

MMS Minerals Revenue Management

General Federal and American Indian mineral lease terms

Oil, Gas, and Sulfur Leases on Federal Offshore Lands

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| Customary Royalty Rate | Flat rates of 12 1/2% or 16 2/3% in amount or value of production. Variable rates of 16 2/3% or more in amount or value of production, depending on lease sale. Net profit share rates as specified in lease sale. See Title 30 Code of Federal Regulations (CFR) Section 260 - Outer Continental Shelf Oil and Gas Leasing. |
| Annual Rent and Other Fees | Rent \$3 to \$5 per acre. Minimum royalty \$3 to \$5 per acre after discovery. Rent \$10 per acre for drainage sales. Minimum royalty \$10 per acre for drainage sales. |
| Duration of Lease | 5 to 10 years; continued if capable of producing in commercial quantities. 8 and 10 years in depths of 400 meters or more. |
| Size of Lease | 2,500 to 5,760 acres, or equivalent hectares, unless a larger area is needed for a production unit. |
| Bonding Requirements | Lease: \$50,000. Area: depending on development, up to \$3,000,000. |

Oil and Gas Leases on Federal Onshore Lands: Competitive Leases

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| Customary Royalty Rate | Leases issued from 5-3-45 to 12-22-87: oil 12 1/2% to 25% and gas 12 1/2% or 16 2/3% in amount or value of production, depending on production per well per day for the calendar month. Leases issued after 12-22-87: flat rate of 12 1/2% in amount or value of production. See 43 CFR 3103.3 - Royalties, and Bureau of Land Management (BLM) Manual Part H-3103-1 - Fees, Rentals, and Royalty. |
| Annual Rent and Other Fees | Leases issued prior to 9-2-60: \$0.25 to \$1 per acre. Leases issued 9-2-60 through 12-22-87: \$2 per acre. Bonus paid at issuance. Leases issued after 12-22-87: \$1.50 per acre first 5 years, \$2 per acre subsequent years if extended. See 43 CFR 3103.2 - Rentals, and BLM Manual Part H-3103-1 - Fees, Rentals, and Royalty. |
| Duration of Lease | 10 years; continued if capable of producing in commercial quantities. |
| Size of Lease | Through 12-22-87: 640 acres or less. After 12-22-87: maximum 2,560 acres for lower 49 States and maximum 5,760 acres in Alaska. |
| Bonding Requirements | Lease: \$10,000. State: \$25,000. Nationwide: \$150,000. |

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General Federal and American Indian mineral lease terms (cont.)

Oil and Gas Leases on Federal Onshore Lands: Noncompetitive Leases

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| Customary Royalty Rate | 12 1/2% in amount or value of production. See 43 CFR 3103.3 - Royalties, and BLM Manual Part H-3103-1 - Fees, Rentals, and Royalty. |
| Annual Rent and Other Fees | Leases issued prior to 9-2-60: \$0.25 to \$1 per acre. Leases issued 9-2-60 through 2-1-77: \$0.50 per acre. Leases issued 2-1-77 through 12-22-87: \$1 to \$2 per acre first 5 years, \$2 per acre subsequent years. Leases issued after 12-22-87: \$1.50 per acre first 5 years, \$2 per acre subsequent years. See 43 CFR 3103.2 - Rentals, and BLM Manual Part H-3103-1 - Fees, Rentals, and Royalty. |
| Duration of Lease | 10 years; continued if capable of producing in commercial quantities. |
| Size of Lease | 10,240 acres maximum within 6-mile square, or 640 acres minimum. |
| Bonding Requirements | Lease: \$10,000. State: \$25,000. Nationwide: \$150,000. |

Oil and Gas Leases on Federal Onshore Lands: National Petroleum Reserve Alaska Leases Subject to Appropriation Act of 1981

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| Customary Royalty Rate | Not set by law—now 16 2/3%. |
| Annual Rent and Other Fees | Rent \$3 per acre. |
| Duration of Lease | 10 years or less. |
| Size of Lease | Up to 60,000 acres. |
| Bonding Requirements | Corporate surety: \$100,000 per lease, or \$300,000 National Petroleum Reserve-wide. |

Oil and Gas Leases on American Indian Lands

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| Customary Royalty Rate | Varies. Generally, new leases provide for 16 2/3% or more in amount or value of production. Leases before 1982 are generally 12 1/2% or 16 2/3% in amount or value of production. |
| Annual Rent and Other Fees | Rent varies from \$1.25 to \$30 per acre. |
| Duration of Lease | Primary term is 5 years or less. |
| Size of Lease | Under the Indian Mineral Development Act of 1982, varies for the entire reservation from a fraction of an acre to over 200,000 acres. |
| Bonding Requirements | Lease: \$500 to \$2,000 depending on acreage. State: \$75,000. Nationwide: \$150,000. |

General Federal and American Indian mineral lease terms (cont.)**Coal Leases on Federal Lands: Leases Issued Through August 4, 1976**

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| Customary Royalty Rate | \$0.15 per ton underground and \$0.175 per ton surface mines. |
| Annual Rent and Other Fees | Rent \$1 per acre credited against royalty payments for the lease year. Minimum royalty: per lease terms. |
| Duration of Lease | Indefinite period with 20-year readjustments. |
| Size of Lease | Not more than 46,080 acres in one state and not more than 100,000 acres in the United States for one or more leases. |
| Bonding Requirements | Nonproducing leases: \$5,000 or amount equal to annual rent rounded to \$1,000, whichever is greater. Producing leases: 3 months' production royalty, plus 2 years' rent obligation. |

Coal Leases on Federal Lands: Leases Issued or Readjusted After August 4, 1976

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| Customary Royalty Rate | Readjusted and new leases: 8% of value of production for underground mines and 12 1/2% of value of production for surface mines. |
| Annual Rent and Other Fees | Rent \$3 per acre not credited against royalty payments. Lease filing fee: \$250. Transfer fee: \$50. |
| Duration of Lease | 20 years; continued if producing in commercial quantities, subject to readjustment every 10 years. |
| Size of Lease | No more than 46,080 acres in one state and no more than 100,000 total acres in the United States. |
| Bonding Requirements | Nonproducing leases: \$5,000 or amount equal to annual rent rounded to \$1,000, whichever is greater. Producing leases: 3 months production royalty, plus 2 years' rent obligation. |

Coal Leases on American Indian Lands

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| Customary Royalty Rate | Varies according to lease terms and amendments. |
| Annual Rent and Other Fees | Rent varies. Average rent \$2 per acre. Advance royalty varies. |
| Duration of Lease | Varies by lease terms. |
| Size of Lease | Varies. |
| Bonding Requirements | Lease: \$500 to \$2,000 depending on acreage. State: \$75,000 depending on acreage. Nationwide: \$75,000 or determined by the Secretary. |

General Federal and American Indian mineral lease terms (cont.)**Other Mineral Leases on Federal Lands: Asphalt Leases**

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| Customary Royalty Rate | Per lease terms, but not less than \$0.25 per ton. |
| Annual Rent and Other Fees | Rent: year 1, \$0.25 per acre; years 2-5, \$0.50 per acre; beginning year 6, \$1 per acre, credited against royalties. Minimum royalty \$3 per acre payable in advance beginning year 6, until production commences. |
| Duration of Lease | 20 years, with right of renewal every 10 years thereafter. |
| Size of Lease | 2,560 acres maximum and not less than 640 acres minimum. |
| Bonding Requirements | Not less than \$5,000. |

Other Mineral Leases on Federal Lands: Geothermal Leases

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| Customary Royalty Rate | 10% to 15% of value of geothermal fluids and not more than 5% of value of any by-product, including commercially demineralized water, unless otherwise provided in Section 1 of the Mineral Leasing Act of 1920, as amended. |
| Annual Rent and Other Fees | Rent \$1 per acre; \$2 per acre in known geothermal resources area. Minimum royalty \$2 per acre. |
| Duration of Lease | 10 years; continued if capable of producing in commercial quantities. |
| Size of Lease | 2,560 acres maximum and not less than 640 acres unless for nonelectric uses. |
| Bonding Requirements | Lease: \$10,000. State: \$50,000. Nationwide: \$150,000; \$5,000 minimum for protection of surface owner. |

Other Mineral Leases on Federal Lands: Gilsonite Leases

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| Customary Royalty Rate | 12 1/2% of value of production. |
| Annual Rent and Other Fees | Rent \$0.50 per acre credited against royalties. Minimum royalty \$3 per acre payable in advance beginning year 6, until production commences. |
| Duration of Lease | 20 years, subject to readjustment every 20 years. |
| Size of Lease | Per lease terms. |
| Bonding Requirements | Not less than \$5,000. |

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General Federal and American Indian mineral lease terms (cont.)

Other Mineral Leases on Federal Lands: Lead, Zinc, Copper, and Other Hardrock Mineral Leases

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| Customary Royalty Rate | 5% of value of production (concentrate). |
| Annual Rent and Other Fees | Rent \$1 per acre credited against royalties. Minimum royalty \$3 per acre payable in advance beginning year 6, until production commences. |
| Duration of Lease | 20 years, with right of renewal every 10 years thereafter. |
| Size of Lease | 2,560 acres maximum and not less than 640 acres minimum. |
| Bonding Requirements | Not less than \$5,000. |

Other Mineral Leases on Federal Lands: Oil Shale Leases

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| Customary Royalty Rate | Per lease terms. |
| Annual Rent and Other Fees | Rent \$0.50 per acre. Minimum royalty per lease terms. |
| Duration of Lease | Per lease terms. |
| Size of Lease | Per lease terms. |
| Bonding Requirements | Per lease terms. |

Other Mineral Leases on Federal Lands: Potassium, Sodium, or Phosphate Leases

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| Customary Royalty Rate | Ranges from 2% to 8% of value of production. |
| Annual Rent and Other Fees | Rent: year 1, \$0.25 per acre; years 2-5, \$0.50 per acre; beginning year 6, \$1 per acre credited against royalties. Minimum royalty: \$3 per acre payable in advance beginning year 6, until production commences. |
| Duration of Lease | Indefinite, subject to readjustment every 20 years. |
| Size of Lease | 2,560 acres maximum and not less than 640 acres minimum. |
| Bonding Requirements | Lease: not less than \$5,000. State: \$25,000. Nationwide: \$75,000. |

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General Federal and American Indian mineral lease terms (cont.)

Other Mineral Leases on Federal Lands: Sulfur Leases

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|-----------------------------------|---|
| Customary Royalty Rate | 12 1/2% of value of production. |
| Annual Rent and Other Fees | Rent: \$0.50 per acre credited against royalties. Minimum royalty: \$3 per acre payable in advance beginning year 6, until production commences. |
| Duration of Lease | 20 years, with right of renewal every 10 years thereafter. |
| Size of Lease | 640 acres. |
| Bonding Requirements | Not less than \$5,000. |

Other Mineral Leases on Federal and American Indian Lands: Chat, Garnet, Gypsum, Iron Ore, Limestone, Sand and Gravel, and Other Solid Mineral Leases

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| Customary Royalty Rate | Varies by commodity and lease terms. Ranges from \$0.50 to \$5 per unit for chat, gypsum, and sand and gravel. Some leases are subject to ad valorem royalty rates. |
| Annual Rent and Other Fees | Rent varies from \$1 to \$5 per acre. Flat amount of rent or advance royalty due regardless of lease size. Can range from \$2,000 to \$1.2 million annually. |
| Duration of Lease | Varies by lease from 1 year to 20 years. |
| Size of Lease | 1 acre to 40,000 acres. |
| Bonding Requirements | Lease: as determined. State: \$15,000. Nationwide: \$75,000. |

Other Mineral Leases on Federal Lands: Utah State Leases Conveyed to the U.S.

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| Customary Royalty Rate | Varies from 2% to 10% depending upon commodity. Commodities include coal, hardrock (metalliferous), gypsum, gemstone (non-precious), fossils, limestone, and common clay. |
| Annual Rent and Other Fees | Rent varies from \$1.00 to \$4.00 per acre Minimum royalty: \$5.00 per acre through year 10, then \$3.00 per acre. |
| Duration of Lease | For leases, primary term is 10 years subject to readjustment per lease terms; State Exploration Agreement with Option to Lease is 5 years. |
| Size of Lease | Limited to not more than 2,560 acres or 4 sections. |
| Bonding Requirements | Project bond (lease) not less than \$5,000; Statewide blanket bond minimum \$80,000. |

NOTE: Lease terms may be extended or modified for various reasons as authorized by regulation. A \$75 fee is required to file, transfer, or assign an American Indian lease. A comparable fee is required to file, transfer, or assign certain other lease commodities.