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# General Oil and Gas Leasing Instructions

## Introduction

The Mineral Leasing Act of 1920, as amended, and the Leasing Act for Acquired Lands of 1947, as amended, of Land Management (BLM) responsibility for oil and gas on about 570 million acres of BLM, national forest, and public lands, as well as private lands where mineral rights are retained by the Federal Government. The BLM works to ensure the development of mineral resources is in the best interest of the Nation.

Regulations that govern the BLM's oil and gas leasing are found in Title 43, Groups 3000 and 3100, of the Code of Federal Regulations, a publication available in law libraries and public libraries.

## Lands Available For Leasing

Public lands are available for oil and gas leasing only if they have been evaluated through the BLM's multiple-use planning process. In areas where development of oil and gas resources would conflict with the protection or management of other resources or where mitigating measures are identified and may appear on the lease, either stipulations to uses or as restrictions on surface uses may be included.

## Lessee Qualifications and Limitations

Federal oil and gas leases may be obtained and held only by a citizen of the United States. No lease may be acquired by a minor, but a lease may be issued to a legal guardian or trustee of a minor. Associations or citizens and corporations organized under the laws of the United States or of any State also qualify.

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

## Types of Oil and Gas Leases

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 Act of 1987 to require that all public lands that are available for oil and gas leasing be offered first by competitive leasing. Noncompetitive oil and gas leases may be issued only after the lands have been offered competitively at an oral auction and not received a bid.

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

Since passage of the Energy Policy Act of 1992, 10% of competitive and noncompetitive leases are issued for a 10-year period. Both types of leases continue for as long as gas is produced in paying quantities.

### **Competitive Leasing Process**

Oral auctions of all oil and gas leases are conducted by BLM State Offices not less than quarterly when parcels are available. A Competitive Lease Sale, which lists lease parcels to be auctioned, will be published by each BLM State Office at least 30 days before the auction is held. Lease stipulations applicable to the parcels are specified in the Sale Notice.

### **Lands Included In The Sale Notice Come From the Following Sources:**

(1) Parcels identified by informal expressions of interest from the public or by the BLM for management reasons; or

(2) Lands included in offers filed for noncompetitive lease.

All auctions are conducted with oral bidding. Bidders must appear in person at the auction to obtain a competitive lease or provide a qualified representative to represent them. No sealed or mailed bids are accepted.

On the day of the auction, the successful bidder must submit a properly executed lease bid form, which constitutes a lease offer, and pay a share of the sale costs (\$130.00 per acre) and the first year's advance rental (\$1.50 per acre or fraction thereof) and not less than the \$2-per-acre minimum bonus bid. The balance of the bonus bid must be received within 10 working days of the auction. Those bidders who fail to submit the balance of the bonus bid at the time will forfeit their entire deposit money.

Remittances associated with the leasing process may be made by personal check, cashier's check, certified check, or money order made out to *Department of the Interior-BLM*. VISA or MasterCard may also be used. Cash is not accepted.

### **Lease Terms And Conditions**

The lease grants the lessee the right to explore and develop, produce, remove, and dispose of oil and gas deposits, except for those deposits not found in the leased lands.

Subject to special restrictions as noted above, the lease is granted on the condition that the lessee will have to obtain BLM approval before conducting any surface-disturbing activities. The lease conveys the right to develop those resources on the leased land. The lessee or his/her operator cannot build a house, cultivate the land, or remove any minerals other than those found in the leased land.

### **Bonding**

Before any surface-disturbing activities related to drilling or production, the lessee or his/her operator must furnish a bond in the amount of at least \$10,000 to ensure compliance with all the lease conditions, including protection of the environment. With the co-surety and principal, the operator may use the bond to satisfy the lease conditions such as the lessee. Each time there is a new operator, a new bond must be furnished.

must notify the BLM that he/she is the responsible of the particulars of the bond under which he/she will o

Acceptable instruments of bonding are surety bonds, bonds accompanied by negotiable Treasury securities check, certified check, certificate of deposit, or irrevocable credit.

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

## Rentals

Annual rental rates for both competitive and noncompetitive are \$1.50 per acre (or fraction thereof) in the first 5 years per acre each year thereafter. After the lease is issued, be received at the Department of the Interior's Mineral Service (MMS), P.O. Box 5860, Denver, CO 80217, on the lease anniversary date to prevent statutorily required termination of the lease. This requires mailing of the lease at least a week or 10 days in advance of the lease anniversary to ensure timely receipt by the MMS. Rental inquiries call MMS at 1-800-525-8327.

## Royalties

Royalty on production is 12.5 percent for both competitive and noncompetitive leases.

## Assigning A Lease

Some people who acquire an oil and gas lease will assign to another party. The value of oil and gas leases varies depending on the parcels offered has been evaluated by the BLM for potential prior to the competitive auction or to being offered for noncompetitive leasing. All of the lands included in the noncompetitive leases have been offered at auction and accepted bids. The cost for Record Title Assignments and Transfer of Operating Rights are \$75.00 **per lease**.

Leases may be transferred by assignment or sublease. An assignment must be submitted to the BLM for approval within 90 days of the date of execution by the transferor. The rights of any party will not be recognized by the Government, and the transferor is responsible for the lease, until the transfer has been approved by the BLM. An assignment either of a separate zone or deep lease legal subdivision will not be approved. An assignment of more than 640 acres outside of Alaska or of less than 2,560 acres will be approved by the BLM only if the assignment covers the entire lease or is demonstrated to further the development of oil or gas.

## How A Lease Expires Or Terminates

Oil and gas leases expire at the end of their primary term - 1 year - unless diligent drilling operations are in progress to the benefit of the lease; the lease contains a well capable of producing oil or gas in paying quantities; or the lease is receiving or will receive an allocation of production under the terms of a pooling, communitization agreement or unit agreement.

Leases without a producible well automatically terminate if the lessee fails to make full and timely payment of the annual rental. The rental must be received by the proper Federal office on or before the lease anniversary date of the lease. The automatic termination specifically prescribed by law, is not the result of BLM

cannot be waived.

The owner of a lease also may surrender the lease in by filing a written relinquishment with the proper BLM having jurisdiction over the lands. A relinquishment t the date it is filed. However, the lessee must plug an well, perform other work as may be required by the leasehold in proper condition for abandonment, and k account into good standing. If the lessee fails to perf necessary work, the lessee's bond will be used to do lessee will be prohibited from leasing any additional F

## **Non-Competitive Leasing Process**

Noncompetitive leases may be issued only for parcels offered competitively and failed to receive a bid.

The lands in expired, terminated, relinquished, or car will not be available for noncompetitive leasing until offered competitively in a Sale Notice for an auction receive a bid. A noncompetitive presale offer may be lands if the prior lease expired or terminated or was cancelled at least 1 year before the presale offer is su proper BLM State Office.

Following an auction, all the lands that were offered received no bids will be available for noncompetitive for 2 years, beginning the first business day following the auction, as specified in the Sale Notice.

For noncompetitive leasing, each offer must be subm separate lease offer form. From the first business day auction through the last day of the same month, lanc identified only by the parcel identification number as Sale Notice. Thereafter, and until the end of the 2 ye noncompetitive availability, offers must use legal lanc and are not limited to the parcel configurations offere

Offers must be made on a BLM-approved form. They payment of a \$335.00 nonrefundable filing fee and th advance rental of \$1.50 per acre.

All noncompetitive lease offers filed on the first busin following the auction will be considered as having been simultaneously. The priority among any multiple offer this day for the same parcel will be determined by dr the public. Offers received on subsequent days will re according to the time of filing; for example, an offer 1 a.m. will have priority over an offer filed at 10:16 a.m.

### **Non-Competitive Officer (NCO) to Lease - (Presale)**

A noncompetitive offer (presale) is a formal nominati be included in an oil and gas competitive oral auction receives priority as of the time and date the offer is f BLM office. If no bid is received at the oral auction, th noncompetitive lease shall issue, all else being regulz applicant. A noncompetitive offer must be made on F Offer to Lease and Lease for Oil and Gas (6/88 or late

must submit at least one original plus two copies. The typewritten or printed in ink and manually signed in ink by offeror or offeror's authorized agent. The offer must include a \$335.00 filing fee, first years advance rental of \$1.50 per acre or fraction thereof. Remember to round up your acreage when calculating rental. Executing the lease form signifies acceptance of standard lease stipulations and/or any additional stipulations posted to lands on a competitive sale notice. **NCO's cannot be held confidential.**

#### **Non-Competitive Offer to Lease - 2 Year Window (Postsale)**

A noncompetitive offer on 2 window year lands is a noncompetitive offer on lands that have been through a competitive sale with no bids at the sale or at the day after drawing. An NCO is made on Form 3100-11, Offer to Lease and Lease for 2 Years (6/88 or later edition). You must submit at least one original plus two copies. They must be typewritten or printed in ink and manually signed in ink and dated by offeror or offeror's authorized agent. The offer must include a \$335 filing fee, first years advance rental of \$1.50 per acre or fraction thereof. Executing the lease agreement to standard lease stipulations and/or any stipulations posted to lands on a competitive sale notice receives priority as of the time and date the offer is filed with the BLM office. **NCO's cannot be held confidential.**

Maximum offer is 10,240 acres and minimum is 640 acres. Stated rules regarding 640 minimum apply.

#### **Offers Filed During Month of Sale**

#### **Offers Filed After Parcel Integrity Period and During Remainder of 2-Year Period**

#### **Withdrawal of Offer in Whole or in Part:**

**A postsale lease offer may be withdrawn by the offeror if a request to withdraw the offer is received by the BLM office after 60 days from the date of filing of the offer and prior to lease issuance. If a postsale offer is withdrawn after 60 days from the date of filing, the lands would not be available for noncompetitive leasing for the remainder of the 2-year period.**

**If a public domain mineral offer is partially withdrawn, the offer must total (in the lowest common denominator) 640 acres, or one full section, or include all available acreage within a section where there are no contiguous sections available.**

**A presale offer may be withdrawn by the offeror prior to issuance of the noncompetitive lease. An offer made after the end of the month in which a sale notice is made must be filed by the parcel number, but shall be filed with a legal land description. An offer filed after the end of the month in which a sale notice is made must be filed by the parcel number, but shall be filed with a legal land description.**

**integrity period may include all or a portion of a include a combination of parcels and shall be fil accordance with 43 CFR 31103-3 with respect to lease offer size.**: Offers filed from the first day follo the competitive sale until the end of that same month integrity period) must be made for the entire parcel i sale notice and must describe the lands by that single appearing in the sale notice.

### **Guidelines for submitting an Expression of Interest (EOI)**

An Expression of Interest (EOI) is an informal nomin that certain lands be included in an oil and gas comp sale. This request must be made in writing. No filing required with an EOI. We are required (43 CFR 3120. Notice of Competitive Sale 60 days prior to the sale. plats also must be noted prior to the sale. This is a ve and lengthy process. Please keep this in mind when r plans regarding a federal oil and gas lease.

As of August 8, 1995, all BLM offices must hold as co names of all parties that file an informal EOI until 2 d the last day of the competitive sale, or in other word: day following the conclusion of the noncompetitive d filings.

Submit a written request (letter format) with the foll information to:

Bureau of Land Management  
Attn: Oil & Gas Division  
P.O. Box 45145  
Salt Lake City, Utah 84145-0155

Show the Township, Range, Section, County, Acreag aloquot part (NENW) if applicable, please verify that the minerals to lease and separate your parcels by Pt lands and Acquired lands.

If the area is shaded on the OG Plat check the acquir Indexes and check who the Surface Management Age (i.e. Forest Service, Corps of Engineers, etc.) and not letter. Note: Prior consent from the SMA has to be re listing on a Competitive lease sale.

Note, Prioritize the order of the parcels you are subm

Submit your EOI's per parcel with no more than the r acreage of 2,560.00 acres and no limit on the minim Note: Leasing in Wilderness Study Areas (WSA's), or not allowed.

Check if your parcel has been listed on a prior Compe and if no bids were received you may file a Noncomp up to 2 years after the parcel was listed. (copy of this Information Access Center ask for 2-year data listing

Check the Oil and Gas Lease Sale schedule for timefr deadlines to submit your EOI's.

If your area is described by metes and bounds please description with your letter. NOTE: By providing the information you will be helping us to expedite the list parcels on a Competitive List.

If you are interested in receiving the Sale Notices or will need to start a declining deposit account with our Section. Note: It is your responsible to check these s the advertising of your parcels. We will not notify you posted.

Sale parcels will normally be configured as requested reserves the right to adjust the parcel size as needed

Prior to submitting your EOI, please review BLM publ make certain that the lands are available for leasing. lands not available for leasing are:

- Lands included in an active oil and gas lease
- Lands with non-Federally owned minerals
- Lands within city limits
- Lands withdrawn from mineral leasing
- Lands located in designated or proposed wilderness (WSA/DWA)
- Lands within an Indian Reservation
- Lands with pending mineral entry applications
- Lands with patented mining claims
- Lands offered for sale within the last two years

When reviewing the public records, you may wish to to determine if:

- Expired leases have been extended beyond their ex either diligently drilling wells, unit approval, or volunt termination
  - Terminated leases are in the process of being reins

If you are requesting the entire the township without available lands the nomination will be not be accepte

You may obtain copies of the sale notices and oil and our Information Access Center located in the Utah St. calling (801) 539-4001. It is your responsibility to cf notices for the posting of your parcel(s). We will not i parcels are posted. If you are interested in receiving Results Lists, you should establish a declining deposit our Accounts Section or visit the web page at: <http://www.ut.blm.gov/MineralsAdjudication/salenoti>

Question or comments should be forwarded to Terry 45155 Salt Lake City Utah 84145

## OIL AND GAS LEASING FREQUENTLY ASKED QUESTIONS

### **How soon will my Expression of Interest (EOI) come up on a sale?**

If the minerals are BLM public domain lands it takes approximately 4-6 months to appear on a sale. This is longer for lands with different surface managing agencies.

### **Why does it take so long?**

BLM works anywhere from 4 to 6 months in advance of a sale. We stop accepting Expression of Interests (EOI) for inclusion in a sale approximately 5 months before the sale. EOIs filed after that date are moved into the next sale. We are also required (43 CFR 3120.4-2) to post the Notice of Competitive Sale and have the plats notated 60 days prior to the sale. But we do our best to get your nomination on the next available sale that we are currently working on.

### **What is the difference between an EOI and a Presale Noncompetitive Offer?**

An EOI is an informal nomination for lands to appear on a competitive oil and gas auction. A presale noncompetitive offer is a formal nomination in which advance rental is paid along with a filing fee. If no bid is received at the sale, the lease is issued to the applicant for the \$1.50 an acre rental with a \$335.00 filing fee. At present time, we are able to work EOIs and Presales within the same timeframe. However, in situations where time is critical the Presale's will take priority.

### **What is the primary term on a federal oil and gas lease?**

Noncompetitive leases have a primary term of 10 years. Competitive leases issued prior to the Energy Policy Act of October 24, 1992, have a primary term of 5 years. Section 2509 of this act changed the primary term of subsequently issued competitive leases to 10 years.

### **What is the effective date of my lease?**

The effective date of a lease is the first day of the month after signature by the Authorized Officer.

### **After the Oil and Gas Auction, when I receive my lease, do I have to sign the back page of the lease form?**

No. Your signature on the bid form at the sale signifies your acceptance of the terms on the back of the lease.

### **When is my rental due?**

Rental is due to the Minerals Management Service by the anniversary date which is the effective date of the lease. Rental is \$1.50 an acre the first 5 years and increases the sixth year to \$2.00 for the majority of leases.

### **What are the filing fees associated with oil and gas leases?**

The fees for filing a Noncompetitive offer are a \$335.00 filing fee and the rental of \$1.50 an acre (remember to round up your acreage). If you are filing an Assignment of Record Title or Transfer of Operating Rights, there is a \$75 filing fee for each lease you are filing on. Overriding Royalty is \$10.00 per lease.

### **What form do I use for transfers?**

Record Title Interest/Overriding Royalties use Form 3000-3 dated February 2001  
Transfer of Operating Rights/Overriding Royalties use Form 3000-3a dated January 1999.

### **Can I copy the official form?**

Yes. Copies must be EXACT reproductions of the official form. Tear off the bottom directions; reproduce head to foot.

### **Can I use computer generated forms for transfers?**

Yes. However, the Utah State Office will not review such formats for consistency with current Bureau forms. All parties will be bound by the language of the official form.

### **How do I file a mass assignment?**

Use the current form. You must have 3 originally executed copies (both transferor and transferee sign 3 copies). Attach an exhibit to each original copy showing acreage numbers, type and interest conveyed, and a description of the lands. We need a reproduced copy of the form and the appropriate page of the exhibit for each lease. There is a nonrefundable \$75.00 filing fee per instrument per lease.

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