

U.S. DEPARTMENT OF THE INTERIOR **BUREAU OF LAND MANAGEMENT**
Qs&As About Oil and Gas Leasing

What is BLM's authority for leasing oil and gas?

The Mineral Leasing Act of 1920, as amended, and the Mineral Leasing Act for Acquired Lands of 1947, as amended, give the Bureau of Land Management (BLM) responsibility for oil and gas leasing on about 564 million acres of BLM, national forest, and other Federal lands, as well as State and private surface lands where mineral rights have been retained by the Federal Government. The BLM works to ensure that development of mineral resources is conducted in an environmentally responsible manner.

While the BLM provides technical assistance to Indian Tribes and Indian mineral owners, the BLM does not lease Indian minerals.

Oil and Gas
Lease Fees
Oil and Gas Statistics
Leasing of Onshore Federal Oil & Gas Resources
Inspection and Enforcement
Onshore Oil & Gas Order No.1
Facts About Federal Energy Leasing and Development
Best Management Practices
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Pilot Project to Improve Federal Oil & Gas Permit Coordination
EPCA Phase III Inventory
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What regulations govern BLM's oil and gas leasing program?

Regulations governing the BLM's oil and gas leasing program may be [found here](#), under Groups 3000 and 3100 of the Code of Federal Regulations. A copy may also be obtained from any BLM State Office. The BLM State Offices are [listed here](#).

What are my rights and responsibilities as a private surface owner or oil and gas operator in the oil and gas leasing and development process on split estate lands (federal minerals overlain by private surface)?

Information regarding leasing and development on split estate lands may be found on the Washington Office [website](#). At this website, you can also read and download a brochure that explains the rights, responsibilities, and opportunities of oil and gas operators and private surface owners.

Who is qualified to hold a lease?

You may qualify to hold an oil and gas lease if you are an adult citizen of the United States. Minors may not acquire leases, but the BLM is authorized to issue leases to a legal guardian or trustee on behalf of a minor. Associations of citizens and corporations organized under United States, State or municipal law may also qualify.

Aliens may hold interests in leases only by stock ownership in U.S. corporations holding leases and only if the laws of their country of citizenship do not deny similar privileges to United States citizens. Aliens may not hold a lease interest through units in a publicly traded limited partnership.

What kinds of oil and gas leases are there?

The BLM issues two types of leases for oil and gas exploration and development on lands owned or controlled by the Federal Government - competitive and noncompetitive.

Congress passed the Federal Onshore Oil and Gas Leasing Reform Act of 1987 requiring that all public lands available for oil and gas leasing be offered first by competitive leasing. The BLM may issue noncompetitive leases only after the agency has offered the lands competitively at an oral auction and not received a bid.

The maximum competitive lease size is 2,560 acres in the lower 48 States and 5,760 acres in Alaska. The maximum noncompetitive lease size in all States is 10,240 acres.

The BLM issues both competitive and noncompetitive leases for a 10-year period. Any lease will automatically continue after that so long as -

(1) There is a well on the lease capable of producing in paying quantities on it; or

(2) The lease can receive an allocation of production from an off-lease well capable of producing in paying quantities.

How may I bid for a competitive lease?

BLM State Offices conduct oral auctions for oil and gas leases not less than quarterly when lands are available. Each State Office publishes a Notice of Competitive Lease Sale, which lists lease parcels to be offered at the auction, at least 90 days before the auction is held. This Notice is posted in the State Office where the sale will be held. The Sale Notice specifies lease stipulations applicable to each parcel. Lands offered in the Sale Notice come from three sources:

- (1) Parcels of lands identified by informal expressions of interest from the public or by the BLM; or
- (2) Lands included in offers filed for noncompetitive leases;
- (3) Bureau Motion.

You may obtain a Sale Notice for a nominal fee from the appropriate BLM State Office with jurisdiction over the lands.

The BLM conducts all auctions using an oral bidding process. To bid on a competitive lease, you must either attend the auction in person or provide for someone to represent you. The BLM does not accept sealed or mailed bids.

On the day of the auction, the successful bidder must submit a properly executed lease bid form, which constitutes a legally binding lease offer, and pay –

- (1) An administrative fee ([click here for current fee schedule](#));
- (2) The first year's advance rental (\$1.50 per acre or fraction thereof); and
- (3) Not less than the \$2-per-acre minimum bonus bid.

You must pay the balance of the bonus bid within 10 working days of the auction. If you fail to submit the balance of the bonus on time, you will forfeit your entire deposit money and your lease offer will be rejected.

You may make payments associated with the leasing process by personal check, cashier's check, certified check, or money order, made out to *Department of the Interior - BLM*. You may also use VISA, MasterCard, American Express, or Discover.

How may I obtain a noncompetitive lease?

The BLM issues noncompetitive leases only for parcels the agency previously offered competitively but which failed to receive a bid for a 2 year period.

The lands in expired, terminated, relinquished, or canceled leases are not available for noncompetitive leasing until the BLM offers them competitively in a Sale Notice for an auction and failed to receive a bid. You may file a noncompetitive pre-sale offer on these lands if the prior lease for these lands has expired or terminated, or the lease holder has given up the lease, or the BLM has canceled the lease at least 1 year before you submit the pre-sale offer to the appropriate BLM State Office.

Following an oil and gas lease sale, you may submit an offer for a noncompetitive lease on any of the parcels that did not receive bids. These lands are available for 2 years, beginning the first business day following the last day of the auction, as specified in the Sale Notice. For noncompetitive leasing you must submit each offer on a separate lease offer form. If you submit an offer on the first business day following the auction through the last day of the same month, you must identify the lands you want by the parcel identification number used in the Sale Notice. Afterwards, and for the remainder of the 2 years, you must use legal land descriptions when you submit a noncompetitive lease offer. During this remaining time of the 2 years, you may submit offers for lands that are different than the parcel configurations offered at the auction.

You must submit your offers on a BLM-approved form. You must include payment of a administrative fee ([click here for current fee schedule](#)) and the first year's advance rental of \$1.50 per acre. The BLM considers all noncompetitive lease offers filed on the first business day following the auction as having been filed simultaneously. The agency determines the priority among multiple offers for the same parcel by public drawings. If you submit an offer after the first business day of the auction, you will receive

priority according to the time of filing. For example, the BLM gives priority to an offer filed at 10:15 a.m. over an offer filed at 10:16 a.m.

What are the lease terms and conditions?

As lessee, you may explore and drill for, extract, remove, and dispose of oil and gas deposits, except helium, that you may find on your lease.

Before conducting any surface-disturbing activities, you must obtain BLM approval. Drilling proposals are subject to the lease terms and stipulations that are attached to the lease and necessary mitigation measures that are consistent with the lease rights.

What bonding is required?

Before you conduct any surface-disturbing activities related to drilling, you must provide the BLM a bond of at least \$10,000 to ensure your compliance with all the lease terms, including environmental protection. If you are an operator on the lease, you may use the bond of another party, such as the lessee, if the surety and the bond holder agree. When a new person or company becomes the operator on a lease, that new person or company must notify the BLM of the change in operator. The new operator must specify to the BLM what bond will cover its operations.

You can provide bonding by using a surety bond, a personal bond accompanied by negotiable Treasury securities, a cashier's check, a certified check, a certificate of deposit, or an irrevocable letter of credit.

The BLM may require an increase in the bond amount whenever conditions warrant.

What is the rental fee for leases issued in accordance with the 1987 Reform Act?

Annual rental rates for both competitive and noncompetitive leases are \$1.50 per acre (or fraction thereof) in the first 5 years and \$2.00 per acre each year thereafter. The first year's rental payment is filed with your offer in the proper BLM office. Once you obtain your lease, you must pay the second and all subsequent rental payments to the Department of the Interior's Office of Natural Resources Revenue (ONRR) on or before the lease anniversary date. If your rental is not received by the ONRR on or before the anniversary date each year, your lease will automatically terminate. You should mail the rental payment at least a week or 10 days before the lease anniversary date. You should pay ONRR directly. The BLM will not forward any misfiled payments to the ONRR.

What are the royalties?

The ONRR collects a royalty on production of 12.5 percent for both competitive and noncompetitive leases. In general, Federal Onshore Oil and Gas Rates are 12.5%. However, there are a few exceptions, e.g., sliding scale on older leases, reduced royalty rates on certain oil leases with declining production, reinstated leases, etc.

Can I transfer a lease interest?

You may transfer your interest in a lease by assignment of the record title interest or by transfer of the operating rights interest. You must submit the transfer on an approved form to the appropriate BLM office within 90 days from the date the transferor signs it and an administrative fee (click here for current fee schedule). Until the BLM approves the transfer, the U.S. Government does not recognize the rights of the transferee, and the transferor remains fully responsible for the lease. The BLM will not approve any assignment of record title for a separate zone, deposit, or part of a legal subdivision, nor will BLM approve any assignment of record title for less than 640 acres outside Alaska, or less than 2,560 acres within Alaska. However, the BLM may approve an assignment of record title for less than this acreage, if it is for the entire leasehold or the parties can demonstrate that approval will increase the chances of development.

When will my lease expire?

Your lease will expire at the end of its primary term, which is usually 10 years. However, the BLM may extend your lease, or your lease may continue under its own terms, if –

- (1) Qualifying drilling operations are in progress;
- (2) The lease contains a well capable of producing in paying quantities; or
- (3) The lease is entitled to receive an allocation of production from an off-lease well.

If your lease does not have a producible well, or a producible well attributed to it, it will automatically terminate if you do not pay annual rental in full and on time.

You may give up all or part of your lease by filing a written relinquishment with the appropriate BLM office. A relinquishment takes effect on the date you file it. However, you must plug any abandoned wells and perform other work as may be required by the BLM so the lease is in proper condition for abandonment. You must also bring the lease account into good standing. If you fail to do any of this, you may forfeit your bond and may be prohibited from leasing any additional Federal lands.

The BLM may cancel a non-producing lease if you fail to comply with lease terms.