain tie high bids procedures.

- Explain oral bid procedures.
- Authorized Collector opens the bid and confirms 25% of the bonus/ bid deposit is enclosed.
- Osage: Nomination bid must contain 10% of the bid deposit with the balance of the 25% due by close of the business day.
- Collector hands bid to the bid reader for public reading.
- Bid is recorded at the same time as the reading.
- After reading the sealed bids, oral or other forms of bidding may be conducted to achieve the best possible economic return for the mineral owner(s).

Step 5 Optional: **Open the bid sale to oral bidding** (25 CFR § 211.20(b)(4),§ 212.20(b)(4))

- Only bidders who have submitted a sealed bid are allowed to participate in oral auctions.
- The minimum bid of the oral auction is the highest valued sealed bid received on a per tract basis.

Step 6 Optional: **Open bid sale to a negotiation process** (25 CFR § 211.20(b)(6), § 212.20(b)(6))

- If the opened bid(s) are rejected or no bids are received, negotiations can occur.
- Leases may be negotiated by the beneficial landowners after the land has been offered for lease to the general public where no acceptable bid was received.
- Only the beneficiary has the right to petition the appropriate BIA Line Officer to proceed directly to negotiation.
- In some cases (25 U.S.C. § 396), Allottees within Fort Berthold Indian reservations or certain former Oklahoma reservations may negotiate at any time without bid sale but subject to final BIA approval of the lease.
- Navajo Allotted mineral estates require consent approval from the beneficiaries on a sliding scale that differs from the AIPRA scale. Navajo uses Public Law 109-157, the Indian Land Probate Reform Technical Corrections Act of 2005.

Step 7: **Select the successful bid.**

- An evaluation of the bids may be conducted by BIA Line Officer, Realty staff, BLM, and mineral owners if appropriate.
- After evaluation, the mineral owner(s) may initiate further negotiation.

Step 8: **Announce successful bid to participants.**

Step 9: **Prepare the bid abstract and distribute.**

- Prepare a Checklist for each successful bid. (See Attachment 10 –Lease Approval Checklist). The checklist should be affixed to each Lease Folder and circulated through the staff responsible for the various completion steps.
- Each staff member assigned to conduct specific steps in the approval process should date and initial each step on the checklist as it is completed.

Step 10: **Return unsuccessful bidder monies either 'in person' at the day of the sale or by certified mail.** (See Attachment 4 – Notice of Rejected Bid)

Step 11: **Collect the 25% bid deposit from the successful bidder on the day of the sale, and deposit in SDS.**

- Any additional bid deposit due from the successful bidder is collected within five (5) business days and deposited to SDS within 24 hours of receipt.

Step 12: **Provide successful bidder with an award letter within ten (10) business days and instructions for completing the lease package. Include a statement that undivided non-Indian fee interests may be contained within the advertised tracts, and that it is the responsibility of the successful bidder to secure a separate lease agreement with the non-Indian interest owners.** (See Attachment 5 – Sample Award Letter)

An Award Letter includes the following:

- Bid was accepted
- Secretary continues to reserve the right to deny approval of the lease
- The potential lessee has 30 business days from receipt of mailing to complete all actions necessary for Secretarial approval, or forfeit the initial bonus deposit
- An invoice for all payments due, including the filing fee, first year's rent, the advertising fee, and the remaining balance of the bonus due
- A list of owners' legal names and addresses. Specify the requirement AIPRA or any other law directly applicable to that land area, are required for approval.
- Consent form and instructions for securing mineral owner(s)' consent if allotted land (See Attachment 6 –Consent of Mineral Owner(s)).
- Corporate documentation requirements
- Bonding requirements
- Lease form and instructions for processing and /or preparing lease (unless lease form is prepared by the BIA). (See Attachment 7 –Sample Lessee Instructions and Lease Forms)
- Beneficial Mineral Owner(s) Signature(s) form

The potential lessee can receive a time extension in 30 day increments for filing required documents due to extenuating circumstances; however, the circumstances must be documented by letter and approved by the BIA Line Officer.

Any special terms affecting the bid sale, such as the terms for obtaining an extension, may be included in the sale advertisement.

NOTE: No time extensions are allowed for all payments due**.**

Step 13: **Prior to the 30 day deadline, collect the remaining 75% of the bonus, first year's annual rental and other appropriate fees from the potential lessee.**

- Lessee failure to provide the remaining payments due within the 30 day period results in all monies collected to date being forfeited to the benefit of the mineral estate owners and the lease is declared 'Null and Void.'
- See OST Collections and Distributions Handbook for further instruction.

Step 14: **Receive a completed lease packet from the potential lessee per the award letter.**

- Verify the following documentation is included:
  - ✓ Legal description
  - ✓ Tract number, allotment name, and/or allotment number
  - ✓ Organizational structure documentation (e.g., Articles of Incorporation)
  - ✓ License To Do Business within the state of location
  - ✓ Proof of financial capability to provide money, including the latest financial statement of the organization
  - ✓ List of names, addresses and telephone numbers of the corporate officers, principal stockholders and directors
  - ✓ Evidence of Authority of Officers to Execute Documents or a Power of Attorney. (See Attachment 8 – Evidence of Authority of Officers to Execute Papers)

- Confirm the ownership of both the surface and mineral estates.
- Confirm the bonus, rental and royalty rates.
- Ensure the potential lessee has submitted an adequate bond (See Section 1.10 Bonds for additional information).
- Review the primary and ultimate terms, plus any special terms and conditions.
- Confirm the owner(s) signatures on the consent forms.
  - ✓ Confirm that the correct landowners have provided consent to the lease, and are the correct recipients of any and all economic returns from the development of their property.
  - ✓ Confirm that the applicable percentage of landowner signatures has been collected.

Step 15: **NEPA Compliance** (25 CFR § 211.7, § 212.7)

- Determine, in consultation with designated staff, actions necessary to ensure compliance with NEPA, National Historic Preservation Act (NHPA) and Endangered Species Act.

For additional information, see the 59 IAM 3, National Environmental Policy Act and the NEPA Guidebook (http://www.bia.gov/WhatWeDo/Knowledge/Directives/Handbooks/index.htm).

- To expedite the NEPA process, the lessee has the option to provide the NEPA, NHPA and ESA analyses and biological assessment, subject to BIA approval. The responsibility for compliance remains with BIA.
- If the proposed lease is categorically excluded, no consultation may be necessary. Send the categorical exclusion (Cat Ex) exception checklist to the designated environmental office for signature. (See Attachment 9 - Categorical Exclusion Checklist). See Chapter 4 in the NEPA Guidebook for directions on completing the checklist.

Step 16: **Attach the completed Checklist to the Lease folder.** (See Attachment 10 - Lease Approval Checklist)

Step 17: **Approve the lease.**

- Prepare a written recommendation for the approving official and determine that the lease is in the best interest of the Indian mineral owner(s).
- Encode the Lease in TAAMS for approval by the signing official (See Attachment 11 – Recordation Form).
    - ✓ Ensure the payment terms are encoded accurately.
    - ✓ Verify tract ownership in TAAMS Title
- The approving official signs the lease.

Step 18: **Distribute the approved lease to the following:**

- Agency file
- Lessee
- BLM
- Beneficiary

Step 19: **Transfer (SDS) funds to the appropriate beneficiary TFAS accounts**. See BIA Procedures for completing Form SF-1081.

Step 20: **BLM will provide the Notice of First Production to both BIA and ONRR. BIA will provide ONRR a copy of the lease and the BLM Notice.**

4.4 IMDA NEGOTIATED AGREEMENTS

PURPOSE

The 1982 Indian Mineral Development Act (IMDA) allows tribes to negotiate mineral leases. Only upon the tribe's request, BIA may provide assistance and information during the negotiation of a tribal mineral lease to the extent resources are available. The Secretary's role in IMDA agreements is approving or disapproving the mineral agreement.

If assistance is requested, BIA staff who may be involved include the Petroleum Engineer, Geologist, Mining Engineer, Realty Officer, Realty Specialists, Realty Clerks, Environmental Specialists, and Petroleum Engineering Technicians.

SCOPE

The Secretary or his/her delegated official must approve mineral leases agreed to under IMDA (see Section 2.1 (A) for a discussion of the Act). No particular lease form is prescribed. In preparing the lease, consideration should be given, but not limited to, including the provisions of 25 CFR § 225.21. All information pertaining to the agreement is held as privileged and propriety information except for the environmental document.

The authority to disapprove an agreement lies with the Secretary with delegation no further than the Assistant Secretary - Indian Affairs.

The tribe generally performs any pre-lease activity prior to negotiation of agreements; however, BIA may prepare a mineral evaluation or other documents at the request of the tribe.

PROCESS

Step 1: **Receive notification of a tribe's intent to negotiate a mineral lease** (25 CFR § 225)

Step 2: **Upon tribal request, provide technical assistance to support the tribe's negotiations** (25 CFR § 225.21)

Step 3: **Request appropriate title documents to verify ownership, which may include an uncertified Title Status Report, agency ownership files, and state and county records.** (See Attachment 1 - TSR Request Form)

Step 4: **Receive an executed agreement, an original Tribal Council resolution authorizing tribal officers to enter into the agreement, and all monies due** (25 CFR § 225.21(d))

- Suggest that the Tribe provide five original signed copies of the agreement with a tribal resolution.
- An executed mineral agreement submitted for approval must be approved or disapproved within:

- ✓ 180 days of submission, or
- ✓ 60 days after compliance if required, with Section 102 (2) (c) of NEPA or any other requirement of Federal law, whichever is later.

- Prepare the leasing Checklist. (See Attachment 10 –Lease Approval Checklist.)
  - ✓ The checklist should be affixed to the Lease Folder in order for it to circulate through the staff responsible for the various completion steps.
  - ✓ Each staff member assigned to conduct specific steps in the approval process should date and initial each step on the checklist as it is completed.

***Step 5:* Funds due may be received by BIA at any time during the procedure.**

- Deposit in SDS.
- Obtain copies of all checks paid directly to the tribe.

***Step 6:* Review the agreement.** (25 CFR § 225.21)

- Confirm that an original Tribal Council resolution authorizing tribal officers to enter into the agreement is provided.
- Provide copies of the agreement to BLM, ONRR, Division of Energy and Mineral Development (DEMD), Office of the Field Solicitor, and other offices as appropriate for review.
- Obtain an economic assessment from DEMD that addresses the following, to include but not limited to:
  - ✓ Assurances in the agreement that operations will be conducted with appropriate diligence
  - ✓ The production royalties or other forms of return on the resource is adequate
  - ✓ The agreement is likely to provide the beneficiary with a share of the return on the production equal to what other owners of comparable contemporary contractual arrangements received insofar as that information is available.
- Determine, in consultation with designated staff, actions necessary to ensure compliance with NEPA, National Historic Preservation Act (NHPA) and Endangered Species Act.

For additional information, see the 59 IAM 3, National Environmental Policy Act and the NEPA Guidebook (http://www.bia.gov/WhatWeDo/Knowledge/Directives/Handbooks/index.htm).

If the proposed lease is categorically excluded, no consultation may be necessary. Send the categorical exclusion (Cat Ex) exception checklist to the designated environmental office for signature. (See Attachment 9 - Categorical Exclusion Checklist) See Chapter 4 in the NEPA Guidebook for directions on completing the checklist.

- Determine if the agreement is in the best interest of the beneficiaries based upon the following considerations:
  - ✓ Potential economic return to the tribe
  - ✓ Social, environmental and cultural effects

- ✓ Provisions for resolving disputes
- ✓ All provisions of law have been met

- Attach the completed Checklist to the Lease Folder. (See Attachment 12 – IMDA Checklist)

Step 7: **Provide the tribe with a 30 day Notice of Intent to Approve or Disapprove, signed by the approving official.** (25 CFR § 225.22(b))

- The 30 day notice is required by law, and gives the tribe an opportunity to reconsider or modify the agreement.
- If the tribe decides to modify the agreement, the 30 day notice is void, and an additional review period is necessary to examine any proposed changes.
- Indicate in the decision notice if the following conditions have been met:
  - ✓ The agreement is in the best interest of the Indian mineral owner
  - ✓ The agreement does not have an adverse cultural, social, or environmental impact on the Indian lands and community affected, sufficient to outweigh its expected benefits to the Indian mineral owners
  - ✓ The agreement complies with the requirements of this part and all other applicable regulations or provisions of applicable Federal Law
- Include in the notice any recommended changes to the agreement required to qualify for approval.
- The 30 day period commences on the date the notice is received by the tribe. (Send to Tribe via Certified mail – Return Receipt.)
- If the agreement cannot be recommended for approval, work with the tribe and the potential lessee to resolve the issues hindering BIA approval.
- If resolution cannot be reached, forward the agreement to BIA Central Office with a written statement of the reasons why the agreement should not be approved (per 25 CFR § 225.22(e, f)). The Assistant Secretary-Indian Affairs reviews any agreement referred which contains a recommendation that it be disapproved, and makes the final decision for the Department.

Step 8: **If the agreement is acceptable, the Approving Official approves the agreement and issues the Final Decision Letter.** The agreement should be encoded in TAAMS so that the official may also record electronic acceptance.

Step 9: **Record the IMDA agreement in the LTRO.**

Step 10: **Distribute the approved IMDA agreement to:**

- Lessee
- BLM
- Tribe/Beneficiary
- Agency Superintendent

- Regional Real Estate Services retains an original.
- DEMD (copy)
- Forward a copy of the IMDA to ONRR when production commences.

Step 11: **If funds are collected prior to approval, deposit into SDS.**

- Upon approval, transfer and distribute monies collected to appropriate Tribal PL account or individual IIM account.
- See the OST Collections and Distribution handbook for further instruction.

Step 12: **Unique agreement terms may require future monitoring by Tribe, BIA, BLM, and ONRR staff.**

Step 13: **BLM will provide the Notice of First Production to both BIA and ONRR. BIA will provide ONRR a copy of the *agreement* and the BLM Notice.**

4.5 TRIBALLY OPERATED PROPERTIES

PURPOSE

These requirements ensure that federal operations procedures, regulations, and rules to assure safety of workers, environmental protection, and the protection and conservation of Trust resources are met. BIA staff involved include: Petroleum Engineer, Geologist, Realty Officer, and Realty Specialist, to assure that a Tribal Resolution and other relevant documentation are in place for wells that the tribe intends to operate.

SCOPE

These procedures are initiated upon receipt of notice from a tribe that they intend to operate fluid mineral production.

PROCESS - PART A

To be used if a tribe develops its own fluid minerals using a separate legal entity from the tribe (i.e., a tribally-owned corporation).

Step 1: **Receive a legal notice from the tribe of their intent to lease or accept assignment to develop and/or operate its own mineral resources.**

Step 2: **Inform the tribe of all federal requirements concerning operational regulations, bonding, IMDA, NEPA, TERA, etc.**

Step 3: **Ensure that no allotted properties will be harmed or placed in jeopardy.**

- Ensure that a lease is in place, or that any existing lease is incorporated and accounted for via communitization, or that the assignment transfers valid lease rights.
    - ✓ BIA receives or prepares an IMDA-type Agreement that specifies acreages involved and operational procedures to be used
    - ✓ BIA receives Corporate Documentation and Bonding, or Tribal Surety

Step 4: **BLM recommends costs associated with plugging, abandonment, and reclamation to be used, at the least, as the minimum bonding requirement.**

- Estimate the royalty values for any associated allotted properties as a minimum bonding base.

Step 5: **If the tribe intends to assume an existing operation, complete the following:**

- Facility inspections by BLM/BIA to include casing integrity tests.
- Verify with ONRR, BIA lease records, and Tribe that all rents and royalties are current.
- An on-site inspection to ascertain existing environmental conditions.

Step 6: **Receive a contractual agreement defining how the Tribe intends to abide by terms and conditions of lease operations, including:**

- A resolution or legal document disclosing the approving consent of the Tribe's governing body
- A legal description of the lands to be assigned or developed
- The ownership of the surface estate
- The ownership of the subsurface estate
- Assignment forms, certified engineering survey, plats, and maps disclosing the intended plan of operation, and any subsequent engineering surveys, plats, and maps of deviations from the initial plan of operations of sufficient detail for BIA to file and record the development of these fluid mineral resources for purposes of notice (BIA-LTRO)
- The methods to be used for compensation to the affected parties, including:
    - ✓ Any individual Indian surface and subsurface estate owners
    - ✓ Any other surface and subsurface estate owners
- A communitization agreement in compliance with spacing orders necessary to conserve and protect the fluid mineral resource being exploited, if the subsurface estate is owned by more than one entity
- Proof of insurance and financial ability to provide for:
    - ✓ Protection of the safety and health of all individuals involved in working at or on the area of development
    - ✓ Adequate protection and conservation of the fluid mineral resources
    - ✓ Costs of surface disturbance of other surface estate owners as effected
    - ✓ Costs of reclamation of all operational activities including:
        - ▪ Plugging and abandonment of the wellbore
        - ▪ Removal of all surface equipment used in the operations
        - ▪ Restoration of the surface affected by the operations
- The method of reporting all volumes of revenue generating fluid minerals produced and delivered to the surface for ultimate sale
- The method of disposing of all volumes of other fluids produced which are not a portion of the revenue stream
- Any documentation required to disclose the effects to social, cultural, and environmental parameters as affected by the development operations, as needed to comply with applicable federal regulations or acknowledgement of APD requirements in an assigned lease.
- A statement committing to develop the fluid mineral resource consistent with43 CFR Parts 3160 and 3280 and BLM's Notice to Lessees (NTL's) and Onshore Orders (OO's)
- Certification that equipment operability follows BLM inspection and certification

Step 7: **Provide the tribe with a written review and recommendations, if any. If there are no recommendations, then provide the approved document.**

If it is determined the tribe's fluid minerals development and production plan places trust assets in

imminent jeopardy of substantial and irreparable harm, and the tribe proceeds with its plan notwithstanding BIA recommendations, take appropriate action to prevent such substantial and irreparable harm to trust assets.

Step 8: **Assign a sequential lease number in accordance with your agency procedure to the agreement or process the assignment.**

Step 9: **Provide copies of the contractual agreement or assignment to BLM and ONRR.**

PROCESS - PART B

If a tribe intends to develop its own minerals without using a separate legal entity from the tribe then follow the steps below.

Step 1: **Follow Part A, steps 1 through 5, and then proceed to steps 8 and 9.**

4.6 TRIBAL ENERGY RESOURCE AGREEMENTS (TERA)

PURPOSE

These requirements ensure that federal operations procedures, regulations, and rules to assure safety of workers, environmental protection, and the protection and conservation of Trust resources are met. BIA staff involved in TERA agreements include: Petroleum Engineer, Geologist, Realty Officer, and Realty Specialist, to assure that a Tribal Resolution and other relevant documentation are in place for wells that the tribe intends to operate.

SCOPE

> NOTE: This procedure is dependent upon publication of the new regulations that are currently under development in support of the 2005 Energy Bill Title V specific to Tribal Energy Resource Agreement.

The procedures included in this section assume that the BIA will oversee leasing, environmental, ROWs, etc, but a TERA agreement allows the BIA to accept an overall plan by the tribe to be responsible for all leasing, environmental, and ROWs as designated in the plan. The plan would have to be approved by the BIA. The only subsequent oversight action by BIA would be if someone complained about the lease, business arrangement or environmental or ROW requirements, or if BIA determined that business was being conducted adversely to the plan.

4.7 COMMUNITIZATION AGREEMENTS

PURPOSE

For the purpose of promoting conservation and efficient utilization of minerals, the Secretary may approve a cooperative unit, drilling or other development plan on any leased area upon a determination that approval is advisable and in the best interest of the Indian mineral owner. A cooperative unit, drilling or other development plan means an agreement for the development or operation of a specifically designated area as a single unit without regard to separate ownership of the land included in the agreement. Such cooperative agreements include, but are not limited to, unit agreements, communitization agreements and other types of agreements that allocate costs and benefits.

The CA is prepared by the lessee/operator and requests for approval of cooperative agreements which comply with the requirements of all applicable rules and regulations shall be filed with the Superintendent and/or Regional Director. The consent of the Indian mineral owner to such unit or cooperative agreement shall not be required unless such consent is specifically required in the lease. However, the Secretary shall consult with the Indian mineral owner prior to making a determination concerning a cooperative agreement or well spacing plan.

All tribal and Indian mineral owners of any right, title or interest in the mineral resources to be included in a cooperative agreement must be notified by the lessee at the time the agreement is submitted to the superintendent or area director. An affidavit from the lessee stating that a notice was mailed to each mineral owner of record for whom the superintendent or area director has an address will satisfy this notice requirement.

Unless otherwise provided in the cooperative agreement, approval of the agreement commits each lease to the unit in the area covered by the agreement on the date approved by the Secretary or the date of first production, whichever is earlier, as long as the agreement is approved before the lease expiration date.

Any lease committed in part to any such cooperative agreement shall be segregated into a separate lease or leases as to the lands committed and lands not committed to the agreement. Segregation shall be effective on the date the agreement is effective. Wells shall be drilled in conformity with a well spacing program approved by the authorized officer.

SCOPE

The CA must be examined by the Minerals Officer, Realty Officer, Petroleum Engineer, Geologist, and/or Realty Specialist. (See 1.4 Communitization and Unit Agreements for further discussion)

For CAs that involve other types of land ownerships (e.g., public, fee or other federal land), BLM provides the recommendation for approval to BIA.

PROCESS

Step 1: **Provide the recommended communitization agreement template to interested parties** (See Attachment 13 –DRAFT Communitization Agreement).

- The CA is prepared by the lessee/operator and provided to BIA, BLM and/or the tribe (if tribal land).

Step 2: **25 CFR § 211.28 and 25 CFR § 212.28 Receive and Review a Proposed CA Package.**

- Read the CA to ensure legal accuracy and conformance with the approved CA form.
- The CA package includes, but is not limited to:
  - ✓ The CA in an approvable form
  - ✓ Diagram or plat map of the spaced area containing: CA tract numbers, Net mineral acreage, Lease numbers, and Ownership (tribal, allotted, fee, state, federal)
  - ✓ Legal description
  - ✓ Text description of each participating lease within the spaced/CA area
  - ✓ Lease numbers
  - ✓ Allotment/tribal tract numbers
  - ✓ Allotment names, is applicable
  - ✓ Net mineral acreage
  - ✓ Royalty rate
  - ✓ CA tract number assigned by BLM (normally assigned after approval by BIA)
  - ✓ Lessee(s)
  - ✓ Affidavit from lessee stating that a notice was mailed to each mineral owner of record, or approval from lessors whose lease does not contain an agreement clause
  - ✓ Other pertinent data as appropriate
  - ✓ Recapitulation Sheet
  - ✓ Division of Interest expressed as a percentage of the total communitized area
    - The division of interest is a per tract calculation of the tract acreage divided by the total acreage of the CA times the royalty rate (See Attachment 14 –Communitized Section / Division of Interest Example).
    - Communitized production is allocated to leases on the basis of acreage (i.e., a160 net mineral acres lease located within a 640 acre communitized area receives a 25% allocation (160 acres/640 acres)).
  - ✓ Other attachments may include:
    - Spacing Order
    - State Pooling Agreement

- The Lessee/Operator submits five originals of the package:
  - ✓ 2 original documents for BIA files
  - ✓ 1 original document to BLM

- ✓ 1 original document to ONRR
- ✓ 1 original document to be returned to the lessee/operator after approval of the CA

- A request for approval of a proposed CA and all associated documents must be filed with BIA at least 90 days prior to the first expiration date of any of the Indian leases in the area proposed to be covered by the CA.
  - ✓ An operation on any one lease is construed as an operation on all leases within the CA.
  - ✓ If CA operator is not the lessee of record for those leases contained in the CA, the operator is required to provide organizational documentation (i.e., Articles of Incorporation) and bonding.
- Applications to form a CA must include an affidavit certifying all Indian mineral owners have been given notice of the pending action. Provide potential operators with the names and addresses of Indian minerals owners when such information is requested.
- The operator applying for approval or amendment of a CA may be requested to provide copies of farmouts or similar type operating agreements in cases where such agreements could have a bearing upon the ownership of the working interest in the CA. BIA is required to approve all working or drilling agreements that have the potential to affect the lease terms (i.e., increased royalty rate or compensation) to assure that the agreement(s) are in the best interest of the Indian mineral owner(s).
- Confirm all leases contained in the spaced area are identified correctly on the Division of Interest diagram.
- The specific producing formations (i.e., formation marker bed, e-log signature) and type of fluid product expected from development (i.e., gas and associated liquids) must be specified in the CA document.
- Verify the tract legal description, acreage, lease number, CA Tract No. assignment, formations or production zones, and the Division of Interest value.
- Ensure that the economic effects of the agreement are in the best interest of the Indian mineral owner(s) and document these effects.
  - ✓ This documentation must recognize correlative rights and the right of capture, so the best interest of the Indian mineral owner(s) may require accepting a smaller bonus or royalty if the economics of the project require these concessions or if drainage is occurring.
- Check the agreement against agency lease records and a TSR for any discrepancies (See Attachment 1 – TSR Request Form).
- Type wording for **"**Delegation of Authority**"** into the body of the CA (all 5 copies) and mark for signatures.
- Create a CA file. If BLM assigns the CA number, set aside until copies return from BLM.
- Label the file using the BIA or BLM assigned number.
- Complete the CA Checklist (See Attachment 15 – Communitization Agreement Checklist).

Step 3: **Forward the CA package to BLM for review** (this step may not be necessary if the CA was

initialed by BLM).

- BLM is required to recommend approval based upon the engineering and technical aspects of the agreement to assure the protection of the interests of the Indian mineral owner.

Step 4: **Forward the CA package to the Tribe for review, if applicable.**

Step 5: **Receive the CA package from BLM with a recommendation for approval.**

Step 6: **Prepare a memo to the approving official recommending approval of the CA.**

- The potential for disputes related to approval of CAs exists, therefore the actions and reasoning related to approval/disapproval of such agreements should be thoroughly documented.

Step 7: **Submit the CA to the approving official for approval.**

- The Secretary has the discretion to approve or disapprove a CA based on whether the CA is in the best interest of the Indian mineral owner.
- BIA provides final approval of CAs that concern Indian trust lands.

Step 8: **Send a letter to the operator as appropriate that includes ONRR reporting requirements.**

- Notify the lessee that the lease has been committed to a CA operation, and that production within the area will hold the leases, if required by the provisions of the lease.

Step 9: **Encode the CA in TAAMS.**

Step 10: **Forward the approved CA to the designated LTRO for recordation.** (See Attachment 11-Recordation Form)

Step 11: **Distribute the CA as follows:**

- Agency and/or Regional office(s)
- Operator
- BLM
- ONRR after the first production notice or a request from ONRR
- Copy to mineral owner

4.8 UNIT AGREEMENTS

PURPOSE

The Unit Operator proposes the formation of a Unit to the BLM on behalf of all the lessees and working interest owners. BLM determines if the Designation of Logical Unit Area (43 CFR § 3181.2) has been met. If the proposed unit boundary contains Indian minerals, BLM notifies BIA. The participants in approving a Unit Agreement involving Indian lands are the lessee/operator, BLM and BIA minerals staff. The BIA Petroleum Engineer, Geologist, Realty Officer, and Realty Specialist evaluate the proposal to ensure the Indian tracts are under lease and listed with correct acreages and royalty rates.

SCOPE

BIA is responsible for protection of the Indian lands in terms of their participation in royalty sharing according to the Division of Interest of each tract in the Unit. The BIA role is limited to review and approval of a proposed unit agreement. BLM is delegated responsibilities for the Applications for Permit to Drill (APD), unit operations, monitoring unit activities, maintaining a record of all of the working interests participating in the unit, and determining the allocation of production within units. Unit Operators are responsible for all operations within the UA, including payments of royalties, rents, lease compliance, well operations, reclamations, etc.

PROCESS

Step 1: **Receive notification from BLM that the proposed boundaries of a unit contain Indian minerals.**

Step 2: **Review the proposed UA** (See Attachment 16 – Unit Agreement Forms).

- During the review, ensure the following:
  - ✓ The economic effects of the agreement are in the best interest of the Indian mineral owner(s)
  - ✓ The Unit Operator has provided organizational documentation (e.g., corporate documents and records of any previous non-compliance) and bonding
  - ✓ The UA document is legally correct and technically accurate. Request a legal review if necessary
  - ✓ The UA includes a contraction clause which provides that the exploratory term cannot exceed five (5) years to protect non-participating Indian acreage. After 5 years, the unit may contract down to the area that is producing minerals.
  - ✓ Copies of any farmouts or similar operating agreements have been provided in cases where such agreements could have a bearing upon the ownership of the working interest in the unit.
- Applications to form units must include an affidavit certifying all Indian mineral owners have been given notice of the pending action. Provide potential operators with the names and addresses of Indian minerals owners when such information is requested.

- Examine the Indian leases contained in the proposed unit boundary:
  - ✓ Verify the Indian tracts are under lease and listed with correct acreages and royalty rates
  - ✓ Assure that the lessees are in good standing (i.e., have complied with the terms of the leases in all respects, including the commencement of drilling operations, or actual drilling or production in paying quantities (depending on the terms of the lease), within the unit area prior to the expiration date of any Indian lease).
  - ✓ Consider the participation opportunity of each lease and the effect on economic benefits
  - ✓ Determine if the leases require segregation if portions of the leases fall outside the unit boundary
- Verify that the Unit Operator has notified the mineral owners that lease(s) are being unitized. The lessor's consent is not required if it has already been granted by the lease terms.

Step 3: **If the Unit contains any Trust surface estate, conduct a site inspection of all areas to be disturbed, and issue a Grant of Easement for Right-of-Way.** (See the Grants of Easement for Right-of-Way on Indian Lands Handbook for more detail)

Step 4: **Review the BLM recommendation and determine if the UA must contain any special language to protect the Trust mineral estate.**

Step 5: **Provide a recommendation to the approving official that BIA agrees or disagrees that Indian leases can be committed to the UA.**

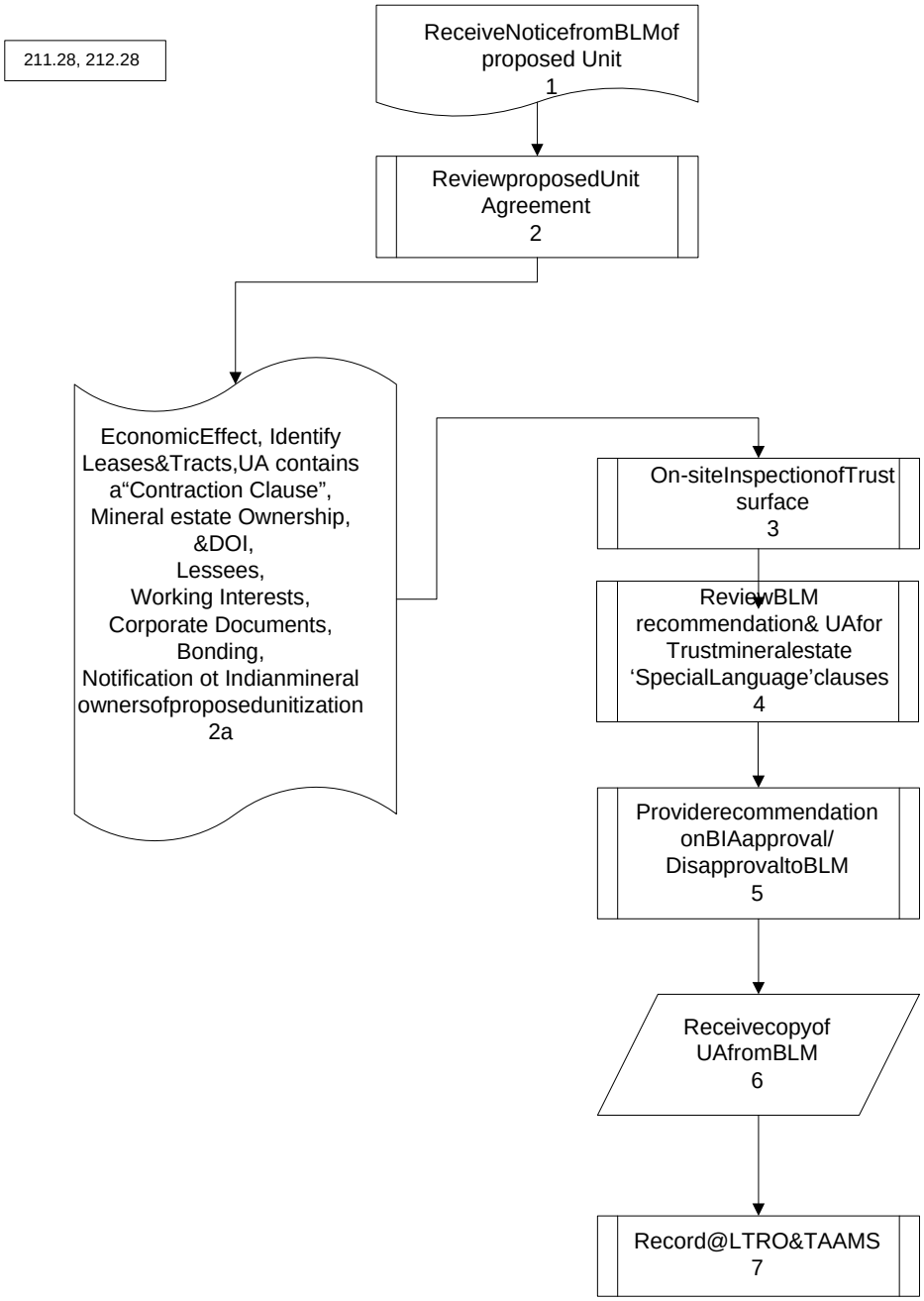
- The potential for disputes related to denial of approval of UAs exists, therefore the actions and reasoning related to approval/disapproval of such agreements should be thoroughly documented.
- The approving official provides BLM with BIA's decision.

Step 6: **Receive a copy of the approved UA from BLM.**

Step 7: **Encode and record the UA.**

- Encode the UA in TAAMS.
- Forward the approved UA to the designated LTRO for recordation. (See Attachment 11-Recordation Form)

Unit Agreement Flow Chart



4.9 DESIGNATION OF OPERATOR

PURPOSE

The lessee may function as the operator of the well(s), or may designate another party to operate the well(s), which may be a working interest owner. BIA staff includes the Petroleum Engineer, Geologist, and Realty Specialist, to process the "Notice of Designated Operator" for approval by the delegated authorizing official.

SCOPE

All operators must be approved by the delegated approving official so BIA, BLM and ONRR are aware of who is performing operations under the terms and conditions of the lease. If the operator fails in any aspect of the operation, the lessee remains the responsible party. The lessee may function as the operator of the well(s), or may designate another party to operate the well(s), which may be a working interest owner. See Section 3.9 designation of Operator Overview for additional information.

PROCESS

Step 1: **Receive a Notice of Designated Operator.** (See Attachment 25 – Designation of Operator)

- Ensure that the Designated Operator is adequately bonded. (See 1.10 Bonds for a discussion of bonding requirements)
- Require the Designated Operator to provide organizational documentation (e.g., Corporate Articles of Incorporation) based on authority being assigned.

Step 2: **Review the Notice of Designated Operator.**

- Verify all lease(s) identified in the Notice of Designated Operator are in full compliance and valid.
- Determine what terms and conditions of the lease the Designated Operator is responsible for (i.e., well operations, royalty payment, and specialized actions).
- Confirm that the Designated Operator has supplied all required documentation. When an assignment comes into BIA and the operators on lease are in the process of change, a Notice of Designated Operator will need to be filed by the assignor to allow operations to continue under the new operator until the assignments are approved.

Step 3: **If tribal land, obtain the tribe's approval of the proposed designation, if required.**

Step 4: **Prepare and forward a letter of recommendation to the delegated approving official.**

Step 5: **Obtain approval or disapproval from the delegated approving official.**

Step 6: **Send copies of designation to BLM, ONRR and the Designated Operator.**

Step 7: **File the approved designation in the lease and well files, and the CA file if applicable.**

4.10 ASSIGNMENT OF LEASE INTEREST

PURPOSE

Oil and gas lessees may assign either their whole interest or an undivided interest in a lease. A lease cannot be subdivided from the original agreement. Pursuant to 25 CFR § 211.53(b) and § 212.53(b), an operator(s) is not permitted to conduct any operations under an assignment until the approval of the assignment by BIA. Assignors are responsible for assuring that all production reports and payment of rents and royalties are timely submitted during the interim period that the assignment documents are being processed.

SCOPE

Assignment processing is conducted by Realty Specialists and Clerks, and approved by the Realty Officer, the Superintendent, or the Regional Director. Individual responsibilities of BLM, ONRR and BIA are documented in the Tripartite MOU (soon be replaced with the Onshore Energy and Mineral Lease Management Interagency Standard Operating Procedures).

A merger may or may not be accomplished through an assignment. Thorough review of the merger is required. If bankruptcy proceedings result in a sale of the mineral leaseholds, the sale is treated as an assignment. (See Section 5.4 Lessee or Operator Bankruptcy for further information)

PROCESS

Step 1: **Receive a request to assign a lease** (25 CFR § 211.53, § 212.53, § 225.33)

- Provide instructions on filing an assignment (See Attachment 17 – Instructions and Lease Assignment Form).

Step 2: **Receive a proposed assignment for approval.**

- The assignee submits five (5) copies of the assignment form.
    - ✓ Operating rights can be assigned by this same procedure, but a special form is utilized (See Attachment 18 – Assignment of Operating Rights Form).
- All assignments must be filed within five (5) business days after the date of execution by the assignor(s) and assignee(s).

(Note): Exception for Five Civilized Tribes: All assignments must be filed within twenty (2)0 business days after the date of execution by the assignor(s) and assignee(s).

(Note): Exception for Osage: All assignments must be filed within thirty (30) business days after the date of execution by the assignor(s) and assignee(s).

- All assignments must be accompanied by a filing fee payable to BIA and to be deposited in FFS/FBMS.

Step 3: **Forward the proposed package to BLM and ONRR for appropriate clearance** (See Attachment 20 – ONRR Concurrence with Assignment). Also forward the package to the tribe if applicable.

Step 4: **Review the assignment package.**

- Prepare a checklist for the tracking of the process (See Attachment 21 – Assignment Checklist).
- Ensure the assignee is qualified to acquire and hold leases.
  - ✓ An assignee must provide the same documentation as the original lessee.
  - ✓ An "Evidence of Authority of Officers to Execute Papers" is provided by both the assignor and assignee if the parties are corporations (See Attachment 8 –Evidence of Authority of Officers to Execute Papers). The date of execution on this form is the same date the assignment was executed by the officer. If both parties are corporations, the corporate seal is impressed or stamped on all documents being executed by the corporate officers.

    If one or both of the parties is not incorporated, evidence of the authority of the individual signing for the assignor or assignee is furnished (i.e., with a partnership, all partners sign, or a Power of Attorney or copy of Partnership Agreement authorizing officer to sign for the party is provided).

  - ✓ If a corporation is a new lessee, the following must be filed: a certified copy of the Articles of Incorporation, License to Do Business in the state where the lease(s) are held; latest financial statement; and a list of names and addresses of corporate officers, principal stockholders and directors.
  - ✓ If an individual has designated someone to act as an Attorney-in-Fact or given Power of Attorney to act on their behalf, these documents must be provided with the assignment package.
  - ✓ If an assignment is made to a trust, the party is required to submit a copy of the trust agreement with the assignment. The trust agreement is filed and considered Confidential Information (not to be made available to the public for review).
  - ✓ The assignee must also submit a statement that they accept all responsibility for back royalties, rentals, etc.
- Ensure that the total lease interest equals 100% and that the interest assigned does not exceed the interest the assignor owns. The assignor should state what percentage of his interest he is assigning and should also state how much he is retaining if they do not transfer their entire interest. Stating what is owned, what is being transferred and how much is retained will make the job of verifying the assignments much easier.

- Ensure the assignee has provided adequate bonding. The required amount of the bond may vary. The right to increase the amount of bonds and collateral security prescribed is specifically reserved. (See Attachment 19 – Sample Bonds and Irrevocable Letter of Credit).
- Verify the lessee of record.
- Receive clearance from ONRR and BLM.
- If tribal lands are involved, verify that the tribe has approved the assignment.

Step 5: **Recalculate the division of lease interest** (See Attachment 14 – Communitized Section / Division of Interest Example)**.**

Step 6: **Prepare a letter of recommendation for approval or disapproval.**

Step 7: **Deliver the recommendation to the delegated authorizing official for approval or disapproval of the assignment.**

- **Operators are not permitted to conduct any operations until approval of the assignment** (See 4.9 Designation of Operator).

Step 8: **Send copies of the approved assignment to the assignee(s), BLM, ONRR, the tribe and individual mineral owner(s).**

Step 9: **Encode using revisions in TAAMS, and provide the assignment to the LTRO for recordation** (See Attachment 11 – Recordation Form).

Step 10: **Attach the completed checklist along with the approved assignment to the Lease file** (See Attachment 21 – Assignment Checklist).

4.11 CHANGE OF NAME

PURPOSE

Change of Name of the lessee is processed by Minerals and/or Real Estate Services offices responsible for the management of oil, gas, and/or geothermal leasing. The Petroleum Engineer, Geologist, Minerals or Real Estate Services Officer, Realty Specialist, and Realty Clerk conduct the activities based on receipt of request from the lessee.

SCOPE

The process requires a complete review, verification, and conversion to the new information of the lessee's corporate documentation file and bonding, and affects all holdings of the particular lessee. Name change additionally affects all field development activities, including proper sign posting and any permitting requests to conduct activities on the leases of interest. IEED approves Nationwide Bonds and name changes to bonds, sometimes prior to Agencies receiving the required documents. The IEED process should be reviewed and consistent with this handbook.

PROCESS

Step 1: **Receive a Lessee request for Change of Name.**

Step 2: **Verify and determine all leases affected by the change of name. Update Assignment chain of title if the Assignment is not in the name of the lessee.**

Step3: **Verify that all information provided to support the change of name has been provided by the lessee/assignee, including:**

- Corporate documentation files (as described above in Lease Issuance)
- Bonding
- Certification that all liabilities are retained by the newly named entity
- Lease files
- Well files

Step 4: **When all verifications are completed, approve change of name request.**

Step 5**: Return approved name change to the lessee.**

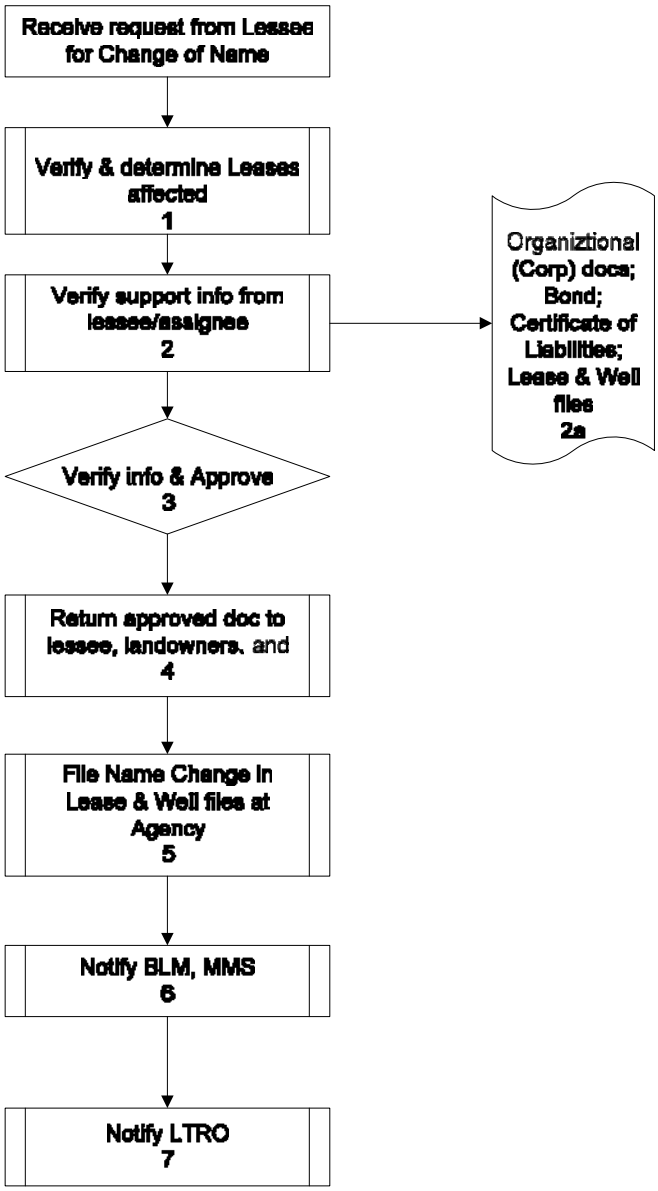
Step 6: **File the name change in the lease and well files at the Agency.**

Step 7: **Notify BLM and ONRR of name change approval.**

Step 8: **Encode using revision in TAAMS and provide document to LTRO notifying them to Record the Name Change.**

Change of Name Flow Chart

Ensure the new name is on all supporting documents, including the bond



4.12 APPLICATION FOR GEOLOGICAL AND GEOPHYSICAL PERMITS

PURPOSE

Seismic exploration provides additional geologic information on the mineral resource along the entire seismic line, or 3-D volume, without respect to land ownership. The Minerals Officer, Realty Officer, Petroleum Engineer, Geologist, Realty Specialist, and Realty Clerk issue permits for geological or geophysical (seismic) exploration. Geological and Geophysical Prospecting (seismic) Permits may also be granted by the Indian mineral owners with the written approval of BIA.

SCOPE

The procedure usually begins in the agency Minerals or Realty office with receipt of a request for permit issuance or approval. Field inspections are conducted to determine impacts associated with the mineral investigation process. Such permits do not grant development rights, or the right to remove minerals (except for sample collection and testing), or any preferential rights to obtain leases. BLM may be involved in the field inspection

Allottees and tribal mineral estate owners retain ownership of all physical specimens, all data and pertinent seismic data along the entire seismic shoot (regardless of ownership), obtained as a result of tests conducted under these permits. Contact the Division of Energy & Mineral Development for additional information and assistance.

PROCESS

Step 1: **Receive a request for a survey and/or a geological or geophysical prospecting (seismic) permit** [May come individually or together] (25 CFR § 216.56, § 211.56, § 212.56)

- Determine if requestor is the Lessee or Third Party Contractor (Speculation Shoot).
- Provide the requestor with the application form and instructions for submittal (See Attachment 22 – Instructions, Checklist, and Geological or Geophysical Prospecting Permit Form).
- Include NEPA requirements in the instructions. See the NEPA Guidebook for additional information (http://www.bia.gov/WhatWeDo/Knowledge/Directives/Handbooks/index.htm).
- If a request for survey is submitted prior to receiving a permit application package, then the survey request may be approved independently with a categorical exclusion (Cat Ex).
- If requested, furnish the names of mineral and surface owners so the applicant can secure the necessary consents (See Attachment 23 – Acceptance of Permitter to Oil and Gas Geophysical Permit)
- Verify that existing leases in the area of interest allow geological/geophysical prospecting by a third party.
- Determine all fees to be assessed. Fees may include:
    - ✓ Prospecting permit fee
    - ✓ Administrative fee
    - ✓ Surface damage fee

- ✓ Other applicable fees

Step 2: **Receive a permit application package**.

- The applicant sends a letter to the agency requesting issuance of a geological or geophysical prospecting (seismic) permit and a completed permit application form.
- The letter indicates if the land is tribal or allotted, the location of the permitted area, estimated acreage affected, and to whom the permit is to be issued.
- All applicable fees are submitted with the application.
- Prepare a Checklist for each application (See Attachment 22 –Instructions, Checklist, and Geological or Geophysical Prospecting Permit Form)
    - ✓ The checklist is affixed to the Permit Folder to circulate to the staff responsible for the various completion steps.
    - ✓ Each staff member assigned to conduct specific steps in the approval process must date and initial each step on the checklist as it is completed.

Step 3: **Review the permit application package.** (25 CFR § 211.56(c), § 212.56(a)(3))

- Check Agreement/Permit for language that all data collected will be provided to the Secretary and the beneficiary mineral estate owners. Contact DEMD to determine what data needs to be provided.
- Ensure that the permit request covers the entire exploration area.
- Assess the extent, impact, and cost of surface damage and the impact on cultural or environmental sites. (25 CFR § 216.4(b))
- Ensure the requestor has secured the necessary consent of both the surface and mineral estate owners.

Necessary consent for prospect permitting will be defined by the surface and mineral estate ownership and agency/regional office procedures and conditions.

- If the permit request is for an area of split estate, ensure the requestor has:
    - ✓ Secured approval from mineral estate owners
    - ✓ Attempted to secure an agreement with the surface estate owner(s) [Mineral estates has dominance over the surface estate rights].
    - ✓ Agreed to pay surface damages to the surface owner for rights of ingress and egress, separate from any payment made to the mineral owner.
- Review the proposed type of activity and the equipment that will be used.
- Ensure that NEPA documentation is complete. See the NEPA Guidebook for additional information (http://www.bia.gov/WhatWeDo/Knowledge/Directives/Handbooks/index.htm).
- Confirm that maps showing the location of the proposed permit have been submitted.
- Ensure that the applicant has filed a bond. See 1.10 Bonds for additional discussion.

- Ensure that the appropriate organizational documentation (i.e., Corporate Articles of Incorporation) has been submitted.
- Ensure the applicant has included a statement committing to the reclamation requirements of all disturbed areas within the permit area. Surface of the land must be restored to its original condition, as nearly as practical, in conformity with good conservation practices.
- Verify that all applicable fees have been submitted for:
    - ✓ The use of the property and benefit of the landowner
    - ✓ Unnecessary surface damages to vegetation including fences, building and any other tangible property of the landowner located on the permitted land
    - ✓ A filing fee

Step 4: **Conduct a field inspection to determine impacts associated with the mineral exploration process.**

Step 5: **Obtain BLM approval of any attached exploration plan (applies if the lands are under lease/agreement) of the geological and/or geophysical permit application, and written permission to initiate operations on the permit premises.** (See Attachment 24 – Exploration Plan Requirements).

- BLM does not have a role if the lands are unleased or the permit application is exclusively for geological and/or geophysical exploration.

Step 6: **Approve the permit**.

- Assign a contract number.
- Prepare and forward a recommendation to approve or disapprove the permit to the delegated approving official.
- Encode in TAAMS
- The approving official approves or disapproves the permit.

Step 7: **Send the permit to the LTRO for recordation** (See Attachment 11 – Recordation Form).

Step 8: **If the permit is approved, distribute the permit to:**

- BIA (retains original permit)
- BLM
- Permittee
- Tribe
- Allottees

4.13 APPLICATION FOR PERMIT TO DRILL

PURPOSE

An Application for Permit to Drill (APD) allows for the drilling of a well to extract fluid mineral resources. A Petroleum Engineer, Geologist, Minerals Realty Specialist, and Minerals Realty Clerk, Resource Specialist, Natural Resource Protection Specialist, Environmental Protection Specialist, Petroleum Engineering Technician and Archaeologist are involved in the issuance of the permit.

SCOPE

The procedure commences when an APD is received by the BLM, who in turn forwards the APD to BIA for review. This same review process applies to surface use plans in split estates of Indian-owned surface and non-Indian mineral ownership. The APD consists of two parts: drilling procedures and the Surface Use Plan. Verification of the APD sets the stage for surface inspection activities by the BIA, surface estate owner(s) and the lessee, in coordination with BLM. BIA is the responsible surface management agency, so BIA provides BLM with stipulations and conditions for the use of the surface in the development of oil and gas properties. The completed APD package consists of:

- Form 3160-3, Application for Permit to Drill or Reenter
- Surface Use Plan of Operations (SUPO)
- Drilling Plan
- A well plat certified by a registered surveyor
- Evidence of bond coverage
- Operator certification in accordance with the requirements of Onshore Order No. 1
- Original or electronic signature
- Other information required by order, notice, or regulation

Drilling and related surface-disturbing operations are not allowed without an approved APD. Requests for changes to an approved APD must be submitted to BLM for prior approval on a Sundry Notice.

PROCESS

Step 1: **Receive a copy of the APD filing from BLM and/or operator** (See Attachment 26– Application for Permit to Drill).

Some lessees may begin the process with a Notice of Staking (NOS) rather than an APD. (See Attachment 27 –Notice of Staking)

- The Lessee/Operator must secure Permission to Survey from BIA prior to entering the Indian surface estate for the purpose of staking the well.
- All preliminary Archaeological, Paleontological, and Cultural Surveys data searches should be completed in coordination with the initial engineering survey, allowing early-on adjustments to

avoid significant sites. Final Reports of Findings must be submitted prior to scheduling any on-site inspections**.**

- Provide lessee with copies of any Tribal rules and regulations.

Step 2: **BLM reviews the proposed APD.**

- Validate the described well location being drilled (top and bottom hole locations).
- Verify that the well is located on a valid lease and in a legal bottom hole location.
- Verify that the lessee and the designated operator are eligible to operate on Trust lands.
- Confirm that the bonding and organizational documentation requirements have been met.
- Verify mineral and surface ownerships.
- Confirm that field maps have been submitted.
- Ensure the requestor has submitted all relevant archeological, paleontological and cultural reports.

Steps 1 and 2 may occur concurrently**.**

Step 3: Conduct an on-site inspection of the staked location with BLM, BIA, tribe, lessee, engineering surveyor, dirt contractor(s), archaeologist, paleontologist and/or environmental protection specialists, as required.

- The on-site inspection is conducted after survey staking so the exact location of surface disturbance is known.
- Per step one, Permission to Survey is required. The engineering surveyor and other investigators are in trespass if they do not have Permission to Survey prior to entering the property.
- Tribal access permits may be required to allow contractors and/or sub-contractors to enter the property for participation in the field inspection.
- On-site inspection allows for adjustment of proposed disturbed areas to accommodate for archaeological and environmental considerations.
- Inspect any Indian surface estate (on- or off-lease) that is impacted by the APD and make stipulations if necessary.
- Having all the involved personnel present during the on-site inspection ensures that everyone understands where and how the well access and well pad are to be constructed, and that all concerns are addressed.
- Additional APD stipulations that may be addressed during the on-site include, but are not limited to:
    - ✓ Determining if damage compensations are adequate based on local conditions
    - ✓ Opening or closing drilling fluid system. If opening, where will reserve pit be located?
    - ✓ Location of the access road, any pipelines (surface or buried), electrical supply lines, any other ancillary equipment or long-term systems necessary for either the drilling or

production phases. The Tribe may require that a formal Grant of Right-of-Way Easement be issued for any of the above.

- ✓ Water crossing provisions, cattle guards
- ✓ Soil erosion potential
- ✓ Berming requirements around tanks or other wellsite locations in accordance with EPA's Spill Prevention Control and Countermeasures (SPCC) Plan
- ✓ Water supply (for drilling and completion)
- ✓ Soil stockpile location and reclamation (post-drilling) requirements for reducing the drilling pad to the production facility
- ✓ Temporary and/or permanent fencing requirements
- ✓ Drilling pad equipment layout
- ✓ Production facility equipment layout
- ✓ Produced water disposal
- ✓ On-site sanitation, trash management (during drilling only)
- ✓ Any modifications to product delivery systems (gas gathering, compression, gas meters, LACT meters, central tank battery arrangements)
- ✓ Archaeological, environmental, and/or hazardous materials (H2S, SO2, CO2) stipulations (including SPCC stipulations)
- ✓ Types of pits and design parameters (i.e., flare, emergency, disposal)
- ✓ Other, specific to location

- After the on-site inspection, receive any corrected plat records from the engineering surveyor.

Step 4: **Prepare a report of findings and compile other documentation required to support the permit approval or disapproval. This report may be prepared by BIA, BLM, or a third Party Contractor.**

- Create site-specific environmental documentation required for APD approval, including:
  - ✓ NEPA requirements
  - ✓ Archaeological
  - ✓ Paleontological
  - ✓ Biological assessment including Threatened and Endangered Species (T&E) reporting
  - ✓ Any Tribal environmental ordinances, laws, regulations

Step 5: **Prepare and submit a concurrence letter to BLM identifying all stipulations to be attached to the Conditions of Approval for the APD**

- Document special development or operating conditions that must be complied with for archaeological, paleontological or environmental protection.

Step 6: **After BLM approval of the APD, distribute proceeds held in SDS for surface damage.**

Step7: **If stipulated in the lease or by agreement, follow the step-by-step procedure required for**

issuance of a Grant of Right-of-Way Easement, both on- and off- lease. (See the Grants of Easement for Rights-of-Way on Indian Lands Handbook for details)

- Calculate surface disturbance acreage and assess the lessee for surface damage on behalf of the trust surface owner if stipulated in the lease or by agreement.
    - ✓ The method of calculation is subject to local conditions. For example, the calculation may be based on fair market value, a range of values, or regional comparable settlements for surface damage.

NOTE FOR OSAGE: Osage conducts all activities normally the responsibility of BLM. Archaeologist provides approval to build location based on his findings.

- *Verify location legality (300 feet from Lease Line)*
- *Unique Well Number*
- *Verify APD information for:*
    - ✓ *Casing design*
    - ✓ *Total Depth (TD)*
    - ✓ *Target Formation*
    - ✓ *Mudding/Cement design is adequate (All fresh water zones are protected and cement covers all expected producing zones)*
- *Verify APD, recommend approval, and prepare Scout Ticket (Record of pertinent information about the Well Number, well location, projected depth, named oil field, surface owner identity, date of permit approval). The Scout Ticket is maintained until the well is competed and placed in production.*

4.14 LEASE COMPLIANCE

PURPOSE

Lease compliance activities are conducted by the Petroleum Engineer, Geologist, Realty Specialist, Realty Clerk, Petroleum Engineering Technician, Natural Resource Protection Specialist, Resource Specialist, and/or Environmental Protection Specialist. Accomplishments include conducting inspections of operating production facilities for compliance with terms, conditions, and stipulations as agreed to during lease issuance, APD approvals, and operations requirements. Compliance is identified in the Onshore Orders Nos. 1 through 7, Notice to Lessees (NTL), and BLM State Office NTLs (where applicable). While BIA has no enforcement authority, BIA can conduct inspections and identify Incidence(s) of Non-compliance in order to notify BLM for enforcement actions. Some tribes may have 638 contracted the BLM functions for inspection and evaluation.

> *EXCEPTION NOTE FOR OSAGE: The Agency conducts all inspection and evaluation functions.*
>
> *EXCEPTION NOTE FOR FIVE CIVILIZED TRIBES: BLM conducts inspection and evaluation on the FCT inherited lands only upon request from BIA or landowners*

SCOPE

The responsibility for monitoring both office files and field compliance during operations is a joint effort between BIA, BLM, and ONRR. Each agency is assigned specific tasks. BIA must ensure lease provisions are enforced to properly exercise its trust responsibility as required by law. In this effort, the tribe, individual owners, BIA, BLM and ONRR work together to increase surveillance of lease field operations and records for:

A. Producing leases – By providing close scrutiny over producing leases, the lessee or operator is compelled to follow a more rigid commitment to comply with all regulation and lease provisions.

B. Non-producing leases still within the primary term – BIA and BLM each have responsibilities for lease administration on non-producing leases. BLM performs annual inspections to check compliance with applicable regulations, exploration plan requirements, and agreement terms and conditions. The BIA collects all monies due prior to the establishment of production from the lease (rentals, minimum royalties, etc.).

1. Drilled but non-producing leases require special inspection consideration to assure that diligent efforts are being conducted to either establish or return the property to production prior to the end of the primary term.
2. Un-drilled leases may be inspected periodically by BLM and/or BIA to assure that no development activities have occurred.
3. Non-producing leases beyond the primary term have expired under the terms of the lease.

C. BLM requires production facility site security diagrams and/or other maps from the lessee/operator to aid in its overview of lease operations. BIA may additionally require site security diagrams for use in surface management and compliance issues.

D. BIA also conducts administrative review to determine that the lease is in good standing, and may perform overview of royalty and production reports which are submitted to ONRR and BLM.

It is recommended that lease compliance activities be conducted on routine basis.

PROCESS

Step 1: **Review all lease and related files, to include, but not limited to:**

- Lease
- Well records
- Lessee/operator
- Assignments of interest
- CA or Unit number
- Site security diagram for type and location of on-site equipment
- Special stipulations for environmental or cultural sites
- Other pertinent data relating to the site
- Production records
- Produced water disposal procedure and records
- Bonding
- Organizational documentation; e.g. Corporate Articles of Incorporation
- Annual reports
- Rent and royalty payments and reports

Step 2: **Ensure that all TAAMS and any other electronic records are accurate and complete.**

Step 3: **Inspect the well site, its access and ancillary facilities.**

- A standard inspection includes, but is not limited to:
    - ✓ Noxious weeds
    - ✓ Spills of oil or produced (salt) water
    - ✓ Condition of berms around tanks
    - ✓ Gas meter charts
    - ✓ Run tickets for sales
    - ✓ Tank diagrams
    - ✓ Accuracy of well signs
    - ✓ Condition of pits, fencing, overhead wiring and flagging
    - ✓ Gas venting
    - ✓ Seals on tank valves and oil load lines
    - ✓ Condition of tank, heater-treater, inter-connective lines, and pump
    - ✓ Road (access) condition
- Non-essential equipment not related to the lease should not be stored on-site unless a business lease authorizing the storage has been approved.

- BIA may attend BLM inspections during:
    - ✓ Gas meter testing
    - ✓ Lease Automatic Custody Transfer (LACT) meter testing
    - ✓ Tank gauging and grind-outs during sales

Step 3: **Record all findings in TAAMS and report non-compliance(s) to BLM and lessee/operator.**

4.15 UNDESIRABLE EVENTS

PURPOSE

Undesirable events are handled by the Petroleum Engineer, Geologist, Environmental or Hazardous Materials/Waste Coordinators, Realty Officer, Safety Officer. The tasks involved are usually a result of an accidental spill of fluids or chemicals used in developing and producing oil and gas resources. Concerns range from simple cleanup to prevention of contamination, and human health and safety.

The primary BIA event responder is the agency/regional Hazardous Materials/Environmental Coordinator and/or staff. The agency Branch of Natural Resources may provide technical assistance, including activities related to restoration of natural resources which have been adversely impacted by the undesirable event. The Division of Environmental and Cultural Resources Management (DECRM) may provide technical assistance, upon request, for preliminary investigations and sampling/testing.

SCOPE

BIA is responsible for management of oil and gas incidents on Indian lands and operator facilities that are under the Bureau's jurisdiction. An undesirable event usually occurs in the field or along transportation routes where chemicals and fluids are being used to develop properties (drill, complete or re-complete a well), during the removal of waste produced fluids, or when product is being moved to a sales point. Compliance with these procedures does not relieve a lessee or operator from the obligation of complying with BLM requirements set forth in NTL-3A, "Reporting of Undesirable Events" Operators also must comply with any other applicable rules and regulations of any state or any other federal agency regarding notification and reporting of undesirable events. See Section 1.7 Undesirable Events for further discussion.

PROCESS

***Step 1:* Receive the incoming call of an undesirable event from facility, operator, citizen, BLM, tribe, or agency.**

- Accurately record who, what, and where information and contact numbers.
- Immediately contact the emergency reporting office (sheriff, State Highway Patrol, etc.) if necessary.
- Notify all field personnel.
- <u>Do not make any decisions or instruct anyone to take any specific action.</u>

***Step 2:* Lease compliance staff schedules a site visit with company representative(s). During the field investigation, the company's contingency plan is reviewed.**

- If needed, technical assistance can be requested as follows:
- Operational assistance from BLM
- Testing and quantification from Division of Environmental and Cultural Resources Management

Step 3: **Lease compliance staff determines type of spill:**

- Hazardous materials spill
- Oil and gas lease operation spill or undesirable event
- Review the Department of Transportation (DOT) Emergency Handbook and identify any placard symbols contained to determine what may have been spilled.

Step 3a: **If hazardous materials, Regional Division of Environmental and Cultural Resources Management is notified.** HazMat Coordinator is immediately informed so that he/she can initiate "Isolation Actions".

Step 3b: **If oil or gas operation, lease compliance staff:**

- Determines category of event
- Determines appropriate jurisdiction, based on location and land status
- Notifies appropriate offices of jurisdiction
- Requests an investigation and reports on actions taken

Step 4: **Within 10 days, lease compliance staff conducts a final field inspection that remediation is completed.**

Step 5: **Prepare and file an incident report of all pertinent data to the operator and BLM, and encode in TAAMS, where applicable.**

4.16 SUSPENSION OF OPERATIONS

PURPOSE

Petroleum Engineer, Geologist, Realty Specialist, Realty Clerk, Petroleum Engineering Technician, Natural Resource Protection Specialist, Resource Specialist, and/or Environmental Protection Specialist approve the suspension of the lease and its production operations to protect and conserve the resources, prevent formation damage, equipment losses, environmental damage or other good reasons, and as a benefit to the mineral owner. The Lessee/Operator provides a detailed analysis of why the lease must be suspended.

SCOPE

Suspension of operations is a temporary cessation of production, with the intent that operations will be restored within a reasonable timeframe or the reasons for suspension are satisfied. The action is predominantly an administrative function, but some field inspection and evaluations may be conducted as a part of the administrative actions.

PROCESS

Step 1: **Receive a request to suspend operations** (25 CFR § 211.44, § 212.44)

- The request must be based on analysis and include why the suspension is requested and how the Trust resource(s) will be protected during suspension.
- BIA, BLM or the lessee may request a suspension during the lease term for one or more of, but not limited to, the following reasons:
    - ✓ Inadequate marketing facilities
    - ✓ Economic conditions
    - ✓ An act of God
    - ✓ Force Majeure
    - ✓ Protection or conservation of the Trust resource
    - ✓ Labor disputes
    - ✓ Regulatory delays
- Rental and minimum royalties must continue to be paid.
- Under 25 CFR § 211.44 and § 212.44, a request for permission to suspend operations or production due to economic or marketing reasons, including an economic analysis, <u>must be accompanied by the written consent of the Indian mineral owner and a written agreement executed by the parties setting forth the terms of said agreement.</u>

Step 2: **Review the related lease or agreement to verify any specific stipulations related to suspension of operations.**

Step 3: **Approve the suspension, if appropriate.**

- Approve suspension for the appropriate length of time based on the conditions underlying the request; maximum one year.
    - ✓ Initiate review in advance of the expiration date of the Suspension
- Establish a Suspense file and encode in TAAMS.

Step 4: **Notify beneficiary(s) of the approval of the request for Suspension of Operations, if** applicable.

4.17 LEASE SURRENDER, EXPIRATION OR CANCELLATION

PURPOSE

Lease management actions are the responsibility of the Minerals or Real Estate office. The Petroleum Engineer, Geologist, Realty Officer, Realty Specialist conduct the actions of notice to the Lessor, Lessee, BLM, and ONRR of the need to process cancellation/surrender activities.

SCOPE

The action occurs at the minerals or realty office responsible for providing management for oil, gas, and geothermal leases.

PROCESS - PART A

Lease Surrender (25 CFR § 211.51, § 211.54, § 212.51, § 212.54, § 225.36)

Step 1: **Receive a request from a lessee to terminate a lease. The lessee should submit the original lease for cancellation documentation. The Agency should stamp or type 'Cancelled effective date' _____ on the original lease.**

Step2: **Ensure that the Lessor, their representative, or the Secretary, and Lessee mutually consent to the termination, all rental and royalties payments are current, and there has been full compliance with the terms of the lease.**

- Request notice from ONRR that all rents and royalties are paid in full.
- Request notice from BLM that no operational liabilities remain/exist.
    - ✓ If liabilities exist, BLM & ONRR will specifically identify the lacking.
- If the leased property contains producing or non-producing unplugged wells, the Lessee retains all liabilities for the production facilities. This liability remains until all well(s) are properly plugged and abandoned and all surface reclamation is completed, or lease is assigned to another lessee/operator with adequate bonding.

Step 3: **Prepare a recommendation for termination package that includes the following documents:**

- Letter of transmittal (include bond amount and liability information)
- Lessee/Assignee Application to Terminate, with lessee's/assignee's copy of lease or assignment
- BIA copy of recorded lease
- Statement to Accompany Release (See Attachment 29 – Statement to Accompany Release)
- BLM and ONRR Letters of Statement that all liabilities have been satisfied

Step 4: **If the authorized official approves the lease termination, notify all interested parties.**

Step 5: **Release the bond when all reclamation is deemed successful and all liabilities are satisfied.**

Step 6: **Encode the expiration in TAAMS, and record the lease termination at LTRO.**

PROCESS - <u>PART B</u>

Cancellation for Cause; Cessation Orders

<u>If Cause is non-production beyond the primary term, go directly to Step 2.</u>

Step 1a: **Serve a notice of non-compliance upon Lessee(s) of record by delivery in person or by Certified mail-Return Receipt requested to the lessee at their last known address.**

- The notice of non-compliance provides a thirty (30) day, or a less specified, period of time from the date of receipt in which to correct the violations(s). Failure to take action in accordance with the notice of non-compliance is grounds for cancellation of the lease.
- The notice of non-compliance specifies in what respect the lessee has failed to comply with the provisions of applicable laws, regulations, term of the leases, or the orders of the Secretary, and specify the action which must be taken to correct such non-compliance and the time limits within which such action must be taken.
- Upon receipt of the notice of non-compliance, a lessee may request a hearing to offer oral and written statements as to why the lease should not be cancelled. The hearing is conducted by a non-interested party. A transcript of the hearing is made. As soon as possible after the conclusion of the hearing (or if there is no hearing), after the prescribed time has elapsed, the lessee is notified in writing of the decision.

Step 1b: **Order the <u>immediate cessation of activities</u> without prior notice of non-compliance when a lessee is conducting activities <u>which threaten immediate and serious damage to the environment, mineral resources being developed, or other resources.</u>**

- Cessation orders are effective immediately.
- Notify the lessee in writing stating the reasons for the cessation order and the actions needed to be taken before the order will be lifted.
- Orders of cessation may be appealed pursuant to 25 CFR Part 2. An appeal of cessation orders does not relieve the lessee from the obligation to immediately comply with the order.

Step 2: **Issue the notice of cancellation of the lease specifying the basis for cancellation.**

- If a lessee fails to take action in accordance with the notice of non- compliance or fails to take action in accordance with the cessation order.
- If cause is non-production beyond the primary term, the lease may be considered as expired under its own terms and conditions.
- A decision to cancel the lease requires notification to all interested parties by Certified mail, Return Receipt requested.

- A decision to cancel a tribal lease requires concurrence of the tribal government.
- The cancellation is made without waiver of rentals, royalties, or other obligations due up until the date of cancellation.
- The lessee has the right to appeal the decision to cancel a lease, pursuant to 25 CFR Part 2.

Step 3: **Request BLM and ONRR provide Letters of Statement that all liabilities have been satisfied.**

Step 4: **Approving official approves the lease cancellation.**

Step 5: **Release the bond when all reclamation is deemed successful and all liabilities are satisfied.**

Step 6: **Encode in TAAMS and record the lease cancellation in the LTRO**

Step 7: **Distribute the approved lease cancellation document to:**

- Agency file
- Lessee
- BLM
- ONRR
- Beneficiary (always to Tribe; to individual Indian owners if requested by them)

4.18 PLUGGING, ABANDONMENT, and RECLAMATION

PURPOSE

Petroleum Engineer, Geologist, Realty Officer, Petroleum Engineering Technician, Resource Specialist, Environmental Protection Specialist, Natural Resource Protection Specialist, Realty Specialist, work with BLM as they approve the Lessee Plan of Plugging and Abandonment and incorporate BIA recommendations. BIA Range and Soil Conservationists assure that the Lessee Reclamation Plan is successful. The APD contains abandonment, plugging, and reclamation guidelines. Onshore Order #2 specifies how wells should be abandoned.

SCOPE

The work is conducted in both the office and the field (if BIA chooses to witness the plugging procedures). Modifications to the reclamation plan are specified by BIA Resource Specialists. The work is supervised by BLM, with BIA concurrence upon successful completion. The Tripartite MOU identifies BIA as having the final approval authority of the P&A and Reclamation Plans as prepared by the operator and reviewed by BLM.

PROCESS

43 CFR § 3160 (Operations), Onshore Operating Orders No. 1, 2, 6, & 7 and Notice to Lessee

Step 1: **Receive copy of Lessee's Sundry Notice of intent to plug and abandon from BLM** (See Attachment 28 – Sundry Notices)

Step 2: **Retrieve and review the original APD and EA for consideration of modifications.**

Step 3: **Consult with the lessee and BLM to determine acceptability of the lessee submitted procedure.**

Step 4: **Ensure fresh water zone protection procedures are accurate and adequate.**

Step 5: **Determine if the Indian mineral owner desires to retain the wellbore and be re-completed for the production of fresh water**

- The landowner may be required to assume liabilities if they retain the wellbore in useable condition.
- Tribe/Allottee may require that the wellbore be (re)completed to the water zone, or the Lessee may be required to plug back the wellbore up to the intended use water zone if part of the original lease.

Step 6: **Designate surface or subsurface well marker. If subsurface specify the depth** (i.e., below plow depth or by number of feet).

Step 7: **Ensure the following:**

- The reserve (drilling) pit is not disturbed allowing for the escape/release of any contained hazardous materials/waste
- All trash is removed from the area
- Oil contaminated soils have been rehabilitated or removed
- No further monies are due from the Lessee

Step 8: **Receive BLM letter requesting final inspection of reclamation.**

Step 9: **Inspect reclaimed area.**

Step 10: **Respond to BLM on reclamation success.**

The operator must file a Subsequent Report Plug and Abandon (SRA) following the plugging of a well. A Final Abandonment Notice (FAN) must be filed by the operator upon completion of reclamation operations, which indicates that the site meets reclamation objectives and is ready for inspection. Upon receipt of the FAN, the BIA will inspect the site to ensure reclamation is fully successful. BLM must approve the FAN even when the surface is managed by BIA. Final abandonment will not be approved by BLM until the surface reclamation work required by the APD, Notice of Intent to Abandon, or SRA has been completed and the required reclamation is acceptable to the surface management agency. The operator is responsible for monitoring reclamation and taking all necessary actions to ensure success.

Step 11: **Encode lease expiration/termination/cancellation in TAAMS and record in LTRO, if applicable.**

Step 12: **Monitor reclamation for 2+ years/growing seasons to assure that it is successful** (i.e., vegetation returns).

5.0 ADDITIONAL INFORMATION AND GUIDANCE

5.1 Rentals, Royalties, Other Compensation and Distributions [RESERVED]

Monies received from the lease of fluid minerals include:

Rents (Advance Delay Rental) is the amount per acre representing the Lessee's right to occupy the property. It is received prior to issuance of a new lease and each year thereafter that the lease remains in full force and effect, without regard to whether the lease is in a non-producing or producing state. The payment is made at the beginning of each contract year; therefore, the term "advance delay rental". Failure to pay may result in expiration of the lease according to its terms and conditions. Additionally, it may or may not be creditable against monthly production depending on the lease terms and conditions.

Royalties are expressed as a percentage of gross production identified in the lease terms and conditions. Royalties are paid and reported to ONRR on a monthly basis once production is flowing out of the wellbore. Some leases may contain lease terms and conditions that allow for shut-in royalties which are paid in lieu of actual production and only for a limited time before the lease expires under its own terms and conditions.

Other compensation may include various payments due, each identified in the lease terms and conditions. For example, bonus is a sum paid, usually on a per acre basis, for the privilege of doing business with the mineral owner. Contributions to tribal scholarship, cultural or fish and wildlife funds may be negotiated into the lease terms and conditions.

5.2 Appeals

Lessee(s) and mineral owners are given appeal rights in accordance with provisions of 25 CFR Part 2. Appeals of a decision by a BIA official must be in writing and are taken to the next higher line official; however, the appeal is filed with the official who made the decisions. Decisions of the Regional Director may be appealed to the Interior Board of Indian Appeals (IBIA). The appeal should clearly identify the decision being appealed. If possible, a copy of the decision should be attached. The appellant must send copies of the notice of appeal to: (1) the Assistant Secretary – Indian Affairs; (2) each interested party known to the appellant; and (3) the IBIA.

Responsibility of Appellants

- **File timely notice of appeal.** A notice of appeal must be filed within 30 days of the appellant's receipt of the decision being appealed. The notice of appeal is filed in the office of the official whose decision is being appealed. The date of filing is the date the notice of appeal is postmarked or the date it is personally delivered to the official's immediate office (25 CFR 2.9(a); 2.13(a)).
- **File statement of reasons.** The statement of reasons explains why the appellant believes the decision being appealed is in error. It may be included in, or filed with, the notice of appeal. If it is not filed at the same time as the notice of appeal, it must be filed within the next 30 days, in

the office of the official who decision is being appealed (25 CFR 2.10).

- **Serve all appeal documents on interested parties** (25 CFR 2.12(a)). If the appellant is an Indian or Indian tribe not represented by counsel, the BIA official who made the decision being appealed serves the appellant's appeal documents (25 CFR 2.12(c)).

5.3 Life Estates and 6A Agreements

Life Estates

A life estate is an interest in real or personal property that terminates upon the death of the owner of the life estate. It is a legal arrangement granted through a deed, whereby the life estate owner is entitled to the income from the property for his/her life. A life estate can also be for the length of another's life, or it can be contingent upon some future event, such as being terminated when the owner of the life estate gets married. Upon the death of the life estate owner or other specified event, the property will go to the holder of the remainder interest or to the grantor by reversion.

The life estate owner, in return for the use of the property, must maintain it. The life estate owner ordinarily cannot dispose of any part of the property during his lifetime or after death, although he may sell or convey his life estate interest. The life estate owner must not commit waste by destroying or harming the property. Waste is generally defined as destruction of property by the life tenant to the harm of the reversion or remainder.

The life estate owner may continue profitable operations such as mining, drilling, or the removal of timber for sale if the land was used for such operations before the life estate was created. If a life estate owner devises land with a producing oil and gas well upon it, to a person for life, he intended the devisee to derive profit from the well in addition to profit from the surface of the land. During his or her tenancy, the life tenant is entitled to the profits and income generated by the property and may sell, lease, or rent his interest.

The life estate owner can reserve to himself the right to enter into gas, oil and mineral contracts and retain any and all payments from the sale or diminishment of property and any income derived there from.

6A Agreements

Pursuant to the Act of March 3, 1909 (25 U.S.C. 396), the Superintendent may execute 6A Agreements on behalf of estates and landowners whose whereabouts are unknown. The Act provides for leases of allotted lands for mining purposes. All allotted lands, *except allotments made to members of the Five Civilized Tribes and Osage Indians in Oklahoma*, may be leased for mining purposes for any term of years as may be deemed advisable by the Secretary. The Secretary is authorized to perform any and all acts and make such rules and regulations as may be necessary for the purpose of carrying the provisions of this section. The Secretary may offer for sale leases for mining purposes to the highest responsible qualified bidder, at public auction, or on sealed bids, after notice and advertisement, upon such terms and conditions as the Secretary may prescribe. The Secretary shall have the right to reject all bids whenever in his judgment the interests of the Indians will be served by so doing, and to re-advertise such

lease for sale." The 1955 Amendment (see the Act of August 9, 1955) authorized the Secretary to lease allotted lands for mining purposes where the allottee is deceased and the heirs to or devisees of any interest in the allotment either have not been determined or cannot be located

The Superintendent must address all landowners' interests in a 6A Agreement; the agreement should be in all landowners' best interests, or not executed at all. Generally these agreements are used for the assignment of income interests by the landowner to another party for their lifetime or other specified event.

5.4 Lessee or Operator Bankruptcy

As soon as BIA learns of lessee or operator bankruptcy proceedings, notice is given to a line officer so the lease rents and royalties, all potential income, and assessment of reclamation and abandonment requirements can be protected. BLM immediately prepares an inventory of all lease operations, production equipment, and monitors the lessee's actions concerning continued production. ONRR is advised to pay special attention to related accounts for rents and royalty. The local BIA office assembles all pertinent documents which will be needed to provide an administrative record and contacts the lessee to determine his intent to continue operations. Notice is given to the Solicitor's Office who then provides notice to the US Attorney's Office.

The US Attorney's Office files the appropriate court documents specifying the liability that will be incurred if the leases are required to be abandoned. In this manner, BIA or the tribe is put on the list of creditors and, if the proceedings resolve into a division of the assets among the creditors, BIA or the tribe has a chance to recoup at least some of potential abandonment costs. The local BIA office may be contacted for further information or support. A Master Bankruptcy List is updated on a monthly basis and distributed by ONRR.

If the bankruptcy proceedings result in a sale of the mineral leaseholds, the sale is treated as an assignment (See 4.10 Assignment of Lease Interest for further instruction).

6.0 ATTACHMENTS

The following samples and forms are an integral part of the fluid minerals operating procedures.

Attachment 1. Title Status Report (TSR) Request Form
Attachment 2. Sample Advertisement and Special Paragraphs
Attachment 3. Sample Bid Letter
Attachment 4. Notice of Rejected Bid
Attachment 5. Sample Award Letter
Attachment 6. Consent of Mineral Owner(s)
Attachment 7. Sample Lessee Instructions and Lease Forms
Attachment 8. Evidence of Authority of Officers to Execute Papers
Attachment 9. Categorical Exclusion Checklist
Attachment 10. Lease Approval Checklist
Attachment 11. Recordation Form
Attachment 12. Indian Mineral Development Act (IMDA) Checklist
Attachment 13. DRAFT Communitization Agreement
Attachment 14. Communitized Section / Division of Interest Example
Attachment 15. Communitization Agreement Checklist
Attachment 16. Unit Agreement Forms
Attachment 17. Instructions and Lease Assignment Form
Attachment 18. Assignment of Operating Rights Form
Attachment 19. Sample Bonds and Irrevocable Letter of Credit
Attachment 20. ONRR Concurrence with Assignment
Attachment 21. Assignment Checklist
Attachment 22. Instructions, Checklist, and Geological or Geophysical Prospecting Permit Form
Attachment 23. Acceptance of Permitter to Oil and Gas Geophysical Permit
Attachment 24. Exploration Plan Requirements
Attachment 25. Designation of Operator
Attachment 26. Application for Permit to Drill
Attachment 27. Notice of Staking
Attachment 28. Sundry Notice
Attachment 29. Statement to Accompany Release

Attachment 1. Title Status Report (TSR) Request Form

REQUEST FOR TITLE STATUS REPORT

TO: Land Titles & Records Office

DATE:

FROM:

Please furnish this office with a Title Status Report on the following tract of land:

Land Area Code and Tract Number:_____ Allotment Name: _____

Legal Description and Acreage: _____

Priority (Please Indicate in how many day s you need this Title Status Report):

( ) 1- 10 Days ( ) 10- 20 Days ( ) 21-30 Days

( ) URGENT – No Later than: _____

List any new documents or probates since last TSR:

_____

Signature

Title: _____

==========

(For Title Plant Use Only)

New TSR	( )	Logged In	:
Reissue	( )	Examination Started	:
No. of Docs/Probates/Mods	:	Examination Completed	:
No. of Lines Chained	:	Total Time to Examine	:
Modifications Created	:	Signed and Mailed	

Attachment 2. Sample Advertisement

NOTICE
SALE OF OIL AND GAS LEASES
TRIBAL AND ALLOTTED INDIAN LANDS

U.S. Department of the Interior
Bureau of Indian Affairs
_____Indian Agency

SEALED BIDS will be received until_____ M. _____Standard Time, and opened at the time in the Office of the _____Agency, _____, for the leasing for oil and gas mining purposes of _____ acres of Tribal land and _____ acres of allotted Indian land, located in the following counties, State of _____:

An oral auction will follow the bid opening. The details of the lease offering, and how and where to file bids, may be obtained by addressing the inquiry to the Superintendent of the _____Agency, at _____, _____.

Telephone number _____ - ____ - _____.

SPECIAL PARAGRAPHS

- If the sale includes **only tribal** or **only allotted** land, omit reference to inapplicable regulations and leasing act.

- If unsurveyed lands are to be leased, this land is offered on a tract basis and the bids shall not be on the acreage basis. The advertisement must include the following two paragraphs:

In each lease, include the following:

"The acreage herein stated is for the sole purpose of computing the annual rental. If a survey of the land is made acceptable to the Assistant Secretary of Indian Affairs or his authorized representative, thereafter, the rental shall be computed on the acreage as shown by the survey. No refund or additional payment of past rental shall be required to be made because of the difference in the acreage stated and that shown by the survey. Neither shall such a difference in acreage be grounds for any adjustment of the bonus. Prior to the commencement of the exploration program the lessee shall have the leased premises surveyed by a registered land surveyor, boundaries posted with substantial monuments, and a tie established with the nearest United States Public Land Survey. Certified copies of the survey plats must be filed in duplicate with the Superintendent, and in duplicate with the Authorized Officer, BLM. Failure to comply with this provision will render the lease subject to cancellation in the discretion of the Assistant Secretary of Indian Affairs. Permission to commence operations will not be granted by Authorized Officer prior to receipt of certified copy of survey plat."

- Where it is deemed advisable to require the lessee to condition wells for water wells, the advertisement should include the following paragraphs:

"If so required by the Assistant Secretary or his authorized representative, the lessee shall condition under the direction of the Authorized Officer, BLM, any wells drilled, but which are capable of producing water satisfactory for domestic, agricultural or livestock use by the lessor. Adjustment of costs for conditioning of the well and for value of casing and equipment left in or on the well will be made in said cases where it is determined that the well will produce water satisfactorily as aforesaid."

- Where it is deemed advisable to require the lessee to employ Indian labor, the advertisement should include the following paragraphs:

"Lessees shall employ Indian labor in all positions for which they are qualified, including truck drivers, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands."

- Appropriate modifications should be made in the advertisement for proposed leases at Osage, Crow tribal lands, Wind River ceded lands, and Five Civilized Tribes' allotted lands.
- Care should be exercised to see that the provisions of the advertisements adequately protect the interests of the Indian landowners. If additional language is deemed necessary (aside from the modifications of the advertisement form authorized at Crow, Osage, Wind River, and the Five Tribes), the Area Director should submit an appropriate recommendation to the Central Office with a justification.

Attachment 3. Sample Bid Letter

BID FOR OIL AND GAS LEASE ON INDIAN LAND

Agency _____

RE: Oil and gas Lease Sale to be held (time and date) _____

I, the undersigned, hereby submit a bid for a lease for oil and gas purposes on certain land allotted to _____, Tribe _____ , Allotment No._____, the land listed and designated in the oil and gas lease sale notice as follows:

Tract No. _____, Acres _____, County _____ .

TOTAL AMOUNT OF BONUS BID PER TRACT.....$ _____

DEPOSIT (25% of total bonus bid).....$ _____

Indicate the name to be shown on the oil and gas lease:_____

Signature _____

Print Name _____

Address _____

Attachment 4. Notice of Rejected Bid

NOTICE
REJECTED BID

U.S. Department of the Interior
Bureau of Indian Affairs
_____ Agency

To:

Date:

You are hereby notified that the bid(s) tendered by you on _____ for the purchase of oil and gas leases on the tracts listed below are hereby rejected, and the deposits submitted with your bids are enclosed.

Sincerely

_____
Superintendent

Tract No.	**Amount of Deposit**
_____	_____
_____	_____
_____	_____

Attachment 5. Sample Award Letter

U.S. Department of the Interior
Bureau of Indian Affairs
_____ Agency

Date:

To:

You are hereby notified that you were the successful bidder at the oil and gas lease sale conducted on _____ (date) for the following tracts:

Tract No. _____ Contract No. _____

Total _____ Bonus Bid _____

Under terms of the sale, it is your responsibility to obtain the necessary lease forms and to secure the signature of the Indian owners to the lease. For your convenience in preparing the lease, the following forms are enclosed.

( ) BIA Lease Form _____
( ) BIA Bond, Form _____
( ) Evidence of Authority of Officers to Execute Papers, Form 5-154d
( ) List of owners with mailing addresses
( ) _____

The enclosed forms must be completed and returned to this office within **30 days** of the date of this Notice. The forms must be submitted with the $ _____ filing fee, first year's rent, the proportionate share of the cost of advertisement $ _____, and the remaining balance of the bonus due.

A time extension may be granted for completing/filing required documents due to extenuating circumstances, however the request for additional time must be made within the 30-day period. No additional time will be granted for remitting the balance of the monies due, and failure to provide the required payments results in forfeiture of the initial bonus deposit and cancellation of the leasing attempt. The Secretary of the Interior reserves the right to disapprove any lease submitted on an accepted bid.

Also enclosed is a list of owners' legal names and addresses as they appear on Agency records.

Respectfully,

_____
Superintendent

Attachment 6. Consent of Mineral Owner(s)

CONSENT OF MINERAL OWNER
MINING LEASE/PERMIT

I, the undersigned owner of said land described on said application of _____ (date), Lease/Permit No. _____ for the following purposes described as:

_____
_____
_____

hereby (check one) _____ **CONSENT** _____ **DO NOT CONSENT** to the price of $ _____ per cubic yard **or** $ _____ per ton **or** $ _____ per _____ for _____.

I hereby authorize the Superintendent, _____ Agency, to perform any and all actions necessary and requisite to the consummation of said Lease/Permit No. _____ with same validity as if I were personally present and executing same.

Owner:

_____	_____
Owner Signature	Owner Signature
_____	_____
Owner Print Name	Owner Print Name
_____	_____
Date	Date

Witnesses (two required):

_____	_____
Witness Signature	Witness Signature
_____	_____
_____	_____
Complete Address	Complete Address

Attachment 7. Sample Lessee Instructions and Lease Forms

INSTRUCTIONS TO LESSEE'S FOR COMPLETING OIL AND GAS LEASE FORMS

GENERAL:

1. The Lease is to be prepared in one original and three copies, all with original signatures. Make clear copies of original rather than typing each copy separately.

2. The Lease (original and three copies), balance of monies due and all supporting documents are to be returned to us within 30 days after your receipt of the award letter. Extensions of time may be granted for obtaining landowner signatures. No extensions shall be granted for the payment of monies.

3. There is a filing fee of $ _____ and advertising fee of $_____ per lease.

4. The signatures of the owners are to be notarized. Witnesses are only required when an individual is unable to write and signs either by a mark "X" or thumb print. A special type of notary acknowledgment is used for individuals who sign in this manner.

5. Please instruct the owners to sign the Lease or Acceptance of Lessor form exactly as we have shown their name on the attached ownership sheet. Women whose names have changed should add their married name to the one shown.

6. You are required to obtain the signatures of all competent adult owners to the Lease. If not, the Lease will not be approved. We will sign the Lease for Estates, *Non Compos Mentis*, Minors and Persons Whose Whereabouts are Unknown. In the case of persons whose whereabouts are unknown, you must submit evidence that you were unable to locate them; i.e., two affidavits signed by a co-owner or relative and "CERTIFIED MAIL - RETURN RECEIPT REQUESTED" letters sent to the individual at his/her last known address which have been returned to you by the Post Office for reasons other than " Unclaimed". According to the Post Office, mail returned "Unclaimed" simply means that the individual did not pick up the letter.

7. Lessees of Indian land are required to be bonded. Individual Bonds may be filed in the amount of $ _____ per Lease; however, upon commencement of drilling, the amount of coverage required will be increased to a minimum of $ _____ per Lease. In lieu of Individual Bonds for each Lease, you may file a $ _____ Collective Bond with the _____ Office for all leases of minerals in the _____ jurisdiction. Or, if your company does business on Indian lands in other states, you may file a $ _____ Nationwide Oil and Gas Bond for full nationwide coverage. The bond(s) should be completed by a corporate surety who is authorized by the Department of Treasury to write bonds on Federal or Indian lands. You should contact your insurance agent to determine if they can obtain a corporate surety for you.

8. If you are incorporated, you will need to establish your corporate qualifications with the Bureau of Indian Affairs provided you have not already done so. In order to do this, we need copies of the following:

- Certificate of Incorporation - or - Certificate of Authority to Operate in the State of

_____, if a foreign corporation (foreign corporation is out-of-state)

- Articles of Incorporation and any amendments
- A recent financial statement
- Receipt for payment of annual Franchise Tax
- License
- Current list of officers and their addresses

9. An Evidence of Authority of Officers to Execute Papers form is to be completed for any individual acting on behalf of a corporation. The dates shown on the form should agree with the date shown on the document that is being signed. If documents are signed by a Power of Attorney, we will need a copy of the Power of Attorney. If Lessee is a partnership, we will need a copy of the Partnership Papers.

10. Mail or hand deliver the completed lease and related forms to:

Agency/Tribe Name
Oil & Gas Section
Real Estate Services
Street or P .O. Box
City, State, ZIP CODE
Telephone number: Area Code-Number-Extension

Form 5-5432
(Formerly Form 5-154 h)
(Oct. 1964)

Allotment or Roll No. _____
Lease No. _____
Contract No._____

INSTRUCTIONS FOR DRAFTING AND EXECUTING LEASES

OWNERSHIP SHEET

When the lease form is to be completed by the bidder, the Superintendent shall furnish him with an ownership sheet showing the name of each lessor exactly as it is shown in the probate orders or deeds in which the lessor obtained his interest in the land.

FORMS

To avoid unnecessary checking, all documents to be executed by the lessee should be on approved printed forms. Unless otherwise authorized, no change shall be made in the forms listed in this part.

DATE

The date to be inserted on page 1 of the lease form should be the date on which the lessor or lessors sign the lease. When they sign on different dates, use the date the first lessor has signed.

DESIGNATION OF INDIVIDUAL LESSORS

The space following the date is for the purpose of naming or designating the lessor or lessors. When the lessor is shown in the chain of title under more than one name, the lessor should be designated in the body of the lease as "John Smith also known as William Pinderton." Otherwise, an affidavit of identity should be attached to each copy of the lease. Care should be exercised to see that all lessors are fully identified. In those instances where ample space is not available for all lessors' names on page 1 of the lease form, it is permissible to insert the following statement: "the successors in interest to (name of allottee), deceased".

DESIGNATION OF TRIBAL LESSOR

The following designation should be used when the lessor is a tribe: (i.e.) Fort Sill Apache Tribe of Indians, Oklahoma.

DESIGNATION OF LESSEE

The lessee's full name and address should be shown. If it is a partnership, or corporation it should be so designated.

LAND DESCRIPTION

Identify the county and state in which the land is situated. The description of the land should be accurate and correspond to the description shown in the sale advertisement. It is important that the allotment number of the original allottee be accurate. The acreage should be stated.

SIGNATURE BY LESSOR

Care should be exercised to see that all adult owners execute the allotted leases and such leases are executed on behalf of minors, mentally incompetent owners, and persons whose whereabouts are unknown. The signatures should be in ink and should be spelled the same as in the designation of the lessor on page 1 of the lease form and the abstract of title. The age of majority for executing leases in

each state must be checked and conformed with.

Tribal leases should be executed in the following form:

Fort Sill Apache Tribe of Indians, Oklahoma

By _____
Chairman (name of tribal governing body)

Attest: _____
Secretary

ACKNOWLEDGMENT

The individual lessor's name in the acknowledgement should be the same as that shown in the body of the lease and in the same form as his signature. The certificate of acknowledgment must show the notary's seal and the date of the expiration of his commission. The form of acknowledgment on page 4 of the lease must be used. Acknowledgments for signatures by mark and thumb print shall be in the following form:

State of _____)

)ss

County of _____)

On this _____ day of _____ A.D. 20 ___ before me, the undersigned, a Notary public in and for the County and State aforesaid, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument by _____ Mark _____ in the presence of _____ and _____ as witnesses, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission expires _____

_____
Notary Public

RESOLUTION AUTHORIZING TRIBAL LEASES

Resolution of the tribal governing body authorizing the signing of the lease on behalf of the tribe shall be attached to the lease.

SIGNATURE IF LESSEE IS A PARTNERSHIP

All partners shall sign unless an executed statement signed by all partners designates an individual to sign on behalf of the partners.

SIGNATURE BY CORPORATE LESSEE

Unless corporate lessees act through an attorney in fact, the lease shall be signed on behalf of the corporation by an executive officer, either the president or vice-president of the corporation and by the secretary, and the corporate seal affixed. The lease should be accompanied by evidence of authority of officers, Form 154d, unless a certified list of officers authorized to execute documents is on file with the Area Office.

EXECUTION BY ATTORNEY IN FACT

Where a lease is executed by an attorney in fact, it shall be accompanied by a statement signed by or on behalf of the lessor or lessee, stating the extent of the authority of the attorney in fact, and, if such authority is granted on behalf of the corporation, it should be accompanied by an authenticated copy of resolution passed by the Board of Directors granting such authority. Unless the resolution states that the authority will stay in effect until notice of revocation is furnished, the power of attorney can be used on only one lease. When a lease is executed by an attorney in fact a copy of the Power of Attorney must be furnished together with a certification endorsed thereon or attached thereto, by the principal that the Power of Attorney was in effect on the date of the execution of the lease.

ERASURES AND MODIFICATIONS

No erasures should appear in the forms. All amendments and interlineations shall be initialed by the lessor, lessee, assignor and assignee, as the case may be.

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

OIL AND GAS MINING LEASE--ALLOTTED INDIAN LANDS

THIS LEASE, made and entered into in quintuplicate this _____ day of _____ , 20____, by and between _____

_____

_____

of the _____ Tribe of Indians, lessor _____ , and _____

_____

of _____, State of _____, lessee, WITNESSETH:

1. Lessor, in consideration of a cash bonus of $ _____, paid to the payee designated by the Area Director, receipt of which is hereby acknowledged, and in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and natural gas deposits including helium gas, carbon dioxide gas, and sulphur gas in or under the following-described tracts of land situated in the county of _____ State of _____, and more particularly described as follows:

containing _____ acres, more or less, together with the right to construct and maintain thereupon all works buildings, plants, waterways, roads, telegraph and telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment hereof for the term of 10 years from and after the approval hereof by the Secretary of the Interior and as much longer thereafter as oil and/or gas is produced in paying quantities from said land.

2. The term "oil and gas supervisor" as employed herein shall refer to such officer or officers as the Secretary of the Interior may designate to supervise oil and gas operations on Indian lands. The term "Superintendent" as used herein shall refer to the superintendent or other official in charge of the Indian Agency having jurisdiction over the lands leased. Helium gas, carbon dioxide gas, sulphur gas, and other natural gases are included under the term "gas" as used in this lease.

3. In consideration of the foregoing, the lessee hereby agrees:

(a) **Bond**.--To furnish such bond as may be required by the regulations of the Secretary of the Interior, with satisfactory surety, or United States bonds as surety therefore, conditioned upon compliance with the terms of this lease.

(b) **Wells**.--(1) To drill and produce all wells necessary to offset o r protect the leased land from drainage or in lieu thereof, to compensate the lessor in full each month for the estimated loss o f royalty through drainage: **Provided,** That during the period of supervision by the Secretary of the Interior, the necessity for offset wells shall be determined by the oil and gas supervisor and payment in lieu of drilling and production shall be with the consent of, and in an amount determined by the Secretary of the Interior; (2) at the election of the lessee to drill and produce other wells; **Provided,** That the right to drill and produce such other wells shall be subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations , approved by the Secretary of the Interior and affecting the field or area in which the leased lands are situated; and (3) if the lessee elects not to drill and produce such other wells for any period the Secretary of the Interior may, within 10 days after due notice in writing, either require the drilling and production of such wells to the number necessary, in his opinion, to insure reasonable diligence in the development and operation of the property, or may in lieu of such additional diligent drilling and production require the payment on and after the first anniversary date of this lease of not to exceed $1 per acre per annum, which sum shall be in addition to any rental or royalty hereinafter specified.

(c) **Rental and royalty**.--To pay, beginning with the date of approval of the lease by the Secretary of the Interior, a rental of $5.00 per acre per annum in advance during the continuance hereof, the rental so paid is not considered as a credit on the royalty for the year, together with a royalty of 20 percent o f the value or amount of all oil, gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and saved from the land leased herein, save and except oil, and/or gas used by the lessee for development and operation purposes on said lease, which oil or g as shall be royalty free. During the period of supervision, "value" for the purposes hereof may, in the discretion of the Secretary, be calculated on the basis of the highest price paid or offered (whether calculated on the basis of short or actual volume) at the time of production for the major portion of the oil o f the same gravity, and gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and sold from the field where the leased lands are situated, and the actual volume of the marketable product less the content of foreign substances as determined by the oil and gas supervisor. The actual amount realized by the lessee from the sale of said products may, in the discretion of the Secretary, be deemed mere evidence of or conclusive evidence of such value. When paid in value, such royalties shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced; when royalty on oil produced is paid in kind , such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced without cost to the lessor unless otherwise agreed to by the parties thereto, at such time as may be required by the lessor: **Provided,** that the lessee shall not be required to hold such royalty oil in storage longer than 30 days after the end of the calendar month in which said oil is produced: **And provided further**, that the lessee shall be in no manner responsible or held liable for

loss or destruction of such oil in storage caused by Acts of God. All rental and royalty payments, except as provided in sections 8(a) and 4(c) shall be made by check or d raft drawn on a solvent bank, open for the transaction of business on the day the check or draft is issued, to the payee designated by the Area Director. It is understood that in determining the value for royalty purposes of products, such as natural gasoline, that are derived from treatment of gas, a reasonable allowance for the cost of manufacture shall be made, such allowance to be two- thirds of the value of the marketable product unless otherwise determined by the Secretary of the Interior on application of the lessee or on his own initiative, and that royalty will be computed on the value of gas or casinghead gas, or on the products thereof (such as residue gas, natural gas, propane, butane, etc), whichever is the greater.

(d) **Monthly statements**.--To furnish to the oil and gas supervisor monthly statements in detail in such form as may be prescribed by the Secretary of the Interior, showing the amount, quality, and value of all oil, gas, natural gasoline, or other hydrocarbon substances produced and saved during the preceding calendar month as a basis upon which to compute, for the superintendent, the royalty due the lessor. The leased premises and all wells, producing operations, improvements, machinery, and fixtures thereon and connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized representative of the Secretary of the Interior.

(e) **Log of well**.--To keep a log in the form prescribed by the Secretary of the Interior of all the wells drilled by the lessee showing the strata and character of the formations passed through by the drill, which log or a copy thereof shall be furnished to the oil and gas supervisor.

(f) **Diligence, prevention of waste**.--To exercise reasonable diligence in drilling and operating wells for oil and gas on the lands covered hereby, while such products can be secured in paying quantities; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the productive sands or oil or gas-bearing strata to the destruction or injury of the oil or gas deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of work men and employees; to plug securely all wells before abandoning the same and to effectually shut off all water from the oil or gas-bearing strata; not to drill any well within 200 feet of any house or barn no w on the premises without the lessor's written consent approved by the Superintendent; to carry out at the expense of the lessee all reasonable orders and requirements of the oil and gas supervisor relative to prevention of waste, and preservation of the property and the health and safety of workmen; to bury all pipelines crossing tillable lands below plow depth unless other arrangements therefore are made with the superintendent; to pay the lessor all damages to crops, buildings, and other improvements of the lessor occasioned by the lessee's operations: **Provided,** that the lessee shall not be held responsible for delays or casualties occasioned by causes beyond the lessee's control.

(g) Regulations.--To abide by and conform to any and all regulations of the Secretary of the Interior now or hereafter in force relative to such leases including 25 CFR 212, 43 CFR 3570 and 30 CFR 200: **Provided,** that no regulations hereafter approved shall effect a change in rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

(h) **Assignment of lease**.--Not to assign this lease or any interest therein by an n operating agreement or otherwise nor to sublet any portion of the leased premises before restrictions are removed, except with the approval of the Secretary of the Interior. If this lease is divided by the assignment of an entire interest in any part of it, each part shall be considered a separate lease under all the terms and condition s of the original lease. The provisions of this section will not operate to abridge or modify any of the rights of the land or royalty owners under section 9 of this lease.

4. The lessor expressly reserves:

(a) **Disposition of surface**.--The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, such disposition to be subject at all times to the right of the lessee herein to the use of so much of said surface as is necessary in the extraction and removal of the oil and gas from the land herein described.

(b) **Use of gas**. The right to use sufficient gas, free of charge, for all stoves and inside lights in the principal dwelling house on said lands by making connection at his own expense with the well or wells thereon, the use of such gas to be at the lessor's risk at all times.

(c) **Royalty in kind**.--The right to elect on 30 days' written notice to take lessor's royalty in kind.

5. **Surrender and termination**.--The lessee shall have the right at any time during the term hereof to surrender and terminate this lease or any part thereof upon the payment of the sum of one dollar and all rentals, royalties, and other obligations due and payable to the lessor; and in the event restrictions have not been removed, upon a showing satisfactory to the Secretary of the Interior that full provision has been made for conservation and protection o f the property and the proper abandonment of all wells drilled on the portion of the lease surrendered, the lease to continue in full force and effect as to the lands not so surrendered. If this lease has been recorded lessee shall file a recorded release with his application to the superintendent for termination of this lease.

6. Cancellation and forfeiture.--When, in the opinion of the Secretary of the Interior, there has been a violation of any of the terms and conditions of this lease before restrictions are removed, the Secretary of the Interior shall have the right at any time after 30 days' notice to the lessee, specifying the terms and conditions violated, and after a hearing, if the lessee shall so request within 30 days of receipt of notice, to declare this lease null and void, and the lessor shall then be entitled and authorized to take immediate possession of the land: **Provided**, that after restrictions are removed the lessor shall have and be entitled to any available remedy in law or equity for breach of this contract by the lessee.

7. Removal of buildings, improvements, and equipment.--Lessee shall be the owner of and shall have the right to remove from the leased premises, within 90 day s after termination of this lease, any and all buildings, structures, casing, material, and/or equipment placed thereon for the purpose of development and operation hereunder, save and except casing in wells and other material, equipment, and structures necessary for the continued operation of wells producing or capable of being produced in paying

quantities as determined by the Secretary of the Interior, on said leased land at the time of surrender of this lease or termination thereof; and except as otherwise provided herein, all casing in wells, material, structures, and equipment shall be and become the property of the lessor.

8. Relinquishment of supervision by the Secretary of the Interior.--Should the Secretary of the Interior, at any time during the life of this instrument, relinquish supervision as to all or part of the acreage covered hereby, such relinquishment shall not bind lessee until said Secretary shall have given 30 days' written notice. Until said requirements are fulfilled, lessee shall continue to make all payments due hereunder as provided in section 3(c). After notice of relinquishment has been received by lessee, as herein provided, this lease shall be subject to the following further conditions:

(a) All rentals and royalties thereafter accruing shall be paid in the following manner: Rentals and Royalties shall be paid directly to lessor or his successors in title, or to a trustee appointed under the provisions of section 9 hereof.

(b) If, at the time supervision is relinquished by the Secretary of the Interior, lessee shall have made all payments then due hereunder, and shall have fully performed all obligations on its part to be performed up to the time of such relinquishment, then the bond given to secure the performance hereof, on file in the Indian Office, shall be of no further force or effect.

(c) Should such relinquishment affect only part of the acreage, then lessee may continue to drill and operate the land covered hereby as an entirety: **Provided**, that lessee shall pay in the manner prescribed by section 3(c), for the benefit of lessor such proportion of all rentals and royalties due hereunder as the acreage retained under the supervision of the Secretary of the Interior bears to the entire acreage of the lease, the remainder of such rentals and royalties to be paid directly to lessor or his successors in title or said trustees as the case may be, as provided in subdivision (a) of this section.

9. Division of fee.--It is covenanted and agreed that should the fee of said land now or hereafter be divided into separate parcels, held by different owners, or should the rental or royalty interests hereunder be so divided in ownership, the obligations of lessee hereunder shall not be added to or changed in any manner whatsoever save as specifically provided by the terms of this lease. Notwithstanding such separate ownership, lessee may continue to drill and operate said premises as an entirety: **Provided**, that each separate owner shall receive such proportion of all rentals and royalties accruing after the vesting of his title as the acreage of the fee, or rental or royalty interest, bears to the entire acreage covered by the lease; or to the entire rental and royalty interest as the case may be: **Provided further**, that if, at any time after Departmental supervision hereof is relinquished, in whole or in p art, there shall be four or more parties entitled to rentals or royalties hereunder, whether said parties are so entitled by virtue of undivided interests or by virtue of ownership of separate parcels of the land covered hereby, lessee, at his election may withhold the payment of further rentals or royalties (except as to the portion due the Indian lessor while under restriction), until all of said parties shall agree upon and designate, in writing and in a recordable instrument, a trustee to receive all payments due hereunder on behalf of said parties and their respective successors in title. Payments to said trustee shall constitute lawful payments

hereunder, and the sole risk of an improver or unlawful distribution of said funds by said trustee shall rest upon the parties naming said trustee and their respective successors in title.

10. Drilling and producing restrictions.--It is covenanted and agreed that the Secretary of the Interior may impose restrictions as to time or times for the drilling of wells and as to the production from any well or wells drilled when in his judgment such action may be necessary or proper for the protection of the natural resources of the leased land and the interests of the Indian lessor, and in the exercise of his judgment the Secretary may take in to consideration, among other things, Federal laws, State laws, or regulations by competent Federal or St ate authorities or lawful agreements among operators regulating either drilling or production, or both.

11. Unit operation.--The parties hereto agree to subscribe to and abide by any agreement for the cooperative or unit development of the field o r area, affecting the leased lands, or any pool thereof, if and when collectively adopted by a majority operating interest therein and approved by the Secretary of the Interior, during the period of supervision.

12. Conservation.--The lessee in consideration of the rights herein granted agrees to abide by the provisions of any act of Congress, or any order or regulation prescribed pursuant thereto, relating to the conservation, production, or marketing of oil, gas, or other hydrocarbon substances.

13. Heirs and successors in interest.--It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

EXHIBIT A

LAND PROTECTION STIPULATIONS:

1. PROTECTION OFPROPERTY

The Lessee agrees to conduct all operations authorized by this Leas e with due regard for proper land management; to avoid unnecessary damage to vegetation, timber, crops or other cover, and to improvements (i.e., roads, bridges, cattleguards, telephone lines, etc.); to control soil erosion resulting from the operation, to prevent pollution of soil and water resources; and, whenever required by the Superintendent or his authorized representative, to fence all sump holes or other excavation made by lessee.

2. REIMBURSEMENT FOR DAMAGE

The Lessee agrees to pay the lessor or his tenant, as the case may be, for any and all damage to, or destruction of, property caused by the lessee's operation hereunder, to save and hold the lessor harmless from all damage or claims for damage to persons or property resulting from the lessee's operations under this lease; to hold lessor, the leased land and all materials, tools, machinery, appliances, structures, improvements, and equipment of whatsoever kind or nature, harmless from all claims or lien s of third parties by reason of any act of commission or omission on the part of the lessee; and where the surface of the leased land is owned by other than the lessor, to pay such owner, or his tenant, as the case may be, for damage or injury to livestock, crops, trees, pipelines, buildings and other improvements on the leased land.

3. ROADS

Lessee may use existing reservation roads and share in the maintenance of such roads used, and lessee shall have the privilege of constructing and maintaining at its own expense any additional roads to obtain access to its leasehold operations; provided, that prior to construction, definite location of such new access road is approved by the Superintendent or his authorized representative. No part of any such road or roads shall inure to the benefit of the public and the public shall obtain no rights thereon, but upon termination of this lease for any cause whatsoever or if a t any time it shall become unnecessary for lessee to use any such road for conducting the operations authorized under this lease, the right to use said road and roads shall thereupon cease and all rights shall revest in the lessor in accordance with the law. The lessee shall hold the lessor harmless and indemnify them against any and all losses or damages that might result from the construction or maintenance by lessee of said roads in a negligent manner.

4. WATER

Water for use in drilling operations shall not b e obtained from Indian water wells, tanks, springs, stock water reservoirs or lakes on the Indian reservation without prior permission from the Superintendent or his authorized representative and purchase of a water use permit through the Tribal Resources Department. Lessee shall have the right at its own expense to drill and equip water wells on leased premises and agrees upon termination of drilling operations on leasehold, to leave all water producing wells intact and properly cased. If any of said wells shall produce water surplus to the needs of the

lessee, said water shall be made available to members of the lessor.

5. TIMBER

(a) The Lessee agrees not to cut or destroy timber larger than 3" at the top end and seven feet long owned by the lessor without first obtaining permission from the Superintendent or his authorized representative, and to pay for all such timber cut or destroyed at rates prescribed by such officer.

(b) Any timber, such as cedar and pinon, cleared from the lessee's operation, including timber cleared during construction or road to well site, shall be piled in one location by the nearest main road where the Ute Mountain Indians can have access to get wood.

(c) Any timber destroyed as a result of gas or any toxic substance emission from the lessee's operation shall be paid for at the rates prescribed by Superintendent or his authorized representative.

6. LOCATION OF CAMP SITE

If Lessee shall construct any camp on the land within the Indian reservation such camp shall be located at the place approved by the Superintendent or his authorized representative; and such officer shall have authority to require that such camp be kept in a neat and sanitary condition and upon removal of camp, all rubbish shall be removed or buried.

7. FIRE PREVENTION AND SUPPRESSION

(a) The Lessee agrees to do all in his power to prevent and suppress forest, brush or grass fires on the leased land and in its vicinity , and to require his employees, contractors, subcontractors, and employees of contractors and subcontractors employed on leased land at the disposal of the Superintendent or h is authorized representative for the purpose of fighting forest, brush, or grass fires, with the understanding that payment for such services shall be made at rates to be determined by the authorized officer, which rates shall not be less than the current rate of pay prevailing in the vicinity for services of a similar character. Provided, that if the lessee, his employees, contractors, subcontractors, employees of contractors or subcontractors, caused or could have prevented the origin or spread of said fire or fires, no payment shall be made for services rendered.

(b) The Lessee shall build or construct fire lines or do such clearing around its well location s as the Superintendent or his authorized representative decides is necessary for forest, brush and grass fire prevention, and shall maintain such fire tools at such locations as are deemed necessary by such officer at the expense of the lessee.

SPECIAL CONDITIONS:

(A) If so required by the Superintendent or his authorized representative, the lessee shall condition, under direction of the Authorized Officer of the Bureau of Land Management any wells drilled, which do not produce oil or gas in paying quantities as determined by said Authorized Officer but which are capable of producing water satisfactorily for domestic, agricultural or livestock use by lessor. Adjustments of costs for conditioning of the well and for value of ca sing and equipment left in or on the well will be made in said cases where it is determined that the well will produce water satisfactorily as

aforesaid.

(B) Lessee shall employ available Ute Mountain Indian labor in such mining, drilling, exploration and development operations to the fullest extent of their qualifications and the laws permit, and every effort shall be made to train Ute Mountain Indians in the skills and abilities required in such operation to the end that they may be employed in such skilled positions as they become qualified therefore. Efforts to employ Ute Mountain Indian labor shall be coordinated with the Ute Mountain Tribal Employment Office.

(C) The Lessee shall protect the Indian grazing rights, water rights, and other Indian rights to the surface of the lands.

(D) On surveyed tracts, each lease will contain the following special condition: No adjustment will be made of the bonus or annual rental because of a difference that may be found in the acreage stated in this lease.

(E) On un-surveyed tracts, each lease will contain the following special condition: The acreage stated herein is for the sole purpose of computing the annual rental. If a survey of the land is made acceptable to the Superintendent or his authorized representative, thereafter, the rental shall be computed on the acreage as shown by the survey. No refund or additional payment or past rental shall be required to be made because of the difference in the acreage stated and that shown by the survey. Neither shall such difference be grounds for any adjustment of the bonus. Prior to the commencement of the drilling of a well the lessee shall have the leased premises surveyed by a registered land surveyor, boundaries posted with substantial monuments, and tie established with the nearest United States Public L and Survey. Certified copies of the survey plats must be filed in duplicate with the Superintendent, and in duplicate with the Authorized Officer of the Bureau of Land Management. Failure to comply with this provision shall render the lease subject to cancellation in the discretion of the Superintendent. Permission to drill will not be granted by Authorized Officer prior to receipt of survey plat.

ARCHEOLOGICAL ANTIQUITIES:

(F) Investigations by the Bureau of Indian Affairs have disclosed that sites having possible value for archeological research are located on lands embraced in the subject lease and o n adjoining l ands. To preserve such sites and to permit evaluation for archeological purposes, without retarding development under the pursuant to the terms hereof, the lessee hereby agrees to contact the Superintendent, Ute Mountain Ute Agency, Towaoc, Colorado, or his delegate for approval in locating access roads, drilling sites, pipelines, tank batteries and other surface disturbances and to notify him promptly when Ruin Sites are encountered in connection with such operations on the leasehold. The lessee agrees to be responsible for obtaining an archeological inventory for each surface disturbance and submit the contents thereof to Bureau of Indian Affairs, Albuquerque Area Archeologist, P.O. Box 26567, Albuquerque, New Mexico 87125-6567 to acquire an archeological clearance.

(G) Tract boundaries will conform to the Official Bureau of Land Management Surveys.

IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned.

LESSEE:

_____[SEAL]

By: _____

Attest: _____

LESSOR:

_____[SEAL] _____[SEAL]

_____[SEAL] _____[SEAL]

_____[SEAL] _____[SEAL]

State of _____)
)ss
County of _____)

On this _____ day of _____ A.D. 20 ___ before me, the undersigned, a Notary public in and for the County and State aforesaid, personally appeared _____ (lessor) to me known to be the identical person who executed the within and foregoing lease, and acknowledged to me that _____executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission expires _____

_____
Notary Public

APPROVED: _____, 20 _____.

_____
Regional Director, Bureau of Indian Affairs

DIVISION OF PAYMENT FROM MINING

LEASE NO._____

It is hereby understood and agreed by and between the lessors that during the lifetime of _____ who holds a (insert "homestead right" or "life estate") _____ on the land described in the lease, the income received from the lease, including bonus, rental and royalty is to be divided among the lessors in the following manner:
(State the name of each lessor and the proportionate share each is to receive)

It is further agreed that after the death of the owner of the (insert "homestead right" or "life tenant") _____ all monies derived from this lease will be divided in accordance with the applicable provisions of law.

Witnesses:	Signature of Lessors:
_____	_____
_____	_____
_____	_____
_____	_____

Attachment 8. Evidence of Authority of Officers to Execute Papers

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

EVIDENCE OF AUTHORITY OF OFFICERS TO EXECUTE PAPERS

(To be sworn to by the President or Secretary of a Corporation and sealed with its seal)

I solemnly swear that _____ and _____ were on the day of _____, 20 ____ the duly elected, qualified, and acting president and secretary, respectively, of _____,

a corporation organized under the laws of _____ , on which day they executed _____, for and in behalf of said corporation, covering certain Trust or Restricted Indian lands on the _____ Reservation, in the State of _____; that they were fully empowered to execute said instrument and all papers in connection therewith, and that their action in executing the same binds the said corporation t full performance of all obligations there under.

[CORPORATE SEAL]

_____
Name and Title Date

_____
Name and Title Date

State of _____)
)ss
County of _____)

Subscribed and sworn before me this _____ day of _____., 20 ___ by

_____ .

[SEAL]

My Commission expires _____

_____
Notary Public

Attachment 9. Categorical Exclusion Checklist

EXCEPTION CHECKLIST FOR BIA CATEGORICAL EXCLUSIONS

Project: _____ Date: _____

Nature of Proposed Action:_____

516 DM 10.5 Exclusion category and number:

Evaluation of Exceptions to use of Categorical Exclusion:

1.	This action would have significant adverse effects on public health or safety.	No____	Yes____
2.	This action would have an adverse effect on unique geographical features, such as wetlands, wild or scenic rivers, refuges, floodplains, rivers placed on nationwide river inventory, or prime or unique farmlands.	No____	Yes____
3.	The action will have highly controversial environmental effects.	No____	Yes____
4.	The action will have highly uncertain environmental effects or involve unique or unknown environmental risks.	No____	Yes____
5.	This action will establish a precedent for future actions.	No____	Yes____
6.	This action is related to other actions with individually insignificant, but cumulatively significant environmental effects.	No____	Yes____
7.	This action will affect properties listed or eligible for listing in the National Register of Historic Places.	No____	Yes____
8.	This action will affect a species listed, or proposed to be listed as endangered or threatened.	No____	Yes____
9.	This action threatens to violate federal, state, local or tribal law or requirements imposed for protection of the environment.	No____	Yes____
10.	This action will have a disproportionately high and adverse effect on low income or minority populations.	No____	Yes____
11.	This action will limit access to, and ceremonial use of Indian sacred sites on federal lands by Indian religious practitioners, or significantly adversely affect the physical integrity of such sacred sites.	No____	Yes____
12.	This action will contribute to the introduction, continued existence, or spread of noxious weeds or non-native invasive species known to occur in the area, or may promote the introduction, growth, or expansion of the range of such species.	No____	Yes____

A “yes” to any of the above exceptions will require that an EA be prepared.
NEPA Action - - - CE_____ EA_____

Preparer’s Name and Title: _____

Regional Archeologist Concurrence with Item 7:_____

Concur: _____Date:_____
Regional Director/Superintendent

Concur: _____Date:_____
Regional Office/Agency Environmental Coordinator

Attachment 10. Lease Approval Checklist

Lease documentation

( ) Legal Description
( ) Tract number, allotment name, and/or allotment number
( ) Ownership for both surface and mineral estates
( ) Bonus (25%), rental amounts paid and royalty rate
( ) Primary and ultimate terms
( ) Special terms and conditions
( ) Owner signatures on consent (refer to ILCA/AIPRA provisions, if necessary
( ) Bonus (25%), rental amounts paid and royalty rate
( ) Primary and ultimate terms
( ) Special terms and conditions
( ) Owner signatures on consent (refer to ILCA/AIPRA provisions, if necessary_
( ) Bond
( ) Personal financial statement if not a corporation
( ) NEPA documentation

Corporate documentation

( ) Certified copy of the Articles of Incorporation.
( ) License to do business in the State where the lease(s) is located.
( ) Latest financial statement for the corporation.
( ) List of names, addresses and telephone numbers of the corporate officers, principal stockholders and directors.
( ) Evidence of Authority of Officers to Execute Documents or Power of Attorney

Monies collected and deposited

( ) Remainder of bonus collected
- If Lease is approved, deposit to TFAS
- If Lease is <u>not</u> approved, deposit to FFS

( ) Filing fee, advertising fee collected and deposited to FFS

Lease approval and recordation

( ) Recommendation for Line Officer/Approving Official
( ) Line Officer Approval
( ) Lease recorded in LTRO
( ) Lease encoded in agency leasing system

Distribution of approved lease document

( ) Agency file (hardcopy)
( ) Lessee
( ) BLM
( ) ONRR (at least when it goes into production)
( ) Beneficiary

Money transfers

( ) Bonus originally placed in FFS to TFAS
( ) First years advanced delay rental to TFAS
( ) Lease filing fee and advertising fees to agency account

Attachment 11. Recordation Form

Recordation Form

[RESERVED]

Attachment 12. Indian Mineral Development Act (IMDA) Checklist

CHECK LIST
Review & Processing – INDIAN MINERAL DEVELOPMENT ACT (IMDA)

Lease _____ , Operating Agreement _____ ,
Cooperative Agreement _____ , Joint Venture _____ , Other _____
(180 Day Cycle unless Specified Otherwise)

Vital Information:

Lessor: _____ Lessee : _____

Acreage Involved: _____ Type of Project Proposal: _____

		COMPLETED YES / NO / NA
1.	BIA was consulted on pre-filing at the request of tribe…….…….…….…	_____ /____ /_____
2.	The Agreement/Resolution by Council and attachments submitted to BIA? ……..… Date submitted: ___ /___ /___	_____ /____ /_____
3.	BIA preliminarily reviewed package and forwarded to Indian Energy & Economic Development (IEED) on: ___ /___ /___ ……	_____ /____ /_____
4.	IEED contacts EQ and discusses EA concerns ……	_____ /____ /_____
5.	Per BIA, Company submits EA/Clearance data to tribe for review/recommendations	_____ /____ /_____
6.	Economic Assessment requested from BLM and ONRR (date) ___ /___ /___ to determine that operations are diligent _____ , whether royalty is adequate _____ , and if method of contracting for development is comparable to competitive bidding method _____ ……..…	_____ /____ /_____
8.	Package, findings of recommendations received from IEED? (date) ___ /___ /___ …	_____ /____ /_____
9.	SOL is consulted on Agreement and comments noted …….……..…	_____ /____ /_____
10.	BIA drafts findings, instructs the tribe on _____ ……..…	_____ /____ /_____
11.	If deficiencies are identified, a meeting is held with tribe (date) ___ /___ /___ ..……	_____ /____ /_____
12.	Deficiencies/corrections are submitted to the tribe (date) ___ /___ /___ ……..	_____ /____ /_____
13.	All Corporate papers submitted by the Company ……..	_____ /____ /_____
14.	Bonding for the project is adequate……..…….…….	_____ /____ /_____
15.	Findings of No Significant Impact (FONSI) prepared ……....…….	_____ /____ /_____
16.	Letter of Approval submitted to the tribe (date) ___ /___ /___ …….…….…..	_____ /____ /_____
17.	BIA, BLM, and ONRR hold post-Approval conference (date) ___ /___ /___ ……..	_____ /____ /_____
18.	All conditions of exploration, development, and reclamation are understood by all parties concerned …….……..…….……	_____ /____ /_____
19.	BLM will conduct inspection and enforcement in accordance with _____ mineral development…….……..…….…….…	_____ /____ /_____
20.	If necessary, Agreement is forwarded to Assistant Secretary for disapproval. …….	_____ /____ /_____

Comments/Special Provisions of Agreement: _____
_____

Employee: _____ _____ Date: _____
Printed name Signature

Attachment 13. DRAFT Communitization Agreement

(Modified model form from BLM website)

Contract No._____

THIS AGREEMENT, entered into as of the date shown in Section 9 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of March 3, 1909, (35 Stat. 783) as amended by the Act of August 9, 1955, (69 Stat. 540), the Act of May 11, 1938, (52 Stat. 347 as amended, 25 USC 396a-g), Act of August 4, 1947, (61 Stat.732), Indian Mineral Development Act of 1982, (25 USC 2101-2108), and as applicable, the Act of February 25, 1920 (41 Stat.437) require that all operations under oil and gas leases on tribal and/or allotted Indian lands, and Federal lands when applicable will be subject to the rules and regulations of the Secretary of the Interior, and the regulations issued pursuant to said statutes provide that in exercise of his judgment, the Secretary of the Interior may take into consideration among other things, the Federal laws, State laws, regulations by competent Federal or State authorities, or lawful agreements among operators regulating either drilling or production or both (25 CFR §§ 211.28 and 212.28); and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this Agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and ***???***

NOW, THEREFORE, the parties agree as follows:

1. **Communitized Area.**

The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

containing_____ acres, and this *agreement* will include only the _____ Formation(s) underlying said lands and the _____(oil and associated gas, gas and associated liquids, coalbed gas), hereinafter, referred to as “communitized substances”, producible from such formation(s).

2. Acreage and Ownership.

Attached is a plat designated as Exhibit “A” showing the communitized area. Exhibit “B” attached shows the acreage, percentage and ownership of oil and gas lease interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. Operator.

The Operator of the communitized area is: _____ (operator name) of _____(address, city, state, zip).

All matters of operation will be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be nominated by the owners of the working interest in the communitized area, by submitting four (4) executed copies of a Designation of Successor Operator to the Authorized Officer, Bureau of Land Management, for approval by the Authorized Line Officer, Bureau of Indian Affairs.

4. Reports.

Operator will furnish;

(1) a log and history of any well drilled within the communitized area within 30 days of completion of the well or approval of this agreement, monthly reports of operations prior to the date of first production sales, to the Authorized Officer, Bureau of Land Management.

(2) monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute the monthly royalty due, as specified in the applicable oil and gas leases and regulations, after the date of first production sales, to Minerals Management Service.

5. Communitized Substances Allocated According to Acreage.

The communitized area will be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced there from will be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8th, attributed to unleased Indian, Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership.

6. Royalties and Rentals.

The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases will be determined and paid on the basis prescribed in each of the individual leases.

7. Drainage.

There will be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter, be divided, nor will any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto will not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. Diligence.

The Authorized Officer (AO) may require the drilling and production of such wells to insure reasonable diligence in the development and operation of the communitized area, or in lieu of drilling, require the payment of an amount as determined by the AO to compensate the interest owners in full each month for the estimated loss of royalty.

9. Effective Date and Term.

This Agreement is effective as of _____ (date of approval of this communitization agreement, or the date of first production, whichever comes first) and will remain in effect for a period of two **(2) years** and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities. This Agreement may be terminated at any time by mutual agreement of the parties hereto.

10. Secretarial Supervision

It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, will have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases in which owners of restricted Indian lands are the lessor and in the applicable oil and gas regulations of the Department of the Interior.

11. Covenants Run with the Land.

The covenants herein will be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates. Any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest.

12. Signing of Agreement by Counterparts.

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and will be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

13. Nondiscrimination.

In connection with the performance of work under the agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR 12319), giving such preference to Indians as applicable law permits.

14. Leases And Contracts Conformed And Extended.

Oil and Gas leases in the communitized area will remain in full force except as specifically modified in accordance with the following:

(a)The development and operation of lands subject to this agreement under the terms hereof will be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this communitized area.

(b) Drilling and producing operations performed hereunder upon any tract of communitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of communitized land, and no lease will be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all communitized lands pursuant to direction or consent of the Authorized Line Officer will be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of communitized land.

(d) Any Federal lease committed hereto will continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of communitized substances in paying quantities is established under this communitization agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on communitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently pursued at that time, such lease will be extended for 2 years, and so long thereafter as oil or gas is produced in paying quantities.

DATE:_____ BY:_____
WORKING INTEREST OWNER

State of _____)
)ss
County of _____)

On this _____ day of _____ A.D. 20 ___ before me, the undersigned, a Notary public in and for the County and State aforesaid, personally appeared _____ to me known to be the _____ of _____ , the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

My Commission expires _____ [SEAL]

_____
Notary Public

EXHIBIT A

Plat of communitized area covering NE ¼ sec 22, T. 31 N., R. 47 E., M.P.M., Benrud, East field, Roosevelt County, Montana.

```
          ABC Oil Company    *    Harry Smith 50%
    *          100            * Needmore Oil Co. 50%
    *
*           Tr. No 1          *     Tr. No. 2
*            80.00 ac.         *     80.00 ac.
*         14-20-0256-1234      *        Fee
    *
    *
    *                                Well No. 14-22
                                          M
```

NOTE: Show well location and tract numbers, in addition to ownership and tract acreage.

EXHIBIT B

To Communitization Agreement dated _____, embracing NE1/4, Sec. 22, T. 31 N., R. 47 E., M.P.M., Benrud, East field, Roosevelt County, Montana.

Operator of Communitized Area: BC Oil Company

DESCRIPTION OF LEASES COMMITTED Tract No. 1

Lease Serial No.: 14-20-0256-1234

Lease Date: October 1, 1970

Lease Term: 10 years

Lessor: John Two Bears Walking Estate

Lessee: ABC Oil Company 100%

Description of Land Committed:

Township 31 North, Range 47 East, M.P.M.
Section 22: W1/2NE1/4

Number of Acres: 80.00

Royalty Rate: 16-2/3 percent

Name and Percent ORRI Owners; John Doe 3W

Name and Percent WI Owners: ABC Oil Company l00%

Tract No. 2

Lease Serial No: Fee

Lease Date: November 1, 1972

Lease Term: 10 years

Lessor(s): Jack Smith

Lessee on effective date of agreement if different from present lessee: Same

Present Lessee: Harry Smith 50%

Needmore Oil Company 50%

Description of Land Committed :

Township 31 North, Range 47
East, M.P.M. Section
22: E1/2NE1/4.

Number of Acres: 80.00

Pooling Clause: Not Applicable

Basic Royalty Rate: 12-1/2 percent

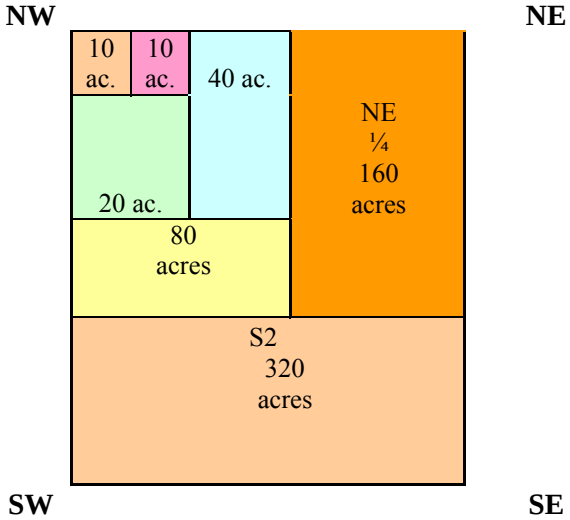
Name and Percent ORRI Owners : None

Name and. Percent WI Owners: Needmore Oil Company 100%

RECAPITULATION

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	80.00	50.0000%
2	80.00	50.0000%
Total	160.00	100.0000%

Attachment 14. Communitized Section / Division of Interest Example



Each colored tract above represents a different owner.

Section is 640 acres
Royalty Rate is 20% for each tract

The communitization calculations are:

For:	Acres owned	/ Acres in CA	Acres / CA	Royalty Rate	DOI
S/2 =	320 acres	[320/640]	0.5	0.20	0.10
NE/4 =	160 acres	[160/640]	0.25	0.20	0.05
S/2NW =	80 acres	[80/640]	0.125	0.20	0.025
NE/4NW/4 =	40 acres	[40/640]	0.0625	0.20	0.0125
S/2NW/4NW/4 =	20 acres	[20/640]	0.03125	0.20	0.00625
NW/4NW/4NW/4 =	10 acres	[10/640]	0.015625	0.20	0.003125
NE/4NW/4NW/4 =	10 acres	[10/640]	0.015625	0.20	0.003125
TOTALS =			1.000000	0.20 or 20%	

The following Excel Spreadsheet calculations can be set up:

	A	B	C	D	E	F	G
1	Acres Owned	divided by	CA acres	= Owner Decimal	times	Royalty Rate	= DOI Production Share
2				=A4/C4			=D4XF4
3	320	/	640	0.5	X	20%	0.1
4	160	/	640	0.25	X	20%	0.05
5	80	/	640	0.125	X	20%	0.025
6	40	/	640	0.0625	X	20%	0.0125
7	20	/	640	0.03125	X	20%	0.00625
8	10	/	640	0.015625	X	20%	0.003125
9	10	/	640	0.015625	X	20%	0.003125
10	TOTALS			1.000000			0.200000

Attachment 15. Communitization Agreement Checklist

Communitization Agreement Checklist

Submitted By: _____

First Date Submitted To BLM or Agency: _____

Lease No. (No.'s): _____

Allotment No. (No's):_____

Section_____ Township_____ Range _____ County _____

Participating Acres _____Total Acres_____

Well Name: _____ Location: _____

Unit Well Located on: Indian Surface_____ Fee Surface_____

1.) Are all Tracts in the section (spacing unit) leased? Yes ____ No ____
(If No, make a notation in your memo as to leasing action)

2.) Do all leases have at least 90 days or more before expiration? Yes ____ No ____
(If No, make a determination in your memo as to the disposition of the leases)

3.) Is there a signed "Affidavit of Mailing to All Indian Owners"? Yes ____ No ____

4.) Are Lease Numbers accurate? Yes ____ No ____

5.) Are Legal Descriptions Accurate? Yes ____ No ____

6.) Are Acreage and Net Acreage Descriptions Accurate? Yes ____ No ____

7.) Are Tract Acreage Percentages on the Recapitulation page correct? Yes ____ No ____

8.) Are required NEPA document(s) completed and attached? Yes ____ No ____

9.) Is the language in the CA agreeable to the intent of the lease? Yes ____ No ____

10.) Is a pooling and/or spacing order enclosed? Yes ____ No ____

Checklist Completed By: _____

Checklist Reviewed By: _____

Recommended For Approval By: _____

Communitization Agreement (Additional Procedures)

- Type wording for "Delegation of Authority" into the body of the Communitization Agreement (all 5 copies) at a convenient location where space permits. Tag for signatures.

- **DOCUMENT PACKAGE PREPARATION**

- Copies: 2-copies for BIA files (original+copy)
  2-copies to BLM
  1-copy to the Company

(Note: Send BIA and BLM copies to BLM - 4 copies. They will mail back 2 copies for our files with CA numbers on them.)

- Complete MEMO to Superintendent recommending approval (or disapproval with comprehensive justification) of Communitization Agreement. Insure that long and short term economic effects (related to potential of allowing leases to expire within the 90 day term) are documented in the Memo as required by the Office of the Assistant Secretary – Indian Affairs. If all Indian lands not leased note that approval is pursuant to Act of May 11, 1938 and leases may or may not (Indians refuse to lease and may be subject to state regulatory action) be forthcoming. Tag for signature.

- Complete MEMO (Superintendent to BLM) stating approval of Communitization Agreement.Tag for signature. Need signature and chrono copy.

- Complete "Letter to the Operator" with ONRR language inserted. Tag for signature. Need signature and chrono copy.

- Route paperwork as needed. Mail packets as required.

- Create a Com Agreement file. Set aside until copies return from BLM with Com Agreement #. Label file using number as assigned by BLM.

Attachment 16. Unit Agreement Forms

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
_____ UNIT AREA

COUNTY OF _____

STATE OF _____

CONTRACT NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 20 ____, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the Parties hereto are the owners of working, royalty, or other oil and gas interests in the Unit Area subject to this agreement; and WHEREAS, the rules and regulations governing the leasing of Allotted and Tribal Indian lands for oil and gas promulgated by the Secretary of the Interior (25 CFR parts 211 and 212) under and pursuant to the Act of March 3, 1909, ch. 263, 35 Stat. 783 as amended, the Act of May 11, 1938, ch. 198, Sec. 1, 52 Stat. 347, 25 U.S.C. Sec. 396 and 396a, and the Act of December 22, 1982, Sec. 3, 96 Stat. 1938, 25 U.S.C. 2102, and the oil and gas leases covering said Allotted and Tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation. Wherever the term Authorized Officer (AO) appears in the text of this agreement, it shall refer to the appropriate delegated authority within the Bureau of Indian Affairs. However, all submissions are to be made through the proper Bureau of Land Management office for review and distribution to the BIA; and

WHEREAS, the parties hereto hold sufficient interests in the _____ Unit Area covering the land hereafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth:

NOW, THEREFORE, in consideration of the premises and promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined Unit Area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS.

The Allotted and Tribal Leasing Acts, as amended, and the Indian Mineral Development Act, supra, all valid pertinent regulations including operating and unit plan regulations, heretofore issued there under or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Indian lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Indian land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA.

The area specified on the map attached hereto, marked Exhibit "A", is hereby designated and recognized as constituting the Unit Area, containing _____ acres, more or less.

Exhibit "A" shows, in addition to the boundary of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" and "B" shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the AO and not less than five copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office.

The above-described Unit Area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of the month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper Bureau of Land Management office, and copies thereof mailed to the last known address of each Working Interest Owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO evidence of mailing of the notice of expansion or contraction and

a copy of any objections thereto which have been filed with Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(e) All legal subdivisions of lands (i.e., 40 acres by Government Survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a Participating Area on or before the fifth anniversary of the effective date of the first initial Participating Area established under this Unit Agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the Unit Area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on Unitized Lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a Participating Area within 10 years after the effective date of the first initial Participating Area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly notify all parties in interest. All lands reasonably proved productive of Unitized Substances in paying quantities by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said first 5-year period. However, when such diligent drilling operations cease, all non-participating lands not then entitled to be in a Participating Area shall be automatically eliminated effective as of the 91st day thereafter.

Any expansion of the Unit Area pursuant to this Section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant, extension of the 10-year period specified in this subsection, a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent (90%) of the working interest in the current non-participating Unitized Lands and the owners of 60 percent (60%) of the basic royalty interests in non-participating Unitized Lands with approval of the AO, provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES.

All land now or hereafter committed to this agreement or unleased Indian Land shall constitute land referred to herein as "Unitized Land" or land subject to this agreement". All oil and gas in any and all formations of the Unitized Land are unitized under the terms of this agreement and

herein are called "Unitized Substances".

4. UNIT OPERATOR.

_____ is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of Unitized Substances as herein provided.

Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR.

Unit Operator shall have the right to resign at any time prior to the establishment of a Participating Area or Areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the AO and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a Participating Area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, material, and appurtenances used in conducting the Unit Operations to the new duly qualified successor Unit Operator or to the common agent, if no

such new Unit Operator is selected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR.

Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided or a change of Unit Operator is negotiated by the Working Interest Owners, the owners of the working interests according to their respective acreage interests in all Unitized Land shall, pursuant to the approval of the parties requirements of the Unit Operating Agreement, select a Successor Unit Operator. Such selection shall not become effective until:

(a) A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) The Selection shall have been approved by the AO. If no Successor Unit Operator is selected and qualified as herein provided, the AO at his election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the Working Interest Owners and the Unit Operator as provided in this Section, whether one or more, are herein referred to as the "Unit Operating Agreement". Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement, and in case of any inconsistency or conflict between this agreement and the Unit Operating Agreement, this agreement shall govern. Three copies of any Unit Operating Agreement executed pursuant to this Section shall be filed in the proper Bureau of Land Management office, prior to approval of this Unit Agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.

Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable

evidence of title to said rights shall be deposited with Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY.

Within 6 months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the _____ formation has been tested or until at a lesser depth Unitized Substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of _____ feet until the discovery of Unitized Substances capable of being produced in paying quantities. The Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing Unitized Substances in paying quantities is completed to the satisfaction of the AO or until it is reasonably proved that the Unitized Land is incapable of producing Unitized Substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this Section. The AO may modify any of the drilling requirements of this Section by granting reasonable extensions of time when, in his opinion, such action is warranted. Upon failure to commence any well as provided for in this (these) Section(s) within the time allowed, prior to the establishment of a Participating Area, including any extension of time granted by the AO, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO may, after 15 days notice to the Unit Operator, declare this Unit Agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first 6 months of its term unless at least one obligation well has been drilled in accordance with the provisions of this Section.

*** Optional/substitute sections and subsection. (Agreements submitted for final approval should not identify section or provision as "optional.")

*9. DRILLING TO DISCOVERY.

Within 6 months after the effective date hereof, the Unit Operator shall commence to drill an

adequate test well at a location approved by the AO, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the formation has been tested or until at a lesser depth Unitized Substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of _____ feet. Notwithstanding anything in this Unit Agreement to the contrary, except Section 25, UNAVOIDABLE DELAY, wells shall be drilled with not more than 6-months time elapsing between the completion of the first well and commencement of drilling operations for the second well and with not more than 6- months time elapsing between completion of the second well and the commencement of drilling operations for the third well, . . . regardless of whether a discovery has been made in any well drilled under this provision. Both the initial well and the second well must be drilled in compliance with the above specified formation or depth requirements in order to meet the dictates of this section; and the second well must be located a minimum of _____ miles from the initial well in order to be accepted by the AO as the second unit test well, within the meaning of this section. The third test well shall be diligently drilled, at a location approved by the AO, to test the _____ formation or to a depth of _____ feet, whichever is the lesser, and must be located a minimum of miles from both the initial and the second test wells. Nevertheless, in the event of the discovery of Unitized Substances in paying quantities by any well, this Unit Agreement shall not terminate for failure to complete the well program but the Unit Area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in a Participating Area. Until the discovery of Unitized Substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing Unitized Substances in paying quantities is completed to the satisfaction of the AO or until it is reasonably proved that the Unitized Land is incapable of producing Unitized Substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring the Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well as provided for in this (these) section(s) within the time allowed, prior to the establishment of a Participating Area, including any extension of time granted by the AO, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO may, after 15-days notice to the Unit Operator, declare this Unit Agreement terminated. The parties to this agreement may not initiate

a request to voluntarily terminate this agreement during the first 6 months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION.

Within 6 months after completion of a well capable of producing Unitized Substances in paying quantities, the Unit Operator shall submit for the approval of the AO an acceptable Plan of Development and Operation for the Unitized Land which, when approved by the AO, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO a plan for an additional specified period for the development and operation of the Unitized Land. Subsequent plans should normally be filed on a calendar year basis **not later than March 1 each year**. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this Section shall provide for the timely exploration of the Unitized Area and for the diligent drilling necessary for determination of the area or areas capable of producing Unitized Substances in paying quantities in each and every productive formation. This plan shall be as complete and adequate as the AO may determine to be necessary for timely development and proper conservation of the oil and gas resources of the Unitized Area and shall:

(a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and

(b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved Plan of Development and Operation. The AO is authorized to grant a reasonable extension of the 6 month period herein prescribed for submission of an initial Plan of Development and Operation where such action is justified because of unusual conditions or circumstances.

After completion of a well capable of producing Unitized Substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, shall be drilled except in accordance with an approved Plan of Development and Operation.

11. PARTICIPATION AFTER DISCOVERY.

Upon completion of a well capable of producing Unitized Substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivisions of the public-land surveyor aliquot parts thereof, of all land then regarded as reasonably proved to be productive of Unitized Substances in paying quantities.

These lands shall constitute a Participating Area on approval of the AO, effective as of the date of completion of such well or the effective date of this Unit Agreement, whichever is later. The acreages of both Indian and non-Indian lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial Participating Area. The schedule shall also set forth the percentage of Unitized Substances to be allocated, as provided in Section 12 to each committed tract in the Participating Area so established, and shall govern the allocation of production commencing with the effective date of the Participating Area. A different Participating Area shall be established for each separate pool or deposit of Unitized Substances or for any group thereof which is produced as a single pool or zone, and any two or more Participating Areas so established may be combined into one, on approval of the AO. When production from two or more Participating Areas is subsequently found to be from a common pool or deposit, the Participating Areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO. The Participating Area or Areas, so established shall be revised from time to time, subject to approval of the AO, to include additional lands then regarded as reasonably proved to be productive of Unitized Substances in paying quantities or which are necessary for Unit Operations, or to exclude lands then regarded as reasonably proved not to be productive of Unitized Substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revisions shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the AO. No land shall be excluded from a Participating Area on account of depletion of its Unitized Substances, except that any Participating Area established under the provisions of this Unit Agreement shall terminate automatically whenever all completions in the formation on which the Participating Area is based are abandoned.

It is the intent of this Section that a Participating Area shall represent the area known or reasonably proved to be productive of Unitized Substances in paying quantities or which are necessary for Unit Operations; but, regardless of any revision of the Participating Area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the Participating Area.

In the absence of agreement at any time between the Unit Operator and the AO as to the proper definition or redefinition of a Participating Area, or until a Participating Area has, or Areas have been established, the portion of all payments affected thereby shall, except royalty due the Indians, be impounded in a manner mutually acceptable to the owners of committed working interests. Royalties due the Indians shall be determined by the AO and the amount thereof shall be deposited, as directed by the AO, until a Participating Area is finally approved and then adjusted in accordance with a determination of the sum due as Indian royalty on the basis of such approved Participating Area.

Whenever it is determined, subject to the approval of the AO, that a well drilled under this agreement is not capable of production of Unitized Substances in paying quantities and inclusion

in a Participating Area of the land on which it is situated is unwarranted, production from such well shall, for the purposes of settlement among all parties other than Working Interest Owners, be allocated to the land on which the well is located, unless such land is already within the Participating Area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the Unit Operating Agreement.

12. ALLOCATION OF PRODUCTION.

All Unitized Substances produced from each Participating Area established under this agreement, except any part thereof used in conformity with good operating practices within the Unitized Area for drilling, operating, and other production or development purposes, for repressuring or recycling in accordance with a Plan of Development and Operations which has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of Unitized Land of the Participating Area established for such production. For the purpose of determining any benefits accruing under this agreement, each such tract of Unitized Land shall have allocated to it such percentage of said production as the number of acres of such tract included in said Participating Area bears to the total acres of Unitized Land in said Participating Area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective Working Interest Owners, shall be on the basis prescribed in the Unit Operating Agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of Unitized Substances from a Participating Area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of the Participating Area. For unleased Indian acreage, the Unit Operator must set aside all funds attributable to unleased Indian acreage in an interest-earning escrow or trust account. If any gas produced from one Participating Area is used for repressuring or recycling purposes in another Participating Area, the first gas withdrawn from the latter Participating Area for sale during the life of this agreement, shall be considered to be gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the Participating Area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

Any party hereto owning or controlling the working interest in any Unitized Land having thereon a regular well location may with the approval of the AO, at such party's sole risk, cost, and expense, drill a well to test any formation, provided the well is outside any Participating Area established for that formation, unless within 90 days of receipt of notice from said party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this Section by a Working Interest Owner results in production of

Unitized Substances in paying quantities such that the land upon which it is situated may properly be included in a Participating Area, such Participating Area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the Unit Operating Agreement.

If any well drilled under this section by a Working Interest Owner obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a Participating Area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT.

The Indians and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the Unitized Substances, and Unit Operator, or the Working Interest Owner in case of the operation of a well by a Working Interest Owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by Working Interest Owners responsible therefore under existing contracts, laws and regulations, by the Unit Operator on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing in this Section shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any Participating Area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a Plan of Development and Operation approved by the AO, a like amount of gas, after settlement as herein provided for any gas transferred from any other Participating Area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Development and Operation or as may otherwise be consented to by the AO as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

Royalty due the Indians shall be computed as provided in the appropriate operating regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of the amounts thereof allocated to Unitized Indian Land as provided in Section 12 at the rates specified in the respective Indian leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each Participating Area were a single consolidated lease.

15. RENTAL SETTLEMENT.

Rental or minimum royalties due on leases committed here to shall be paid by appropriate Working Interest Owners under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the Indians subject to this agreement shall be paid at the rate specified in the respective leases from the Indians unless such rental or minimum royalty is waived suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

With respect to any lease on non-Indian land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a Participating Area.

16. CONSERVATION.

Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal, Tribal, or State law or regulation.

17. DRAINAGE.

The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED.

The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Indian leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with

respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this Unit Area.

(b) Drilling and producing operations performed hereunder upon any tract of Unitized Lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all Unitized Lands pursuant to direction or consent of the AO shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of Unitized Land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development, or operation for oil or gas of lands other than those of the Indians committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of Unitized Substances in paying quantities is established under this Unit Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the Indians committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. COVENANTS RUN WITH LAND.

The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working

Interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM.

This agreement shall become effective upon approval by the AO and shall automatically terminate five (5) years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO, or

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the Unitized Land is incapable of production of Unitized Substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with approval of the AO, or

(c) A valuable discovery of Unitized Substances in paying quantities has been made or accepted on Unitized Land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as Unitized Substances can be produced in quantities sufficient to pay for the cost of producing same from wells on Unitized Land within any Participating Area established hereunder. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress within 60 days and production is not restored or should new production not be obtained in paying quantities on committed lands within this Unit Area, this agreement will automatically terminate effective the last day of the month in which the last Unitized Production occurred, or

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the Working Interest Owners signatory hereto, with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with Section 9.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.

The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal, Tribal, or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in

his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal, Tribal, or State law.

Powers in this Section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES.

The Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department, or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

23. NOTICES.

All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the e party or parties, or sent by postpaid registered or certified mail, to the last known address of the party or parties.

24. NO WAIVER OF CERTAIN RIGHTS.

Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where the Unitized Lands are located, or of the United States, or of the Three Affiliated Tribes, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY.

All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce Unitized Substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Tribal, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION.

(a) In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive of Executive order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement. However, the Unit Operator shall comply with the terms and conditions of the Indian

leases while engaged in operations hereunder with respect to the employment of available, qualified Indian labor. Unit Operator shall employ Indian labor in all positions for which they are qualified, including oil field service contracts, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

(b) Operator shall include the provisions of subparagraph (a) above in every subcontract or purchase order so that such provisions will be binding upon each subcontractor or vendor.

27. LOSS OF TITLE.

In the event title to any tract of Unitized Land shall fail and the true owner cannot be induced to join in this Unit Agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interests until the dispute is finally settled; provided, that, as to Indian lands or leases, no payments of funds due the Indians shall be withheld, but such funds shall be deposited as directed by the AO, to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER.

If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office and the Unit Operator prior to the approval of this agreement by the AO. Any oil and gas interests in lands within the Unit Area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the Unit Operating Agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this Section, by a Working Interest Owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement. After final approval hereof joinder by a non-Working Interest Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-Working Interest. A non-Working Interest may not be committed to this Unit Agreement unless the corresponding working interest is committed hereto. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

29. COUNTERPARTS.

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described Unit Area.

30. INDIAN EMPLOYMENT.

The Unit Operator shall comply with the terms and conditions of the leases on Indian lands with respect to the employment of available Indian labor while engaged in operations hereunder.

31. SURRENDER.

Nothing in this agreement shall prohibit the exercise by any Working Interest Owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender, the Working Interest rights as to such lands become vested in any party other than the fee owner of the Unitized Substances, said party may forfeit such rights and further benefits from operations hereunder as to said land to the party next in the chain of title who shall be and become the owner of such Working Interest.

If as the result of any such surrender or forfeiture, Working Interest rights become vested in the fee owner of the Unitized Substances, such owner may:

(a) Accept those Working Interest Rights subject to this agreement and the Unit Operating Agreement, or

(b) Lease the portion of such land as is included in a Participating Area established hereunder subject to this agreement and the Unit Operating Agreement; or

(c) Provide for the independent operation of any party of such land that is not then included within a Participating Area established hereunder.

If the fee owner of the Unitized Substances does not accept the Working Interest Rights subject to this agreement and the Unit Operating Agreement or lease such lands as above provided within 6 months after the surrendered or forfeited, Working Interest Rights become vested in the fee owner; the benefits and obligations of operations accruing to such lands under this agreement and the Unit Operating Agreement shall be shared by the remaining owners of Unitized Working Interests in accordance with their respective Working Interest ownerships, and such owners of Working Interests shall compensate the fee owner of Unitized Substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owed by such an accounting shall be made as between the parties within 30 days.

The exercise of any right vested in a Working Interest Owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

32. TAXES.

The Working Interest Owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The Working Interest Owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said tract, and may currently retain and deduct a sufficient amount of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of _____ or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. NO PARTNERSHIP.

It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. WILDLIFE STIPULATION.

Nothing in this Unit Agreement shall modify the special Federal lease stipulations applicable to lands under the jurisdiction of the United States Fish and Wildlife Service.

35. FOREST LAND STIPULATIONS.

Notwithstanding any other terms and conditions contained in this agreement, all of the stipulations and conditions of the individual leases between the United States and its lessees or their successors or assigns embracing lands within the Unit Area included for the protection of lands or functions under the jurisdiction of the Secretary of the Agriculture shall remain in full force and effect the same as though this agreement had not been entered into, and no modification thereof is authorized except with the prior consent in writing of the Regional Forester, United States Forest Service,_____ .

36. RECLAMATION LANDS.

Nothing in this agreement shall modify the special, Federal lease stipulations applicable to lands under the jurisdiction of the Bureau of Reclamation.

37. POWERSITE

Nothing in this agreement shall modify the special, Federal lease stipulations applicable to lands under the jurisdiction of the Federal Energy Regulatory Commission.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

Date of Signature

_____	_____ Unit Operator
_____	_____ Working Interest Owners
_____	_____ Other Interest Owner

State of _____)
)ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 ___ as _____ of _____ , a _____ on behalf of this Corporation.

WITNESS my hand and official seal.

_____
Notary Public

My Commission expires _____ [SEAL]

MODEL FORM FOR INDIAN SECONDARY UNIT

UNIT AGREEMENT AND PLAN OF UNITIZATION
FOR THE DEVELOPMENT AND OPERATION OF

THE _____ UNIT AREA

COUNTY OF _____

STATE OF_____

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UNIT AGREEMENT AND PLAN OF UNITIZATION
FOR THE DEVELOPMENT AND OPERATION OF

THE _____ UNIT AREA

COUNTY OF _____

STATE OF_____

THIS AGREEMENT, entered into as of the _____ day of 20____ , by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the term "Working Interest" as used herein shall mean the interest held in Unitized Substances or in lands containing Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, which is chargeable with and obligated to pay or bear all or a portion of the costs of drilling, developing, producing, and operating the land under the unit or cooperative agreement. "Royalty Interest" as used herein shall mean a right to, or interest in, any portion of the Unitized Substances or proceeds thereof other than a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the working interest rights to another shall be regarded as a Working Interest Owner to the extent of a seven-eighths (7/8ths) interest in and to such oil and gas rights, and as a Royalty Interest Owner to the extent of the remaining one eighth (1/8th) interest therein; and

WHEREAS, the rules and regulations governing the leasing of Allotted and Tribal Indian lands for oil and gas promulgated by the Secretary of the Interior (25 CFR parts 211 and 212) under and pursuant to the Act of March 3, 1909, ch. 263, 35 Stat. 783 amended, the Act of May 11, 1938, ch. 198, Sec. 1, 52 Stat. 347, 25 U.S.C. Sec 396 and 396a, and the Act of December 22, 1982, Sec. 3, 96 Stat. 1938, 25 U.S.C. 2102, and the oil and gas leases covering said Allotted and Tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation of any oil or gas pool, field or like area, or any part thereof for the purposes of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior of the United States, hereinafter referred to as "Secretary," to be necessary or advisable in the public interest; and

WHEREAS, the State Statute _____, empowers the Board of Oil and Gas Conservation, State of _____, hereinafter referred to as the "Board", upon application, to determine the need for and make orders providing for the operation as a unit of one or more pools, or parts thereof, in a field after approval of percent (%) of the parties involved, which order shall be binding on all parties in said Unit Area; and

WHEREAS, the parties hereto hold sufficient interests in the Unit Area covering the land hereinafter described to give reasonably effective control of operations herein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their respective interests in the below-defined Unit Area, and agree severally among themselves as follows:

1. **ENABLING ACT AND REGULATIONS.** The Allotted and Tribal Leasing Acts, as amended, and the Indian Mineral Development Act, supra, all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Indian lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Indian land is located, are hereby accepted and made a part of this agreement.

2. **UNIT AREA.** The area specified on the plat attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the Unit Area containing _____ acres, more or less.

Exhibit "A" shows, in addition to the boundary of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the Unit Area. Exhibit "C" attached hereto is a schedule showing the percentage of participation credited to each Tract in the Unit Area based upon a presumed one hundred percent

(100%) commitment (Tract means each parcel of land described as such and given a Tract Number in Exhibit "B.") However nothing herein or in said schedule or map shall be construed as a representation by any party as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the BLM Authorized Officer, hereinafter referred to as "AO," or by the Board. In such case, not less than six (6) copies of the revised exhibits shall be filed with the AO.

3. **EXPANSION OF UNIT AREA**. Any enlargement of the Unit Area shall require approval by the AO, and shall be in accordance with the provisions of the State of _____ Statutes. The Unit Area may, with the approval of the AO, be expanded to include therein any additional lands whenever such expansion is necessary or advisable to conform with the purposes of this Agreement. Subject to such approval of the AO, any such expansion may be accomplished by the Unit Operator negotiating an agreement or agreements with the owners of such lands fixing the tract participation of each Tract and providing for the commitment of the interest of such owners to this Agreement and to the Unit Operating Agreement, the Unit Operator acting on behalf of the Working Interest Owners collectively after having been duly authorized by them as provided for in the Unit Operating Agreement. Whenever the Unit Area is enlarged so as to admit additional land qualified for participation, Exhibit "C" shall be revised as set forth in Section 12, Participation and Allocation of Production. Any such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion, after preliminary concurrence by the AO, or on demand of the AO, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefore, and the proposed effective date thereof, preferably the first day of the month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper AO, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application and appropriate joinder with a sufficient number of copies for approval of such expansion.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the AO, become effective as of the date prescribed in the notice thereof or such other appropriate date as determined by the AO.

4. **UNITIZED LAND AND UNITIZED SUBSTANCES.** All lands, including unleased Indian land, committed to this Agreement as provided in Section 5, Tracts Qualified for Participation, as to the Unitized Formation defined immediately below shall constitute land referred to herein as "Unitized Land," land subject to this Agreement. All oil and gas, in and produced from the Unitized Formation, is unitized under the terms of this Agreement and herein is called "Unitized Substances."

The Unitized Formation shall mean the formation as identified by the log run in the Well, located in the _____, of Section _____, Township _____, Range _____, County _____, with the top of the Unitized Formation being found at a depth of _____ feet below the surface and the base of the Unitized Formation being found at a depth of _____ feet below the surface as measured from the Kelly Bushing elevation of feet.

5. **TRACTS QUALIFIED FOR PARTICIPATION.** Inasmuch as the objective of this Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, no joinder shall be considered a commitment to this Agreement unless the Tract involved is qualified under this Section. On or after the effective date hereof, the Tracts within the Unit Area which, in the absence of an involuntary pooling order issued by the Board, shall be entitled to participation in the production of Unitized Substances therefrom shall be those Tracts within the Unit Area, more particularly described in Exhibit "B," that are qualified as follows (for the purposes of this Section, the record interest shall replace the royalty interest as to Indian land):

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement and Royalty Owners owning eighty percent (80%) or more of the royalty interest created by the basic leases have signed or ratified this Agreement.

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement and Royalty Owners owning less than eighty percent (80%) of the royalty interests created by the basic leases have signed or ratified this Agreement, as to which (1) all Working Interest Owners in such Tract join in a request for inclusion of such Tract in Unit Participation upon the basis of such commitment status, and further, as to which (2) eighty percent (80%) or more of the combined voting interest of Working Interest Owners in all Tracts which meet the requirements of Subsection 5(a) vote in favor of the acceptance of such Tract as qualified. For the purpose of this Subsection 5(b), the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's percentage participation in all Tracts which qualify under Subsection 5(a) bears to the total percentage participation of all Working Interest Owners in all Tracts which qualify under said Subsection 5(a), as such percentages are shown on Exhibit "C";

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, regardless of the percentage of royalty interest therein that is committed hereto, and as to which (1) the Working Interest Owner who operates the Tract and all of the other subscribing Working Interest Owners in such Tract have joined in a request for inclusion of such Tract in Unit participation upon the basis of such commitment status and have tendered and executed and delivered an indemnity agreement, indemnifying and agreeing to hold the owners of the Working Interests in the other qualified Tracts harmless from and against any and all claims and demands that may be made by the non-subscribing Working Interest Owners in such Tract on account of the inclusion of the same in Unit Participation, and further, as to which (2) eighty percent (80%) or more of the combined voting interests of the Working Interest Owners in all Tracts which meet the requirements of Subsections 5(a) and 5(b) above vote in favor of the inclusion of such Tract.

For the purpose of this Subsection 5(c), the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's percentage participation attributed to Tracts which qualify under Subsection 5(a) and 5(b) bears to the total percentage of all Working Interest Owners attributed to all Tracts which qualify under Subsection 5(a) and 5(b), as such percentages are set out in Exhibit "C."

Notwithstanding anything in this Section to the contrary, all Tracts within the Unit Area shall be deemed to be qualified for participation and be deemed committed if this Agreement and the Unit Operating Agreement are duly approved as of the Plan of Unitization and Operating Plan by order of the Board, State of _____, and the AO as to the Unit Agreement, subject to any revisions pursuant to Section 12 hereof.

6. **UNIT OPERATOR. _____** is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

7. **RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate that Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the AO, and until all wells are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The resignation of Unit Operator shall not release the Unit Operator from any liability for default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO.

In all instances of resignation or removal, until a Successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator, and shall, not later than 30 days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title, or interest as the owner of working interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, material, and appurtenances used in conducting the Unit Operations to the new duly qualified Successor Unit Operator or to the common agent if

no such new Unit Operator is elected to be used for the purpose of conducting Unit Operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

8. **SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by the Working Interest Owners, the owners of the Working Interests according to their respective allocation percentage in all Unitized Land shall, pursuant to the approval of the parties requirements of the Unit Operating Agreement, select a Successor Unit Operator. Such selection shall not become effective until:

(a) A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator; and

(b) The selection shall have been approved by the AO.

If no Successor Unit Operator is selected and qualified as herein provided, the AO at his election may declare this Unit Agreement terminated.

9. **ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.** If the Unit Operator is not the sole owner of Working Interest, costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid and apportioned among and borne by the owners of Working Interests, all in accordance with the agreement or agreements, whether one or more, separately or collectively, entered into by and between the Unit Operator and the owners of Working Interests. Any agreement or agreements, whether one or more, entered into between the Working Interest Owners and the Unit Operator as provided in this Section are herein referred to as the "Unit Operating Agreement."

Such Unit Operating Agreement shall also set forth such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the AO prior to approval of this Unit Agreement, and thereafter promptly after any revision or amendment.

10. **RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this Agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

11. **PLAN OF OPERATION.** It is recognized and agreed by the parties hereto that the Unit Area is developed and productive, and only such drilling as is incidental to an enhanced recovery program is contemplated.

Inasmuch as the primary purpose of this Agreement is to permit the institution and consummation of an enhanced recovery program for the maximum economic production of Unitized Substances consistent with good engineering and conservation practices, Unit Operator, concurrently with the filing of this Unit Agreement for final approval, shall submit to the AO for approval a Plan of Operation for the Unitized Land, and upon approval thereof by the AO, such plan shall constitute the future operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. Thereafter, from time to time, as determined by the AO, before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation. These subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Said plan or plans shall be supplemented when necessary to meet changed conditions, or to protect the interest of all parties to this Unit Agreement. Reasonable diligence, as determined by the AO, shall be exercised in complying with the obligations of any approved Plan of Operation.

The Unit Operator shall have the right to inject into the Unitized Formation any substances for Enhanced Recovery purposes in accordance with a Plan of Operation approved by the AO, including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation for said purpose, and the parties hereto, to the extent of their rights and interests, hereby grant to the Unit Operator the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and the development of the Unit Area hereunder. Unit Operator shall have free use of water from the Unitized Land for operations hereunder and for operations on adjacent lands as may be reasonably necessary for the operation and the development of the Unit Area hereunder, except water from Surface Owner's and Royalty Owner's fresh water wells, private lakes, ponds, or irrigation ditches.

12. **PARTICIPATION AND ALLOCATION OF PRODUCTION.** Beginning at 7:00 a.m. on the effective date hereof, the Tract Participation of each Tract shall be based upon the following factors and formula:

The figure set forth opposite each Tract in Exhibit "C" represents the Tract Participation to which such Tract is entitled if all Tracts are committed hereto and qualified as to the effective date of this Agreement.

Promptly after approval of the Unit Agreement, if all Tracts are not qualified hereto, Unit Operator shall revise Exhibit "C" to show the Tracts qualified for participation under this Agreement by setting forth opposite each Tract a revised Tract participation therefore, which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in the original Exhibit "C," but applying the same only to those Tracts which are qualified for participation effective as of the effective date of this Unit Agreement. Said revised Exhibit "C" shall be subject to approval by the AO and shall be effective as of the effective date of this Agreement.

If after the effective date of this Agreement any Tract or Tracts are subsequently committed hereto and qualified because of expansion of the Unit Area under Section 3, Expansion of Unit Area, or any Tract or Tracts are subsequently qualified under the provisions of Section 5, Tracts Qualified for Participation, and Section 30, Subsequent Joinder, or if any Tract is eliminated

from the Unit Agreement as provided in Section 29, Loss of Title, the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show the new Tract participations of all the then qualified Tracts; and the revised Exhibit "C," upon approval by the AO, shall govern the allocation of production from the effective date thereof until a new schedule is so approved. In any such revised Exhibit "C," pursuant to this paragraph, the Tract participation of the retained previously qualified Tracts shall remain in the same ratio one to the other.

On the effective date of this Agreement and thereafter, all Unitized Substances produced hereunder (except any part thereof used in conformity with good operating practices for drilling, operating, camp, and other production or development purposes for Enhanced Recovery Operations in accordance with a Plan of Operation approved by the AO or unavoidably lost) shall be deemed to be produced from the several Tracts of Unitized Land, and for the purpose of determining any benefits accruing under this Agreement, each such Tract shall have allocated to it that percentage of said production equal to its Tract Participation effective hereunder during the respective period such Unitized Substances were produced, as set out in Exhibit "C."

If, as of the effective date hereof, any Tract is over-produced with respect to the allowables of the wells on that Tract as established by the State of _____ and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tracts.

The amount of Unitized Substances allocated to each Tract shall be deemed to be produced from such Tract irrespective of the location of the wells from which the same is produced and regardless of depletion of wells or Tracts. In the absence of a controlling contract or agreement to the contrary, when two or more leases or part or parts thereof have been combined into a single Tract, the percentage participation assigned to such Tract shall for all purposes be divided among the separate leases or part or parts thereof, which have been put into such Tract, in proportion to the number of surface acres of the leases, or part or parts thereof contained in such Tract to the total surface acres contained in said Tract. For unleased Indian acreage, the Unit Operator must set aside all funds attributable to unleased Indian acreage in an interest-earning escrow or trust account.

13. **ROYALTY SETTLEMENT.** The United States and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substance now unitized hereunder produced from any Tract, shall hereafter be entitled to the right to take in kind their proportionate share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for Royalty Interest not taken in kind shall be made by an operator responsible, therefore, under existing contracts, laws, and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this Agreement is introduced into the Unitized Formation hereunder for use in repressuring, stimulation or production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the AO, a like amount of gas less appropriate deduction for loss or depletion from any cause, may be withdrawn

from the Unitized Formation, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operations or as may otherwise be consented to by the AO as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this Unit Agreement.

If natural gasoline, liquid petroleum gas fractions, or other liquid hydrocarbon substances (herein collectively called "LPGS") which were not extracted from gas produced from the Unitized Formation and upon which royalty was paid at the time of production are injected into the Unitized Formation, which shall be in conformity with a Plan of Operation first approved by the AO, Working Interest Owners shall be entitled to recover, royalty free, part or all of such LPGS pursuant to such conditions and formulas as may be prescribed or approved by the AO.

Royalty due the United States shall be computed as provided in the Indian operating regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of the amounts hereof allocated to Unitized Indian Land as provided herein at the rates specified in the respective Indian leases, or at such lower rates as may be authorized by law or regulation; provided that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the Unitized Lands were a single consolidated lease.

As to non-Indian lands, any royalty or other payment which varies under the terms of the instrument creating it, according to actual production from a Tract, or according to the capabilities of wells located thereon to produce, shall, on and after the effective date, be computed upon that portion of the Unitized Substances allocated to the particular Tract and not upon the actual production of oil and gas from the Tract or the capability of the well(s) thereon to produce. If any such royalty or other payment depends on the production or pipeline runs from a well, such production or pipeline runs shall be determined by dividing the Unitized Substances allocated to the Tract by the number of wells located thereon that were capable of producing or capable of being used in Unit Operations as a producing well or otherwise as of the effective date. If any Tract has no such well located thereon as of the effective date, it shall be treated as having one well within the meaning of this Section.

14. **RENTAL SETTLEMENT.** Rental or minimum royalties due on leases committed hereto shall be paid by parties responsible, therefore, under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the responsible parties of any land from their respective obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental and minimum royalty for lands of the United States subject to this Agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

15. **CONSERVATION.** Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal, Tribal or State law or regulation.

16. **DRAINAGE.** The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this Agreement, or with prior consent of the AO, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the AO. In event compensatory royalty is so

paid, it shall be treated in the same manner as Unitized Substances.

17. **GAUGE OF MERCHANTABLE OIL.** Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area and associated with the operation of Unitized Land in order to ascertain the amount of merchantable oil above the pipeline connections in such tanks at 7:00 a.m. on the effective date hereof. All such oil shall be and remain the property of the parties entitled thereto the same as if the Unit had not been formed and such parties shall promptly remove said oil from said tanks. Any such oil not so removed shall be sold by Unit Operator for the account of parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease, leases, or other contracts.

18. **LEASE AND CONTRACTS CONFORMED AND EXTENDED.** The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary shall and by his approval hereof or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Indian leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement, under the terms hereof, shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned Tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unitized Land, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any Tract of Unitized Land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all Unitized Land pursuant to direction or consent of the AO or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of Unitized Land. But, if a suspension of drilling or producing operations is limited to specific lands, it shall be applicable only to such lands.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil or gas on lands committed to this Agreement which, by its terms, might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Any Indian lease committed hereto shall continue in force beyond the term so provided

therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of Unitized Substances in paying quantities is established under this Unit Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

(f) Each sublease or contract relating to the operation and development of Unitized Substances from lands of the Indians committed to this agreement, which by its term would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portion so segregated in proportion to the acreage of the respective Tracts.

19. **COVENANTS RUN WITH LAND.** The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working Interest shall be binding upon Unit Operator, nor shall any transfer of any Royalty Interest or other interest be binding on the Working Interest Owner responsible for payment or settlement thereof until the first day of the calendar month after Unit Operator or the responsible Working Interest Owner, as the case may be, is furnished with the original, photostat, or certified copy of the instrument of transfer.

20. **EFFECTIVE DATE.** This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. on the first day of the calendar month next following the approval of this Agreement by the Secretary or his duly authorized delegate.

21. **TERM.** The term of this Agreement shall be for and during the time that Unitized Substances can be produced in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and for as long thereafter as drilling, reworking, or other operations are prosecuted on Unitized Land without cessation of more than sixty (60) consecutive days, and so long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated by the AO as provided in Section 8, Successor Unit Operator, or by the Working Interest Owners as provided in Section 22, Termination by Working Interest Owners.

22. **TERMINATION BY WORKING INTEREST OWNERS.** This Agreement may be terminated at any time by Working Interest Owners owning ninety percent (90%) or more of the participation percentage in the Unitized Land with the approval of the AO. Notice of any such termination shall be given by the Unit Operator to all parties hereto.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and

provisions of the leases and contracts affecting the separate Tracts.

If not specified otherwise by the leases unitized under this Agreement, the Basic Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute, or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

Unit Operator shall, within thirty (30) days after the termination of this Agreement has been determined pursuant to Sections 8 and 22 hereof file for record in the office or offices where a counterpart of this Agreement is recorded, a certificate setting forth the fact of such termination and the date thereof.

23. **RATE OF PROSPECTING DEVELOPMENT, AND PRODUCTION.** The AO is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this Agreement when such quantity and rate is not fixed pursuant to Federal, Tribal, or State law or does not conform to any statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such state, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time at his discretion the rate of prospecting and development and the quantity and rate of production under this Agreement when such alteration or modification is in the interest of attaining the conservation objective stated in this Agreement and is not in violation of any applicable Federal, Tribal, or State law.

Powers in this Section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

24. **APPEARANCES.** Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or any other legally constituted authority; provided, however that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

25. **NOTICES.** All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing, or personally delivered to the party or sent by postpaid, registered, or certified mail, addressed to such party at the address such party has furnished to the party sending the notice, demand, or statement.

26. **NO WAIVER OF CERTAIN RIGHTS.** Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where the Unitized Lands are located, or of the United States, or of the Three Affiliated Tribes, or regulations issued thereunder in any way affecting such party or as a waiver by any such party of any right beyond his or its authority to waive, provided, however, each party hereto except the United States covenants that during the existence of this Agreement, such party shall not resort to any action at law or inequity to partition the Unitized Land or the facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

27. **UNAVOIDABLE DELAY.** All obligations under this Agreement, except the payment of money, shall be suspended while, but only so long as Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, federal, Tribal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

28. **NON-DISCRIMINATION/INDIAN EMPLOYMENT.**

(a) In connection with the performance of work under this agreement, the Unit Operator agrees to comply with the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement. However the Unit Operator shall comply with the terms and conditions of the Indian leases while engaged in operations hereunder with respect to the employment of available, qualified Indian labor. Unit Operator shall employee Indian labor in all positions for which they are qualified, including oil field service contracts, and shall protect the Indian grazing right and other Indian rights to the surface of the lands.

(b) Operator shall include the provisions of subparagraph (a) above in every subcontract or purchase order so that each pro vision will be binding upon each subcontractor or vendor.

29. **LOSS OF TITLE.** In the event title to any Tract of Unitized Land shall fail and the true owner cannot be induced to join this Unit Agreement, such Tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty or Working Interest, or other interests subject hereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that as to Indian land or leases, no payments of funds due the Indians shall be withheld, but such funds shall be deposited as directed by the AO to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

In order to avoid title failure which might incidentally cause the title to a Working Interest or Interests to fail, the owners of (a) the surface rights to land subject to this Agreement, (b) severed minerals or Royalty Interests in said land, and (c) improvements located on said lands, but not utilized for Unit Operations, shall individually be responsible for the rendition and assessment for ad valorem tax purposes of all such property, and for payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or in the Unit Operating Agreement. If any ad valorem taxes are not paid by such owners responsible, therefore, when due, the Unit Operator may, at any time prior to tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. In the event the Unit Operator makes any such payment or redeems any such property from tax sale, the Unit Operator shall be reimbursed, therefore, by the Working Interest Owners in proportion to their respective percentages of Unit Participation; and the Unit Operator shall withhold from the

proceeds otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholdings to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption.

30. **SUBSEQUENT JOINDER.** After the effective date of this Agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such equitable terms as may be negotiated by Working Interest Owners and the owner of such interest. After the effective date hereof, joinder by a Royalty Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Interest. Joinder by any Royalty Owner at any time must be accompanied or preceded by appropriate joinder by the owner of the corresponding Working Interest in order for the interest to be regarded as effectively committed. Joinder to this Unit Agreement by a Working Interest Owner at any time must be accompanied by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded as committed to this Unit Agreement. Except as may otherwise herein be provided, subsequent joinders to this Agreement shall be effective as of the date of the filing with the AO of duly executed counterparts of all or any paper necessary to establish commitment of any Tract to this Agreement unless objection to such joinder is made within sixty (60) days by the AO.

31. **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described Unit Area.

In the event any of the parties hereto own both Working Interests and Royalty Interests, as such interests are shown on Exhibit "B," it shall not be necessary for such party to execute this Agreement in both capacities in order to commit both classes of interest. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity, provided said Interest Owner has also executed the Unit Operating Agreement in its capacity as a Working Interest Owner.

32. **ROYALTY OWNER'S TAXES.** Unless otherwise specifically provided by law, each Royalty Owner shall render and pay all ad valorem taxes, including ad valorem taxes measured by production levied against its royalty or mineral interest. Unit Operator shall pay, as an agent for the Working Interest Owners, each Royalty Owner's share of all taxes other than ad valorem taxes levied on or measured by the Unitized Substances in and under, or that may be produced, gathered, and sold from the lands subject hereto, or upon the proceeds or net proceeds derived therefrom, and shall pay ad valorem taxes to the extent that the same are made payable by law by any Working Interest Owner. Each Working Interest Owner shall reimburse Unit Operator for taxes so paid on its behalf and such Working Interest Owner shall make proportionate deductions of said amounts in settling with its Royalty Owners in each separately owned Tract. No such taxes shall be charged to the United States or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. **NO PARTNERSHIP.** It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any

operations hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. **BORDER AGREEMENTS**. Unit Operator, subject to the provisions of the Unit Operating Agreement and subject to approval of the AO, may enter into an agreement or agreements with the Working Interest Owners of adjacent lands with respect to operations designed to increase the ultimate recovery of oil and/or gas from the Unitized Formation, prevent waste, and protect the correlative rights of the parties.

35. **CORRECTION OF ERRORS.** It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent Exhibits to this Agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the AO. If any such corrections are made, Unit Operator shall file not less than five (5) copies of the corrected pages of this Agreement or of the Exhibits hereto with the AO. Unit Operator shall also provide, in conformance with Section 25, Notices, such corrected pages to the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

Date of Signature

_____	_____ Unit Operator
_____	_____ Working Interest Owners
_____	_____ Other Interest Owner

State of _____)
)ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20 ___ as _____ of _____ , a _____ on behalf of this Corporation.

WITNESS my hand and official seal.

_____
Notary Public

My Commission expires _____ [SEAL]

Attachment 17. Sample Instructions and Lease Assignment Form

SAMPLE 1 - INSTRUCTIONS FOR COMPLETING ASSIGNMENT OF MINING LEASE FORMS

GENERAL:

1. The assignment is to be completed in an original and three copies, all with original signatures to be returned for approval. When approved, a copy will be mailed to the Assignee. Do not add or strike out words on the forms.
2. We do not recognize or approve assignment of over-riding royalty or well-bore rights. The assignment forms and all related documents have to be submitted to us within 30 days of the first signing to be considered for approval. For example, "X" Corp. is making the assignment to "Y" Corp. The "X" Corp. completes and signs the assignment on July 1 and "Y" Corp. Signs on July 3. The assignment forms and all related documents have to be in our office within 30 days of July 1 which is the first signing date.
3. There is an assignment fee of $_____ per lease assignment. A Cashier's Check, Certified Check or Money Order is to be made payable to the Bureau of Indian Affairs. PERSONAL OR COMPANY CHECKS WILL NOT BE ACCEPTED.
4. Any individual or firm acquiring an interest in an oil and gas lease on Indian land is required to be bonded. A separate bond (Form 5-154m) is required for each assignment and the penal sum of the bond is $_____ per lease for non-producing status. If the assignment involves a leasehold that is classified as producing, then the bond amount shall be a minimum of $_____ per lease. In lieu of individual bonds you may file a $_____ Collective Bond with the _____ Office for all leases of minerals in the _____ area including _____, provided that the total acreage by the bond shall not exceed _____acres. Contact us for one of these forms. Or, in lieu of the foregoing bonds, a Lessee may furnish a $_____ Nationwide Oil and Gas Lease Bond for full nationwide coverage. Contact us for one of these forms. The bond(s) has to be completed by a corporate surety who is authorized by the Department of the Treasury to write bonds on Federal or Indian leases. You should be able to contact your insurance agent to determine if he can obtain a surety bond for you.
5. If the firm to whom the Lease or interest therein is being assigned is incorporated, the firm will have to establish its corporate qualifications with the Bureau of Indian Affairs if they have not already done so. Copies of the following documents should be submitted with the assignment forms:
    - Certificate of Incorporation – or – Certificate of Authority to Operate in the State of _____ if a foreign corporation (foreign corporation is out-of-state)
    - Articles of Incorporation and any amendments
    - A recent financial statement
    - Receipt for payment of annual Franchise Tax License
    - Current list of officers and their addresses
        - An Evidence of Authority of Officers to Execute Papers Form should be completed for the Assignor and Assignee if incorporated. The date shown on this form should agree with the date the respective parties signed the assignment form. A corporate seal may be used, with attested witnesses. If

the assignment is executed by a person who has a Power of Attorney, we will need a copy of the Power of Attorney instead of furnishing an Evidence of Authority Form. Assignments by or to individuals are not required to sign this form.

ACCEPTANCE BY ASSIGNEE:
This portion is to be completed and signed by the individual or corporation to whom the Lease or interest therein is being made. This signature does not need to be notarized, however, if incorporated an Evidence of Authority Form has to be completed and the date on it should agree with the date that the Assignee signed the assignment. Also, if incorporated the corporate secretary needs to sign to the left and affix the corporate seal.

CONSENT OF SURETY:
This portion only needs to be completed if the surety for the Assignor, party making the assignment, is agreeing to become the surety for the Assignee, party receiving the assignment.

ASSIGNMENTS OF PARTNERSHIPS:
If the Assignee is a partnership, then we will need copies of the partnership agreement.

SAMPLE 2 - STANDARD PROCEDURE FOR THE TRANSFER OF LEASE INTERESTS

Any transfer of mining interest or all rights arising under leases, permits, other agreements including farmout and operating agreements heretofore approved by the Secretary, or any interest in the aforementioned including but not limited to any joint ventures operating production, sharing, service, managerial, lease or other agreement, or any amendment, supplement or other modification of such agreement providing for the exploration for, or other development of oil and gas, or geothermal in a beneficial or restricted interest exists which (a) contains a Tribal consent requirement; (b) was created pursuant to Bureau of Indian Affairs regulations; (c) was created after the date hereof; or (d) was created by any time, regardless of whether it meets the requirements of clauses (a) and (b) above or either of them, may be done either by assignment, reassignment or by entering into a working agreement or in any other manner, only if the following requirements are fully complied with:

1. The assignor and assignee shall complete and file an Assignment of Mining Interest form with the Minerals Department. Forms and updated instructions shall be available from the appropriate office.

2. (a) The full and complete terms of the transfer, including a complete disclosure of the consideration therefore, shall be put in writing and filed with the Minerals Department, accompanied by an affidavit duly subscribed and sworn or affirmed before an officer authorized to administer oaths by the parties in interest or their authorized representatives who have full knowledge of the facts involved, declaring that the information filed is full and complete and the parties have no other or additional agreement and have not and will not pay, give or promise any consideration in addition to that disclosed.

(b) The full disclosure of the terms as required in subparagraph (a), if it is determined by the Minerals Department that the assignment resulted from a merger of the assignor company or the changing of its name or from the merger of a wholly-owned subsidiary into its parent company (or vice versa), then the economic evaluation and review of the assignment(s) may, at the discretion of

the Line Official, be dispensed with a prerequisite to Tribal approval of the assignments.

3. The assignor and assignee will be responsible for fulfilling all Department of the Interior requirements for the assignment of a mining interest.

4. A non-refundable filing fee of $ _____ per assignment shall be deposited. The filing fee may be periodically adjusted by the Secretary.

5. The assignment of mineral interest authorized hereby shall not be approved if the Minerals Department determines that it is not in the best economic interest of the beneficiary.

6. The Designation of an Operator under the Code of Federal Regulations or otherwise shall not constitute an assignment of the lessee's operating rights. Nor shall any such Designation of Operator be valid unless the lessee gives notice in writing to the Tribe 10 days in advance of such designation.

7. The transfer of assignment shall not be effective until approved by the Secretary of the Interior.
8. The Agency will conduct an analysis of all assignments covering the lease to determine if the total obligation of 100% is maintained.

Instructions for filing LEASE ASSIGNMENTS (TRIBAL LANDS):

Additional forms are available upon request from the appropriate office.

Fill in Part I of the form completely. **All transfer of title/rights in lease shall not be effective until approved by the Tribe and the authorized representative of the Secretary of the Interior.**

This transfer shall be subject to the Standards and Procedures for the Transfer of Mining Interest. Please include the full and complete terms of the transfer as required under the Standards and Procedures.

5-154e (August 2012)

LEASE NO. _____

CONTRACT NO. _____

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

_____

ASSIGNMENT OF MINING LEASE

WHEREAS, the Secretary of the Interior or his authorized representative has heretofore approved _____ mining lease, dated _____ , 20_____, entered into by and between _____, lessor, and _____, lessee, covering the following-described lands in the _____
(Insert name of Reservation, Pueblo, Nation, etc., as needed.)
in the State of _____
_____
_____
_____
_____ .

NOW, THEREFORE, for and in consideration of _____ dollars ($_____), the receipt of which is hereby acknowledged, the said _____ the owner of the above-described lease, hereby bargains, sells, transfers, assigns, and conveys _____ _____ right, title, and interest in and to said lease, subject to the approval of the Secretary of the Interior or his authorized representative to _____ _____, of _____ .

Said assignment to be effective from date of approval hereby by the Secretary of the Interior or his authorized representative.

IN WITNESS WHEREOF, the said assignor has hereunto set _____ hand and seal, this ____ day of _____, 20_____.

_____

_____

_____

16-11683-3

ACKNOWLEDGMENT OF CORPORATION

STATE OF _____)
)SS:
COUNTY OF _____)

Before me, a notary public, in and for said county and State, on this _____ day of _____, 20____ personally appeared_____ to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its _____ _____ and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

_____
Notary Public

My commission expires _____ , 20_____ .

ACKNOWLEDGMENT OF INDIVIDUAL

STATE OF _____)
)SS:
COUNTY OF _____)

Before me, a notary public, in and for said county and State, on this _____ day of _____, 20____ personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that _____executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

_____
Notary Public

My commission expires _____ , 20_____ .

ACCEPTANCE BY ASSIGNEE

The assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment and agrees to fulfill all the obligations, conditions, and stipulations in said described indenture of lease, when assigned, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement.

IN WITNESS WHEREOF, the said assignee has hereunto set _____ hand and seal this _____ day of _____, 20____ .

_____
_____
_____

CONSENT OF SURETY

The _____, of _____, surety for _____ on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.

Dated at _____ this _____ day of _____, 20____

Approved: _____

ASSIGNMENTS

Lease No. _____ Approved:_____
Allotment No. _____

Description:_
_____
_____
_____

Interest

Lessee:_____ _____
_____ _____
_____ _____

Assignment# _____

Assignor: _____ _____
_____
_____

Assignee: _____ _____
_____
_____

Assignment# _____

Assignor: _____ _____
_____
_____

Assignee: _____ _____
_____
_____

Assignment# _____

Assignor: _____ _____
_____
_____

Assignee: _____ _____
_____
_____

Attachment 18. Assignment of Operating Rights Form

U.S. Department of the Interior
Bureau of Indian Affairs

_____
Lease Number

ASSIGNMENT OF OIL AND GAS LEASE
OPERATING RIGHTS

WHEREAS, for and in consideration of _____dollars ($ _____), the receipt of which is hereby acknowledged, the said _____ ,

the owner of the above-described lease (hereafter called Assignor), does hereby bargain, sell, transfer, assign, and convey to _____ ,

(hereafter called Assignee), right, title and interest in and to said operating rights, subject to the approval of the Secretary of the Interior, the following described interest to wit:

That Assignors interest in the lands is _____ , the interest being transferred is _____ and the interest being retained is _____ . The Assignor reserves an overriding royalty in the amount of _____ . Said assignment to be effective on and from the date of approval hereby by the Secretary of the Interior.

And for the same consideration the Assignor covenants with the Assignee, heirs, successors or assigns: That the Assignor is the lawful owner of and has good title to the interest above assigned in and to said lease, free and clear from all liens, encumbrances or adverse claims; That said lease is a valid and subsisting lease on the lands above described, and all rentals and royalties due thereunder have been paid and all conditions necessary to keep the same in full force have been duly performed.

Attach all appropriate documentation relevant to this document.

IN WITNESS WHEREOF, the said assignor has hereunto set _____ hand and seal, this _____ day of _____ , 20 _____ .

_____

_____

_____

ACCEPTANCE BY ASSIGNEE

_____ the assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment, assumes full liability under the lease from its effective date and agrees to fulfill all the obligations, conditions, terms, restrictions and stipulations in said described indenture of lease, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement. In addition assignee is in compliance to with all regulations and authorizing acts.

IN WITNESS WHEREOF, the said assignor has hereunto set _____ hand and seal, this _____ day of _____ , 20 _____ .

_____

_____

_____

CONSENT OF SURETY

The _____, surety for _____ _____ on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.
Dated at _____, this _____ day of _____ , 20 _____.

_____

_____

_____

ACKNOWLEDGEMENT OF CORPORATION

State of _____)
)ss
County of _____)

Before me, a notary public, in and for the County and State aforesaid, on this _____ day of _____ A.D. 20 ___ , personally appeared _____ , to me known to be the identical person who subscribed the name of the foregoing instrument as its _____, and acknowledged to me that_____executed the same as a free and voluntary act and deed, as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.
Given under my hand and seal of office the day and year last above written.
My Commission expires _____

_____
Notary Public

ACKNOWLEDGEMENT OF INDIVIDUAL

State of _____)
)ss
County of _____)

Before me, a notary public, in and for the County and State aforesaid, on this _____ day of _____ A.D. 20 ___ , personally appeared _____
_____ ,
to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that_____executed the same as _____ free and voluntary act and deed, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission expires _____

_____
Notary Public

UNITED STATES
DEPARTMENT OF THE INTERIOR

_____ _____
Date Approved Name and Title

Attachment 19. **Sample Bonds and Irrevocable Letter of Credit**

Form 5-5427 (August 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

BOND TO ACCOMPANY MINING LEASES

KNOW ALL MEN BY THESE PRESENTS, That we, _____ _____ of _____, as principal___, and _____

of _____, as suret____, are held and firmly bound unto the United States of America in the sum of _____ dollars, lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves and each of us, our and each of our heirs, successors, executors, administrators, and assigns, jointly and severally, firmly by these presents.

Sealed with our seals and dated this _____ day of _____, 20___ .

The condition of this obligation is such that, whereas the said principal___, as lessee___, entered into a certain indenture of lease, dated _____ , with _____

_____ , lessor, as obligee, for a lease of a tract of land described as follows: _____

_____

_____

And located in the _____ Reservation in the State of _____

for _____ mining purposes for the period of _____ years from the date of approval thereof, and as much longer thereafter as the lease shall be continued in force in the manner provided for therein.

WHEREAS the suret_____ hereby waive_____ any right to notice of any modification of such lease, or obligation thereunder, whether effected by extension of time for performance, by commitment of such lease to unit, cooperative, or communization agreement, o\by waiver, suspension, or change in rental, except an increase thereof, by minimum royalty payment, except an increase thereof, by compensatory royalty payment, or otherwise, this bond to remain in full force and effect notwithstanding.

WHEREAS the principal_____ and suret_____ agree that the neglect or forbearance of the lessor-obligee in enforcing against the lessee the payment of rentals or royalties or the performance of any other covenant, condition, or agreement of the lease, shall not in any way release the principal_____ and suret_____, or either of them, from any liability under this bond; and

WHEREAS the principal____ and suret_____ agree that in the event of any default under such lease, the lessor-obligee may prosecute any claim, suit, action, or other proceeding against either the principal___ and suret___, without the necessity of joining the other.

Now, if the said principal___ herein shall faithfully carry out and observe all the obligations assumed in such indenture of lease, and shall observe all the laws of the United States and regulations made, or which shall be made, thereunder, for the government of trade and intercourse with Indian tribes, and all rules and regulations that have been or shall hereafter be lawfully prescribed by the Secretary of the Interior relative to mining leases on the said Reservation, then this obligation shall be null and void; otherwise, to remain in full force and effect.

PROVIDED, That in event supervision over all the leased tract to which this bond applies is relinquished by the Secretary of the Interior and lessee shall have made all payments then due under the lease and shall have fully performed all obligations on his part to be performed up to the time of relinquishment of supervision, this bond shall be of no further force and effect.

The total premium paid is $_____.

Signed and sealed in the presence of

WITNESSES:*

_____ |

P.O._____ |

| as to _____ [SEAL]

_____ |

P.O._____ |

_____ |

P.O._____ |

| as to _____ [SEAL]

_____ |

P.O._____ |

_____ |

P.O._____ |

| as to _____ [SEAL]

_____ |

P.O._____ |

_____ |

P.O._____ |

| as to _____ [SEAL]

_____ |

P.O._____ |

APPROVED: _____ , 20___ _____

Regional Director, Bureau of Indian Affairs

Surety Agent _____ Address _____

Form 5-138
in 1962

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

PERFORMANCE BOND

		Date Bond Executed
Principal	Surety	
Penal Sum of Bond (express in words and figures)	Lease or Permit No.	Date of Lease or Permit
Penal Sum Total_ _ _ _ _ _ $		

KNOW ALL MEN BY THESE PRESENTS, That we, the PRINCIPAL and SURETY above named, are held and firmly bound unto the United States of America, hereinafter called the Government, and _____ (lessor or permitter), in the penal sum of the amount stated above, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents, provided, however, that the liability of the Surety to either one or both of the obligees shall not exceed in the aggregate the penal sum of the bond.

THE CONDITION OF THIS OBLIGATION IS SUCH, that whereas the principal entered into a certain agreement, numbered and dated as shown above and hereto attached; and whereas the principal and surety agree that the neglect or forebearance of the lessor or permitter in enforcing against the lessee or permittee the payment of rentals or the performance of any other covenant or condition of the agreement, shall not in any way release the principal and surety, or either of them, from any liability under this bond; and whereas the principal and surety agree that in the event of any default under such lease, the lessor or permitter may prosecute any claim, suit, action, or other proceeding against either the principal or surety without the necessity of joining the other.

NOW THEREFORE, if the principal shall well and truly perform and fulfill all the undertakings, covenants, terms, and conditions of said agreement during the original term of said agreement and any duly authorized extensions thereof, with or without notice to the surety, and during the life of any guaranty required under the agreement, and shall also well and truly perform and fulfill all the undertakings, covenants, terms, and conditions of any and all duly authorized modifications

EXHIBIT 6

of said agreement that may hereafter be made, notice of which modifications to the Surety being hereby waived, then, this obligation to be void; otherwise to remain in full force and virtue.

IT IS FURTHER UNDERSTOOD AND AGREED between all parties hereto, That, if the Surety shall so elect, this bond may be cancelled by giving at least forty-five (45) days advance notice in writing to both the Principal and the Superintendent or other officer in charge of the Indian Agency or field office concerned, and this bond shall be deemed cancelled as of the date specified on such notice, the said Surety remaining liable for all acts covered by this bond which may have been committed by the Principal up to said date under the terms, conditions, and provisions of this bond.

IN WITNESS WHEREOF, the above-bounden parties have executed this instrument under their several seals on the date indicated above, the name and corporate seal of each corporate party being hereto affixed, and these presents duly signed by its undersigned representative, pursuant to authority of its governing body.

IN PRESENCE OF:

WITNESS		INDIVIDUAL PRINCIPAL	
1. _____	as to	_____	(SEAL)
2. _____	as to	_____	(SEAL)
3. _____	as to	_____	(SEAL)
4. _____	as to	_____	(SEAL)

WITNESS		INDIVIDUAL SURETY	
1. _____	as to	_____	(SEAL)
2. _____	as to	_____	(SEAL)

Attest:	Corporate Principal Business Address By Title AFFIX CORPORATE SEAL
Attest:	Corporate Surety Business Address By Title AFFIX CORPORATE SEAL

EXHIBIT

Form 5-154f
August 2012

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

COLLECTIVE BOND

KNOW ALL MEN BY THESE PRESENTS, That we, _____ _____ of _____, as principal___, and _____ of _____, as suret____, are held and firmly bound unto the United States of America in the sum of seventy five thousand dollars ($75,000), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves and each of us, our and each of our heirs, successors, executors, administrators, and assigns, jointly and severally, firmly by these presents.

Sealed with our seals and dated this _____ day of _____, 20___ .

The condition of this obligation is such that whereas the said principal___, as lessee___, ha_____ heretofore or may hereafter enter into or otherwise acquire an interest in _____ mining leases and _____ prospecting permits on the _____ Reservation in the State of _____ of various dates and periods of duration, covering lands or interests in lands held by the United States in trust for individual Indians, or bands of tribes of Indians, or subject to restrictions against alienation without the consent of the Secretary of the Interior, or his authorized representative, which leases and permits have been or may hereafter be granted or approved by the Secretary of the Interior, or his authorized representative, and the identification of which wherein is expressly waived by both principal _____ and suret_____ hereto.

WHEREAS the principal___and suret___ agree that the coverage of this bond shall extend to and include all extensions and renewals of the leases and permits covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth therein.

WHEREAS the suret_____ hereby waive_____ any right to notice of any modification of any such lease or permit, or obligation thereunder whether effected by extension of time for performance, by commitment of such lease to unit, cooperative, or communization agreement, o\by waiver, suspension, or change in rental, except an increase thereof, by minimum royalty payment, except an increase thereof, by compensatory royalty payment, or otherwise, this bond to remain in full force and effect notwithstanding.

WHEREAS the principal_____ and suret_____ agree that the neglect or forbearance of any obligee under this bond in enforcing the payment of any rental or royalty or the performance of any covenant, condition, or agreement of any such lease or permit shall not in any way release the principal_____ and suret_____, or either of them, from any liability under this bond: and

WHEREAS the principal____ and suret_____ agree that in the event of any default under any such lease or permit, the obligee may prosecute any claim, suit, action, or other proceeding against the principal___ and suret___, or either of them, without the necessity of joining the other.

Now, if the said principal___ herein shall faithfully carry out and observe all the obligations assumed in such leases and permits to which _____ is now or may hereafter become a party, and shall observe all the laws of the United States and regulations made, or which shall be made thereunder, for the government of trade and intercourse with Indian tribes, and all rules and regulations that have been or shall hereafter be lawfully prescribed by the Secretary of the Interior relative to such mining leases and permits, and shall in all particulars comply with the provisions of such leases, permits, rules, and regulations, then this obligation shall be null and void; otherwise, to remain in full force and effect.

The rate of premium charged on this bond is
$_____; the total premium paid is
$_____.

Signed and sealed in the presence of

WITNESSES:*

_____ |
|
P.O._____ |
| as to _____
[SEAL]
_____ |
|
P.O._____ |

_____ |
|
P.O._____ |

| as to _____
[SEAL]
_____ |
|
P.O._____ |

_____ |
|
P.O._____ |
| as to _____
[SEAL]
_____ |
|
P.O._____ |

DEPARTMENT OF THE INTERIOR
Bureau of Indian Affairs

APPROVED:

Form 5-156
October 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

NATIONWIDE OIL AND GAS LEASE BOND

KNOW ALL MEN BY THESE PRESENTS, That we, ... , of ..... as principal ..... , and ..... , of ..... , as suret ..... , are held and firmly bound unto the United States of America in the sum of one hundred fifty thousand ($150,000), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves and each of us, our and each of our heirs, successors, executors, administrators, and assigns, jointly and severally, firmly by these presents.

Sealed with our seals and dated this ..... day of ..... , 19 ..... .

The condition of this obligation is such that whereas the said principal ..... ha ..... heretofore or may hereafter enter into or otherwise acquire an interest in oil and gas mining leases and oil and gas prospecting permits of various dates and periods of duration covering lands or interests in lands held by the United States in trust for individual Indians, or tribes or bands of Indians, or subject to restrictions against alienation without the consent of the Secretary of the Interior or his authorized representative, which alienation without the consent of the Secretary of the Interior or his thorized representative, which leases and permits have been or may hereafter be granted or approved by the Secretary of the Interior or his authorized representative, and the identification of which herein is expressly waived by both principal ..... and suret ..... hereto.

WHEREAS the principal ..... and suret ..... agree that the coverage of this bond shall extend to and include all extensions and renewals of leases and permits covered by this bond, such coverage to continue without any interruption due to the expiration of the term set forth therein.

WHEREAS the suret ..... hereby waive ..... any right to notice of any modification of any such lease or permit, or obligation thereunder whether effected by extension of time for performance, by commitment of such lease to unit, cooperative, or communitization agreement, by waiver, suspension, or change in rental, except an increase thereof, by minimum royalty payment, except an increase thereof, by compensatory royalty payment, or otherewise, this bond to remain in full force and effect notwithstanding.

WHEREAS the principal ..... and suret ..... agree that the neglect or forbearance of the obligee of any such lease or permit in enforcing the payment of any rental or royalty or the performance of any other covenant, condition, or agreement of any such lease or permit shall not in any way release the principal ..... and suret ..... , or either of them, from any liability under this bond; and

WHEREAS the principal ..... and suret ..... agree that in the event of any default under any such lease or permit, e obligee may prosecute any claim, suit, action, or other proceeding against the principal ..... and suret ..... , or ther of them, without the necessity of joining the other.

Now, if the said principal ..... herein shall faithfully carry out and observe all the obligations assumed in said leases and permits to which ..... is now or may hereafter become a party, and shall

EXHIBIT 2

erve all the laws of the United States and regulations made, on which shall be made, thereunder, for the government of trade and intercourse with Indian tribes, and all rules and regulations that have been or shall hereafter be lawfully prescribed by the Secretary of the Interior relative to said oil and gas mining leases and permits, and shall in all particulars comply with the provisions of said leases, permits, rules and regulations, then this obligation shall become null and void; otherwise, to remain in full force and effect.

The rate of premium charged on this bond is $..... ; the total premium paid is $.....

Signed and sealed in the presence of —

WITNESSES*

.....

P.O. ..... as to ..... [SEAL]

.....

P.O. .....

.....

P.O. ..... as to ..... [SEAL]

.....

P.O. .....

.....

P.O. ..... as to ..... [SEAL]

.....

P.O. .....

.....

P.O. ..... as to ..... [SEAL]

.....

P.O. .....

*Two witnesses to each signature

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

....., 19 .....

Approved:

.....

EXHIBIT

SAMPLE
IRREVOCABLE LETTER OF CREDIT

(MUST BE COMPLETED ON BANK LETTERHEAD)

We hereby authorize you to draw on ____(Name of Bank) ____ , _____ (Insert Address) _____, by order of ____ (Name of Bank Officer) ____ up to an amount **not** exceeding $ _____ thousand dollars ($XX,000.00) available by your drafts on ourselves at sight for 100% invoice cost accompanied by a formal order of the Secretary of the Interior, signed by the Regional Director, Bureau of Indian Affairs, _____ Regional Office, stating that ____(Name of Principal) ____ has defaulted under the terms of one or more of the oil and gas mining leases on tribally or individually-owned Indian land under the _____ Regional Office; including (i.e., Chilocco Indian School Reserve in the State of Oklahoma) of various dates and periods of duration, covering lands or interests in lands held by the United States in trust for individual Indians, or band or tribe of Indians, or subject to restrictions against alienation without the consent of the Secretary of the Interior, or his authorized representative, which leases and permits have been or may hereafter be granted or approved by the Secretary of the Interior or his authorized representative, and the identification of which herein is expressly waived by principal and ____(Name of Bank) ____ hereto, and that such default(s) and any claim related thereto have been properly noticed and specified to ____(Name of Principal) ____ in accordance with the terms of said lease(s) and regulations, and finally that said defaults remain uncured and claims remain unsatisfied; or further, notwithstanding a default as provided above, a statement in writing that the Regional Director, _____ Regional Office, Bureau of Indian Affairs, has been notified by _____ (Name of Bank) _____ upon 90-days notice, that this Letter of Credit is not to be renewed and that ___(Name of Principal) __ has not furnished the agency prior to a date 15 days before the expiration of this letter of credit, a substitute bond, cash, or other surety acceptable by the agency.

This letter of credit shall be deemed automatically extended without amendment from the present or any future expiration date thereof: unless at least 90 days prior to any such date _____ (Name of Bank) _____ notifies the beneficiary by registered letter that it elects not to consider this Letter of Credit renewed for such additional period.

We hereby agree with the drawers; endorsers and bona fide holders of all drafts drawn under and in compliance with the terms of the Letter of Credit that such drafts will be duly honored upon presentation to the drawee.

_____
SIGNATURE AND TITLE OF BANK OFFICIAL

Attachment 20. ONRR Concurence with Assignment

UNITED STATES
DEPARTMENT OF THE INTERIOR

_____
Date

MEMORANDUM FOR: Office of Natural Resources Revenue (ONRR) Oil & Gas.

The following assignment has been filed. Please report whether your office has any objection to the assignment.

Lease No._____ Lessor _____

Assignor: _____

Assignee: _____

Address of Assignee: _____

Description: _____

_____

Interest Assigned _____ Date Assignment Filed _____

Remarks:

_____

_____

_____ Agency

(This form is to be used only on producing leases. The form does not apply to Osage assignments.

Attachment 21. Assignment Checklist

Date Received: _____

OIL AND GAS LEASE ASSIGNMENT

Lease No. _____ Tribal: _____

Lessee of Record: _____ ASSIGNOR: _____

_____ ASSIGNEE: _____

Assignment: Title _____ ORR _____ Interest _____

Operating Rights: _____ Operator: _____

Legal Description: Sec(s) _____ T. _____ R. _____ Bond No. _____ Bond Type: _____

Surety Company: _____ Bond Amount: _____ Adequate: Yes / No

PRE-ASSIGNMENT REVIEW:

				COMPLETED YES / NO
1.	Filing Fee of $75.00 per leases F.R. No. _____ Paid: _____			_____ /_____
2.	Interest to assigned held by Assignor? ……...			_____ /_____
3.	Lease Producing? ……			_____ /_____
4.	Rental Current ……			_____ /_____
5.	Form 5-5429 Furnished? (Evidence of Authority of Officer to Execute Papers)			_____ /_____
6.	Corporate Officer Signature (Seal) ……			_____ /_____
7.	Attorney-in-Fact (No Corporate Seal necessary) ……			_____ /_____
8.	Power of Attorney on file ……			_____ /_____
9.	Name Changes (Corporate documents, Partnership Paper, etc.) …….			_____ /_____
10.	License to do Business in State on file ……			_____ /_____
11.	Merger Documents/ Name Changes Certificate ……			_____ /_____
		Sent	Received	
12.	Requested BLM's recommendation ……	___ /___ /___	___ /___ /___	_____ /_____
		Sent	Received	
13.	Requested tribal concurrence …….	___ /___ /___	___ /___ /___	_____ /_____
14.	Request Company for more information ……			_____ /_____
15.	All requirements met. ……	_____ Realty Specialist	_____ Date	_____ /_____
16.	Forward to Regional Director ……			_____ /_____

AFTER REGIONAL DIRECTOR REVIEW & APPROVAL:

1. Approval Date …… _____ /____ /____

2. Type letter to Assignee with 1 copy of assignment, Assignor with 1 copy of Assignment, 1 copy of assignment to BLM, and 1 copy of assignment to tribal Minerals Office _____ /_____

3. Mailed one copy of approved assignment to Assignee ……___ /___ /___…… _____ /_____

4. Mailed Surname copy of assignment to LTRO for recordation w/copy of original lease and prior assignment if not previously recorded …… _____ /_____

5. Updated in TAAMS …….. _____ /_____

6. Updated Chain of Title …….… _____ /_____

7. Ready for filing ……. _____ /_____

Attachment 22. Instructions, Checklist, and Geological or Geophysical Prospecting Permit Form

SEISMIC PERMIT#_____

Permittee: _____

_____

_____

Allotment(s): _____

Amount Paid: _____ Amount Bonding Paid: _____

Total Compensation: $ _____

Term of' Permit: _____ Total Restricted Acreages: _____

Legal Description(s) Verified: _____

Ownership(s) Verified: _____

Tract majority consents spreadsheet attached: _____

Any additional permit provisions: _____

_____

Encoded to TAAMS: _____ TAAMS Contract Encumbrance # _____

Schedule of payments attached? _____

NEPA requirements approved and attached: _____

Submitted map of project and tracts involved: _____

Submitted evidence of authority and business qualifications: _____

CONCURRENCE **PLEASE INITIAL AND DATE**

Realty Specialist: _____ Date: _____

Realty Officer: _____ Date: _____

Superintendent: _____ Date: _____

Instructions for Application for a Geological or Geophysical Prospecting Permit

A. The permit form will be prepared in four copies and signed with original signatures. These forms must be returned with the required fee assessed for the use and benefit of the landowner, unnecessary surface damages to vegetation including fences, building and any other tangible property of the landowner located on the permitted land. A $75 filing fee is also required.

B. The permit applicant must obtain written consents from each landowner involved. Names of landowners will be furnished by the BIA.

C. An Environmental Assessment must be prepared to support approval of the application and prior to commencing operations. The proposed areas to be disturbed by any exploration activity must be cleared for any archeological or cultural sites or other environmental priority before commencing authorized surface activities. Maps' showing the location of the proposed permit is also required.

D. Permittee must file a Surety Bond to insure performance of the terms and conditions of the permit, and provide corporate documentation.

E. Reclamation requirements of all disturbed areas within the permit area and restoration of the surface of the land to as nearly as practicable to its original condition in conformity with good conservation practices and to protect all minerals including water horizons.

F. If the permit request is for an area of 'split estate,' different conditions exist on approval:
- If the mineral owner is not the surface owner, then the Permit Requestor will have to secure approval from both estate owners;
- Damages will have to be paid to the surface owner for rights of ingress and egress, and separate from any payment made to the mineral owner.

Prospecting Permit for Oil and Gas

[RESERVED]

Attachment 23. Acceptance of Permit to Oil and Gas Geophysical Permit

U.S. Department of the Interior
Bureau of Indian Affairs
_____ Agency

ACCEPTANCE OF PERMITTER TO BE ATTACHED TO
OIL AND GAS GEOPHYSICAL PERMIT

Allotment No._____ Allottee:
Description:_____
_____
_____
The undersigned owner(s) of said land, hereby gives permission to make surveys and to the granting of a temporary oil and gas geophysical permit thereover, as contemplated by _____
_____
on the payment of a negotiated monetaryconsiderationin the amount of $ _____ per shothole or $_____ per mile, whichever is greater, paid inadvance to the Bureau of Indian Affairs, _____ Agency. The owner(s) (permitter/s) hereby enters into permit and hereby grantsthe permittee, subject to limitations stated in the Permit, a non-exclusive right for a _____ day period, effectiveupon approval of said permit by the Secretary of the Interior, or his authorizedrepresentative.

The undersigned agrees that should the fee ofsaid land be now so dividedin ownership, each separate owner shall receive such proportion of total consideration according to actual interest vested in the surface of subject land (except interest subject to LifeEstates and Homestead Rights). The undersigned further agrees that this acceptance shall be attached to the formal Permit contract, when signed by the owner (permitter/s), and become a part thereof, with the same effect and in lieu of my signature thereon.

Other terms and comments: _____
_____
_____

WITNESSES:	**OWNER/PERMITTER**
_____	_____
_____	_____
_____	_____

Note: Consideration herein offered is subject to review and approval by the Secretary.

Attachment 24. Exploration Plan Requirements

The Exploration Plan will contain, at a minimum, the following details:

A. Type of Operation
1. Drilling Program, etc.

B. Location of Operation
1. Number of locations where drilling will occur.
2. Accompanying maps and scale (i.e., 1"=2,000', 1"=500').
    a. 'As-drilled' well locations will be GPS located
    b. GPS coordinates will be submitted as a part ofthe final report

C. Period of Operation
1. Drilling will be completed during a certain period.
2. Time or lease period.

D. Method of Operation
1. Proposed drilling method.
2. Type of drill rig.
3. Ancillary equipment (water tanks, holding tanks, drill pipe, tools pumps, etc.).
4. Water Availability
    a. Expected amount needed
    b. Source
    c. Storage
5. Drilling mud.
    a. Type
    b. DisposalMethod
6. Establishment of living facilities,parking, equipment, supplies, etc.

E. Access (Ingress & Egress)
1. Construction program.
2. Drilling program.
3. Separate locationidentification.
4. Include access road mileage, sections (legal descriptions), etc.
5. Cut and Fill Diagrams.
6. Road reclamation plan.

F. Environmental Protection
1. Initiatives taken to minimize and mitigate environmental degradation.
2. Sanitation Plan.

G. Reclamation Plan
1. Drill holes plugging.
2. Proposed revegetation plan.
3. Surface reclamation.

Attachment 25: Designation of Operator

August 2012

Submit in triplicate to appropriate
BLM and BIA Agency Office

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Indian Affairs, holder of lease

AREA OFFICE:

LEASE NO:

and hereby designates:

NAME:

ADDRESS:

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the authorized officer may serve written or oral instructions in securing compliance with the Operating Regulation (43 CFR 3160 and 25 CFR § 211 and 212) with respect to (describe acreage to which this designation is applicable):

Bond coverage under 25 CFR § 211, 212 or 225 for lease activities conducted by the above named designated operator is under Bond Number _____ (Attach copy). Evidence of bonding is required prior to the commencement of operations.

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, stipulations, or orders of the Secretary of the Interior or his representative.

Attach all appropriate documentation relevant to this document.

The lessee agrees promptly to notify the authorized office of any change in the designated operator.

_____
Signature of Lessee

_____
Date

_____
Address

APPROVED: _____
Date

_____
Regional Director

This form does not constitute an information collection as defined by 44 U.S.C. 3502 and does not require OMB approval

Attachment 26. Application for Permit to Drill

Application for Permit to Drill or Reenter (Form 3160-3) and its accompanying Instructions are available electronically at:

http://www.blm.gov/pgdata/etc/medialib/blm/ak/aktest/energy/og_forms.Par.69637.File.dat/3160-3_ApplicationForPermittoDrillorReenter.pdf

This fillable form is designed for submitting proposals to perform certain well operations, as indicated on federal and Indian lands and leases for action by appropriate federal agencies, pursuant to applicable federal law and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, are provided in Special Instructions or will be issued by, or may be obtained from the local federal office.

Attachment 27. Notice of Staking

NOTICE OF STAKING			
NOTICEOFSTAKING (NottobeusedinplaceofApplication forPermit toDrillFonn 3160-3)		6. LeaseNumber:	
1. ( )OIL ( )GASWELL ( )OTHER		7. IfIndian,AllotteeorTribeName:	
2. NameofOperator:		8. UnitAgreementName:	
3. NameofSpecificContactPerson:		9. Fann orLeaseName:	
4. Address &Phone No.OfOperator:		10. WellNo.:	
5. SurfaceLocationofWell:		11.FieldorWildcatName:	
		12. Sec.,T.,R.,orBlkandSurveyorArea:	
15.Fonnation Objective(s):	16.EstimatedWell Depth:	13. County,Parishor Borough:	14.State:
17.AdditionalInformation:			

Signed:_____ Title:_____

Date:_____

Filethisformwith: BLM NevadaStatOffic,P.O.Box12000,Reno,NV89520 (9127/96LV-PDF)

Attachment 28. Sundry Notices

Sundry Notices and Reports on Wells (Form 3160-5) and its accompanying Instructions are available electronically at:

http://www.blm.gov/pgdata/etc/medialib/blm/nm/programs/0/og_forms.Par.17344.File.dat/Form_3160-5.pdf

This fillable form is designed for submitting proposals to perform certain well operations, and reports of such operations when completed, as indicated on federal and Indian lands pursuant to applicable federal law and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local area, or regional procedures and practices, are provided in Special Instructions or will be issued by, or may be obtained from the local federal office.

Attachment 29. Statement to Accompany Release

STATEMENT TO ACCOMPANY RELEASE

(Submit intriplicate)

Theundersigned_____Lessee(Assignee),inacertainoilandgasmining leaseex.ecuted by_____, Lessor, inconnection withtherelease, relinquishment,andsurrender of allright, title,andinterestinandtotheforegoing leaseonthe followdescribedland, to-wit_____

_____

OfSec._____, T._____,R. _____,containing__acres,moreorless,herebyfurnishedthe followinginformationwithrespecttoconservationandprotection oftheproperty described herein:

1. NumberofwellsdrilledbyLessee. _____
2. Numberofunabandonedwellsexistingattimeleaserightswereacquired, ifobtained byassignment. _____
3. Haveallwellsonlandssurrenderedbeenproperlyplugged andabandoned, includingwellsdrilledbylesseeandwellsdrilledpriortoacquiringlease rights,ifobtainedbyassignment? _____
4. Ha.sthesurfaceofthelandbeenrestoredtoitsoriginalconditioninsofar aspracticable? _____
5. Arethereanyproductiveoilorgaswellsonadjoiningpropertynot offsetbywellsdrilledonthelandsurrendered? _____
6. Hastheleasebeenrecorded? _____
7. Havethelessorsassertedanyunliquidatedorunsettledclaimagainst thelesseeorassignee'soperationsonthelandsdescribedabove? _____

Dated 20_

_____
Lessee or record hold