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Research, Education, and Economics

Manual

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Chapter 4, Mineral Leasing

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Distribution: Deputy Area Directors
Administrative Officers
Real Estate Warrant Officers

This chapter provides guidance on Mineral Leasing.

CHAPTER 4

MINERAL LEASING

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1. PURPOSE AND SCOPE

This Chapter sets forth the authority, policy, and procedures for the issuance of mineral leases for Agricultural Research Service-controlled land.

2. REFERENCES

(a) 30 U.S.C. 21 et al.
(b) 30 U.S.C. 181 et seq.
(c) 30 U.S.C. 351-359
(d) 30 U.S.C. 601 et seq.
(e) 30 U.S.C. 1001 et seq.
(f) 30 U.S.C. 1601 et seq.
(g) P&P 241.2, ARS Real Estate Warrant Program.
(h) 43 CFR 3601 et seq.

3. ABBREVIATIONS

ARS	-	Agricultural Research Service
BLM	-	Bureau of Land Management
CFR	-	Code of Federal Regulations
EA	-	Environmental Assessment
EIS	-	Environmental Impact Statement
FD	-	Facilities Division
IBLA	-	Interior Board of Land Appeal
KGRA	-	Known Geological Resource Area(s)
NEPA	-	National Environmental Policy Act
REWO	-	Real Estate Warrant Officer
RPMB	-	Real Property Management Branch
U.S.C.	-	United States Code
USDA	-	United States Department of Agriculture

4. FEDERAL POLICY

On April 5, 1982, the Administration submitted the National Materials and Minerals Program Plan and Report to Congress, pursuant to the National Materials and Minerals Policy, Research and Development Act of 1980 [Reference (f)]. The Administration, in its Report, emphasized the "…need for measures to diminish minerals vulnerability by allowing private enterprise to preserve and expand our minerals and material economy." To that end, the President directed a reassessment of past policy which closed Federal land to mineral exploration and development.

5. ARS POLICY

It is the policy of USDA-ARS, when considering mineral leasing requests, to make lands available for mineral exploration and development, to the extent possible, taking into consideration the Agency's research objectives and programs. Lands to be excluded from consideration for mineral leasing shall be justified and supported. Lands excluded from leasing are:

a. Lands situated within incorporated cities, towns, and villages (these lands are prohibited from leasing under the Federal Mineral Leasing laws);

b. Tidelands and submerged lands;

c. Hard rock minerals under the Mining Act of 1872;

d. Sand and gravel and other materials, disposal of which is governed by the Mineral Materials Act.

6. AUTHORITY FOR ISSUANCE OF MINERAL LEASES

The Department of the Interior, Bureau of Land Management (BLM), has been designated by Congress as the Agency responsible for the management of Federally owned minerals and for the granting and administration of mineral leases on Federal land. With some exceptions, the Secretary of the Interior has full discretion in administering mineral leases. BLM must, however, obtain the approval and conditions under which leasing will be allowed from ARS, which controls the property prior to any mineral leasing.

7. MINERAL LEASING LAWS

The Mineral Leasing laws generally distinguish between leasing of acquired lands and withdrawn public domain lands. Acquired lands are those over which the Government has obtained ownership by conveyance deed, donation, exchange, etc., and which are to be used by various executive agencies in pursuance of congressionally authorized programs. Withdrawn public domain lands are, with some exceptions, those which have never left

Federal ownership and which have been withdrawn for a specific purpose on behalf of an executive agency.

a. **Acquired lands**.

Mineral leasing within acquired lands is governed by the 1947 Mineral Leasing Act for Acquired Lands [Reference (c)]. The Act authorizes the Secretary of the Interior to lease all Federally owned deposits of coal, phosphate, oil, oil shale, gilsonite (including all vein-type solid hydro-carbons), gas, sodium, potassium, and sulfur (leasable minerals). Exceptions to this provision are lands acquired specifically for development of mineral deposits, minerals within surplus lands, minerals within lands located within incorporated limits of cities and towns, national parklands, tidelands, or submerged lands. The 1947 Act specifically provides for the consent of the Head of the holding Agency before leasing.

b. **Public domain lands**.

Mineral leasing within withdrawn public domain lands is governed by the Mineral Leasing Act of 1920 [Reference (b)], as amended. The Act authorizes the Secretary of the Interior to lease Federally owned deposits of coal, phosphate, sodium, potassium, oil, oil shale, gilsonite (including all vein-typed solid hydrocarbons), and gas (leasable minerals). Excepted lands are similar to those contained in the 1947 Act. While the 1920 Act does not specifically provide for Agency consent before leasing, the Secretary of the Interior has stated in Interior Board of Land Appeal (IBLA) decisions, that BLM should properly consider the recommendations of the surface management agency regarding lease issuance.

8. MINING ACT

The Mining Act of May 10, 1872 [Reference (a)], provides that "locators" of all mining locations on public domain lands (with some exceptions) shall have the exclusive right of possession of the surface included within the lines of their location, together with all veins, lodes, or ledges there under. The Mining Act generally allows exploration of those minerals not under the mineral leasing laws (locatable minerals), such as gold and silver. Mining laws are complicated and have various applications depending upon the State in which located and the type of mineral involved. Generally, the Agency's public land withdrawals stipulate closure to operations of the Mining Act, but not necessarily to mineral leasing.

9. GEOTHERMAL STEAM ACT

The Geothermal Steam Act of 1970 [Reference (e)] authorizes the Secretary of the Interior to issue leases for the development and utilization of geothermal steam and associated geothermal resources. Geothermal leases are issued for a primary term of 10 years. If, at

the end of this term, geothermal steam is being produced or utilized in commercial quantities, the lease may continue for an additional period not to exceed 40 years. The Act specifically provides for the consent of USDA prior to making lands available for geothermal leasing.

10. MATERIALS ACT

BLM is authorized to dispose of petrified wood and common varieties of sand, gravel, stone, pumice, pumicite, cinders, clay, and other mineral and vegetative materials that are not subject to mineral leasing or location under the mining laws through the Act of July 31, 1947, as amended. [Reference (d)] This law is commonly referred to as the Materials Act. This authority applies to the sale or free use of these materials. For details see: 43 CFR 3601 et seq. [Reference (h)].

11. BUREAU OF LAND MANAGEMENT REGULATIONS

BLM procedures for issuance of mineral leases generally fall into three categories: competitive, simultaneous, and over-the-counter. Competitive procedures apply to Known Geological Resource Area(s) (KGRA) or areas within which known commodities exists.

Terms for competitive leases are 5 years. Simultaneous procedures apply to non-KGRA sites. Leases are awarded to the first qualified applicant on a lottery (random) basis. Finally, leases may be issued on a first-come-first-served or over-the-counter basis for lands, which have never been applied for, as well as lands reoffered under simultaneous leasing but not receiving an application. Both simultaneous and over-the-counter leases have 10-year terms. Mineral leases may be extended if still producing in commercial quantities at the end of the term.

12. DELEGATION TO ARS REAL ESTATE WARRANT OFFICERS (REWO)

Pursuant to Reference (g), ARS REWO's are delegated the authority to work with BLM offices in regard to the issuance of mineral leases.

However, any Agency official, whether at the Headquarters, Area, or Location office, may be contacted by BLM in regard to mineral leasing. (If an Agency office is contacted by a potential applicant, the applicant should be directed to the appropriate BLM office for proper application procedures.)

13. LEASING PROCEDURES

When BLM is preparing to issue or reissue a lease for Agency-held land, BLM will solicit Agency comments on compatibility of mineral leasing with research operations.

a. In cases involving previously unleased acquired lands, BLM may request the Agency to complete Form 3100-7, *Title Report Request* (Exhibit 1).

b. When previously unleased public domain lands are involved, BLM will generally rely on its own title records and request the Agency to identify known encumbrances.

c. If BLM is merely preparing to reissue an expiring lease, the Agency will be contacted for comments only. When Headquarters is contacted directly by BLM, the mineral leasing request will be forwarded to the appropriate Area REWO for formulation, in coordination with Location personnel, for comments and preparation of any required property acquisition data. Area and location personnel should coordinate responses with Headquarters whenever a minerals request is received from BLM or the public.

14. ARS STIPULATIONS FOR MINERAL LEASES

When reviewing and considering potential mineral leasing cases, the Area REWO shall ensure the protection of research operations. Standard terms and conditions of BLM-issued mineral leases are shown in Exhibit 2. The Agency should identify any additional stipulations and provisions, which are necessary to protect research programs. Stipulations may vary from state to state. Exhibit 3 shows stipulations that may be used by ARS, as applicable.

Consent to mineral leasing for an exploratory purpose is construed as consent ultimately for drilling or other methods of mineral extraction. Therefore, at the time of initial review, consideration should be given to stipulations and provisions, such as a no-surface occupancy clause (i.e., slant drilling, etc.), which may be needed to protect the Agency in the event drilling is warranted. Unless otherwise notified, BLM will accept Agency recommended stipulations. A copy of the fully executed lease should be provided by BLM to the Agency.

15. DENIAL

When it is not possible to consent to mineral leasing, full justification to support denial must be provided to BLM.

16. NATIONAL ENVIRONMENTAL POLICY ACT (NEPA)

Under the regulations that BLM promulgated to implement NEPA, the issuance of an oil and gas lease requires either the preparation of an Environmental Assessment (EA) or an Environmental Impact Statement (EIS).

When BLM prepares an EA/EIS, they will contact the applicable ARS office to provide information and material on land holdings, including the Agency's identification of any stipulations needed to mitigate impacts.

Exhibits

1. Form 3100-7, Title Report Request
2. Form 3100-11, Offer to Lease and Lease for Oil and Gas
3. Stipulations for Oil and Gas Operations on Lands under the Custody and Control of USDA/ARS

Form 3100–7
(November 1970)
(formerly 3200–1)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

TITLE REPORT REQUEST

Serial Number

Date

Name of Applicant	Address *(include zip code)*

Has applied for a *(specify mineral)* _____ ☐ lease ☐ permit for the following-described lands:

In accordance with the Act of August 7, 1947 (61 Stat. 913), or Reorganization Plan No. 3 of 1946 (60 Stat. 1097), furnish this office the following requested information

(Signature) (Title)

1. Does the description conform to that contained in the deed to the United States? ☐ Yes ☐ No *(If "no," describe the lands as shown on your records)*

2. Specify any mineral or royalty reservations contained in the conveyance to the United States, or in any prior conveyance, as evidenced by the abstract of title

3. If the land has been conveyed by the United States, specify any provision in the conveyance reserving minerals to the United States

4. Under what Act was the land acquired or is it being administered?

5. Give the following:

a. Symbol number of the fund to receive collections

b. Name, address, and symbol of the disbursing officer to receive credit for the deposit of collections

c. Name, address, and accounting location code of your office to receive credit for the deposit of collections

6a. Does your agency control, or has it supervisory interest in, the surface of the land? ☐ Yes ☐ No

b. Will development of these deposits interfere with the primary purposes for which the land was acquired? ☐ Yes ☐ No *(If "yes," specify any special terms and conditions)*

7. Give the name of the forest or project in which the land is located

8. Name the designated representative of the agency for this ☐ lease ☐ permit

9. Give the name of person who should be contacted for additional title information

(Signature) (Title)

GPO 848-964

Form 3100-11
(July 2006)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (page 2) offers to lease all or any of the lands in Item 2 that are available for lease pursuant to the Mineral Lands Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359), or _____(other).

READ INSTRUCTIONS BEFORE COMPLETING

1. Name
   Street
   City, State, Zip Code

2. This application/offer/lease is for: *(Check Only One)* ☐ PUBLIC DOMAIN LANDS ☐ ACQUIRED LANDS (percent U.S. interest _____)

Surface managing agency if other than Bureau of Land Management (BLM): _____ Unit/Project _____

Legal description of land requested: *Parcel No.: _____ *Sale Date (mm/dd/yyyy): _____

***See Item 2 in Instructions below prior to completing Parcel Number and Sale Date.**

T.	R.	Meridian	State	County

Total acres applied for _____

Amount remitted: Filing fee $ _____ Rental fee $ _____ Total $ _____

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T.	R.	Meridian	State	County

Total acres in lease _____

Rental retained $ _____

This lease is issued granting the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to his/her duly executed bid or nomination form submitted under 43 CFR 3120 and is subject to the provisions of that bid or nomination and those specified on this form.

Type and primary term:

☐ Noncompetitive lease (ten years)

☐ Competitive lease (ten years)

☐ Other _____

THE UNITED STATES OF AMERICA

by _____
(BLM)

_____
(Title) (Date)

EFFECTIVE DATE OF LEASE _____

(Continued on page 2)

4. (a) Undersigned certifies that (1) offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or Territory thereof, (2) all parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offeror's chargeable interests, direct and indirect, in each public domain and acquired lands separately in the same State, do not exceed 246,080 acres in oil and gas leases (of which up to 200,000 acres may be in oil and gas options or 300,000 acres in leases in each leasing District in Alaska of which up to 200,000 acres may be in options, (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located; (5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 2(a)2(A) of the Mineral Leasing Act; (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act; and (7) offeror is not in violation of sec. 41 of the Act. (b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms conditions, and stipulations of which offeror has been given notice, and any amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or in part unless the withdrawal is received by the proper BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments.

Duly executed this _____ day of _____ , 20 ____ _____

(Signature of Lessee or Attorney-in-fact)

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or Agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

LEASE TERMS

Sec. 1. Rentals--Rentals must be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

(a) Noncompetitive lease, $1.50 for the first 5 years; thereafter $2.00;

(b) Competitive lease, $1.50; for the first 5 years; thereafter $2.00;

(c) Other, see attachment, or

as specified in regulations at the time this lease is issued.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties must be paid on the production allocated to this lease. However, annual rentals must continue to be due at the rate specified in (a), (b), or (c) rentals for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) must automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

See. 2. Royalties--Royalties must be paid to proper office of lessor. Royalties must be computed in accordance with regulations on production removed or sold. Royalty rates are:

(a) Noncompetitive lease, 12 1/2%;

(b) Competitive lease, 12 1/2 %;

(c) Other, see attachment; or

as specified in regulations at the time this lease is issued.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties must be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production must be delivered, unless otherwise agreed to by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessee must not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, nor must lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of not less than the rental which otherwise would be required for that lease year must be payable at the end of each lease year beginning on or after a discovery in paying quantities. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

An interest charge will be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (30 U.S.C. 1701). Lessee must be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or citation issued under FOGRMA or the leasing authority.

(Continued on page 3)

(Form 3100-11, page 2)

Sec. 3. Bonds - A bond must be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage - Lessee must exercise reasonable diligence in developing and producing, and must prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee must drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection - Lessee must file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee must furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the form prescribed by lessor, lessee must keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee must keep open at all reasonable times for inspection by any representative of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee must maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that supports costs claimed as manufacturing, preparation, and/or transportation costs. All such records must be maintained in lessee's accounting offices for future audit by lessor. Lessee must maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section will be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations - Lessee must conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee must take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses must be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee must contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee must immediately contact lessor. Lessee must cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations - To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium - Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessee or owner of the gas. Lessee must include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property - Lessee must pay lessor for damage to lessor's improvements, and must save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity - Lessee must pay, when due, all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee must comply with section 28 of the Mineral Leasing Act of 1920.

Lessee must comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors must maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease - As required by regulations, lessee must file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which will be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises - At such time as all or portions of this lease are returned to lessor, lessee must place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default - If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to cancellation unless or until the leasehold contains a well capable of production of oil or gas in paying quantities, or the lease is committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unitized substances in paying quantities. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver will not prevent later cancellation for the same default occurring at any other time. Lessee will be subject to applicable provisions and penalties of FOGRMA (30 U.S.C. 1701).

Sec. 14. Heirs and successors-in-interest - Each obligation of this lease will extend to and be binding upon, and every benefit hereof will inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

(Continued on page 4)

A. General:

1. Page 1 of this form is to be completed only by parties filing for a noncompetitive lease. The BLM will complete page 1 of the form for all other types of leases.

2. Entries must be typed or printed plainly in ink. Offeror must sign Item 4 in ink.

3. An original and two copies of this offer must be prepared and filed in the proper BLM State Office. See regulations at 43 CFR 1821.2-1 for office locations.

4. If more space is needed, additional sheets must be attached to each copy of the form submitted.

B. Special:

Item 1 - Enter offeror's name and billing address.

Item 2 - Identify the mineral status and, if acquired lands, percentage of Federal ownership of applied for minerals. Indicate the agency controlling the surface of the land and the name of the unit or project which the land is a part. The same offer may not include both Public Domain and Acquired lands. Offeror also may provide other information that will assist in establishing title for minerals. The description of land must conform to 43 CFR 3110. A single parcel number and Sale Date will be the only acceptable description during the period from the first day following the end of a competitive process until the end of that same month, using the parcel number on the List of Lands Available for Competitive Nominations or the Notice of Competitive Lease Sale, whichever is appropriate.

Payments: The amount remitted must include the filing fee and the first year's rental at the rate of $1.50 per acre or fraction thereof. The full rental based on the total acreage applied for must accompany an offer even if the mineral interest of the United States is less than 100 percent. The filing fee will be retained as a service charge even if the offer is completely rejected or withdrawn. To protect priority, it is important that the rental submitted be sufficient to cover all the land requested. If the land requested includes lots or irregular quarter-quarter sections, the exact area of which is not known to the offeror, rental should be submitted on the basis of each such lot or quarter-quarter section containing 40 acres. If the offer is withdrawn or rejected in whole or in part before a lease issues, the rental remitted for the parts withdrawn or rejected will be returned.

Item 3 - This space will be completed by the United States.

NOTICES

The Privacy Act of 1974 and the regulations in 43 CFR 2.48(d) provide that you be furnished with the following information in connection with information required by this oil and gas lease offer.

AUTHORITY: 30 U.S.C. 181 et seq.; 30 U.S.C 351-359.

PRINCIPAL PURPOSE: The information is to be used to process oil and gas offers and leases.

ROUTINE USES: (1) The adjudication of the lessee's rights to the land or resources. (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources. (3) Transfer to appropriate Federal agencies when consent or concurrence is required prior to granting a right in public lands or resources. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION: If all the information is not provided, the offer may be rejected. See regulations at 43 CFR 3100.

The Paperwork Reduction Act of 1995 requires us to inform you that:
This information is being collected pursuant to the law.
This information will be used to create and maintain a record of oil and gas lease activity.
Response to this request is required to obtain a benefit.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 1 hour per response including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0185), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, N.W., Mail Stop, 401LS, Washington, D.C. 20240.

(Form 3100-11, page 4)

Exhibit 3 – Page 1 of 4

Stipulations for Oil, Gas Operations, and other Leasing Mineral Activity
On Lands under the Custody and Control of the
USDA, ARS

1. The company will appoint, and maintain throughout the terms of the document that authorizes the use of ARS lands, a local agent upon whom may be served written orders and notices regarding matters contained in these stipulations. The company will inform local ARS representative in writing of the name, address, and telephone number of its authorized agent. If substitute agent is appointed, the company will immediately inform ARS.

2. Written approval must be obtained from ARS prior to company entry onto subject lands for preliminary surveys, initial operations, or related purposes.

3. Surface occupancy or construction may not begin without written approval of the ARS representative.

4. Existing roadways will be used to the maximum extent possible. New roadways may not be built without written consent of the ARS representative. All company vehicles entering and leaving the premises will be restricted to roadways.

5. Prior to the commencement of well site preparation, the company will install at its expense, an appropriately sized Cattle guard at the entrance to the premises and at each place the roadway crosses a fence line. These cattle guards will remain in place and become property of ARS at the conclusion of operations on ARS land.

6. Prior to the development of any roadways, topsoil will be carefully removed from the proposed roadbeds and stock-piled in an area chosen by the ARS representative, from where it will be restored by the company to its original location upon conclusion of operations.

7. The alignment to the drilling site will be laid out in such a fashion as to do the least damage to grass, crops, and surface, and will be in accordance with the ARS representative's supervision.

8. Roadways will be located in accordance with a diagram provided by the company and approved by the ARS representative. The diagram will become part of the authorizing document.

9. Roadways will be restricted to a width determined by the ARS representative, will be surfaced with gravel in places determined by the ARS representative, and otherwise built to discourage rutting and erosion. In the event of a dry hole, the company will remove as much said gravel as the ARS representative may require.

10. Upon abandonment, the company will, at the discretion of the ARS representative, remove all road materials and redistribute them to designated locations.

11. No double-trucking of rigs and/or equipment will take place upon the premise except with the written permission of the ARS representative.

12. Vehicles involved in conducting seismographic studies will be restricted to roadways, either existing or Constructed with the approval of the ARS representative. Seismographic equipment may be carried to off road locations only upon written agreement of the ARS representative.

13. Any off-road vehicular traffic by the company will be considered a default of the authorizing document and may result in the complete shutdown of the company's activities on ARS land.

14. The company will reimburse ARS, at the level of replacement cost, for any damage to or loss of livestock as a result of company activity, intentional or otherwise.

15. The company will adhere to the ARS Location's security policy at all times while on ARS property.

16. The company will not interfere with ARS research projects at any time.

17. Cultural resources will be respected and protected by the company. The company will engage the services of a qualified cultural resources specialist to determine the location of cultural resources in the proximity of planned activities and to conduct an analysis of the impacts of the company's proposed operations on cultural resources.

18. To mitigate any visual impacts, the company will paint its facilities to blend in with the natural surroundings, to the specifications of the ARS representative.

19. In order to limit surface damage, the ARS representative may, at his/her discretion, prohibit company operations during periods of inclement weather.

20. For all surface areas to be disturbed, the company will stockpile topsoil separately from subsoil. Upon completion or abandonment, subsoil will be replaced first, then the topsoil, all evenly contoured on the disturbed surfaces.

21. The well site will not exceed _____ acres in total area, excluding roads. At the request of the ARS representative, the company will, at its expense, adequately fence the site. This fence will be left intact until the site is revegetated and a mature stand of grass or cover is established.

22. No pits will be excavated in connection with the drilling operation. Instead, tank trucks or similar vehicles will be used for the disposal of drilling mud, water, effluents, or other solutions or liquids used during the drilling and recovery processes.

In addition, the company will develop a water quality monitoring procedure to make certain that none of the drilling and related activities affect or pollute the water table. This plan must be approved by the ARS representative prior to the initiation of any drilling activities.

23. If the proposed well is completed as a producing well, the area permitted as a fenced location after grass is established shall be reduced to a size no larger than _____.

24. Soil which has been contaminated by escaping fluids on roads and/or around the well site will be removed by the company, who will also replace it with fresh soil of similar characteristics, to the depth of contamination. The sites of contamination will then be restored to natural contours and conditions.

25. The company agrees to pay for all damages to vegetation, crops, and improvements on the subject lands and any surrounding areas caused by its operations.

26. Any fences installed as a result of the company's need for ingress and egress will be constructed from a design approved by the ARS representative. All such fences will be installed and maintained at the expense of the company.

27. The company, its agents, employees, contractors, and subcontractors, along with all of their employees, will exercise extreme care to prevent and suppress any and all fires. Any fire caused by the company, its agents, employees, contractors, and subcontractors, which burns the major part of any one experimental pasture, or parts of two or more experimental pastures, will require controlled burning of all pastures in the same unit of which these pastures are an integral part, so that ARS experiments on the whole unit will be treated uniformly. All costs associated with such controlled burning will be paid for by the company and will be done in accordance with written instructions from the ARS representative.

28. The company will not burn rubbish, trash, or other materials and will not use explosives in such a manner as to scatter inflammable materials on the surface of the land.

29. In the event the company completes a producing well on the premises and it becomes necessary to erect a "workover" or service rig at the site, the company will give ARS prior notice of such activities and will wait until written approval is given before the rig is brought in. At that time, the company and the ARS representative will come to an agreement on the number of days that the workover or service rig will be on the site.

30. All trash, litter, discarded equipment, and discarded tools will be kept in a reasonably neat pile and hauled away at the conclusion of drilling operations. In no event will any trash, litter, discarded tools or discarded equipment be placed in an excavation or otherwise left on ARS lands.

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Additional Stipulations Specific to Pipelines

1. The company will conduct pipeline construction, operation, and maintenance with due regard for good land management procedures, so as to create only a minimal amount of disturbance to the surface vegetation and to the experimental research of ARS.

2. The company will stake each proposed pipeline location only after such location has been agreed to by the ARS representative.

3. Routes of ingress and egress to pipelines, including maintenance thereon, will be specified by ARS, without undue burden to the normal requirements of the company. Such routes will be posted and no deviation therefrom will be permitted except in an emergency.

4. Any fence crossed by a pipeline will have a temporary gate installed during construction. The fence will be properly braced on both sides. All construction will be at the expense of the company and in accordance with specifications furnished by the ARS representative.

5. All pipelines will be buried to a minimum of forty-eight (48) inches, unless otherwise agreed to in writing by the ARS representative. The ditch will be double dug, that is, the top sixteen (16) inches will be piled along one side of the ditch, and the bottom thirty-two (32) inches will be piled along the other side and will be replaced first.

6. During periods of serious fire danger to brush or grass, as may be specified by the ARS representative, the company will have at each site where welding is to be done, a fire-fighting vehicle (water and pump), alertly attended during and for at least one (1) hour following all welding operations.

7. The company will be responsible for the payment of a just and reasonable sum for the death or injury to any Government-owned or Government-supervised livestock grazing in pastures crossed by a pipeline, where such death or injury is attributable to the negligence of the company, its agents, employees, contractors, subcontractors, or employees of such contractors or subcontractors.