

# You Can Win Oil Leases From The Government

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## You Can Win Oil Leases From The Government

The public faces a barrage of newspapers, telephone and direct mail advertisements promising quick wealth and fortune through "too good to be true" opportunities.

Perhaps you have been among those invited to take advantage of such opportunity by entering a drawing for oil gas leases on federal lands. The ad says: write for details or send a check to cover the cost of filing fee and other services, and have your name entered in the drawing.

It is really possible to strike it rich? How slim are the odds and what are the risks?

The purpose of this report is to acquaint you with the relit and procedures involved regarding oil and gas leasing form the Government.

### TYPES OF LEASES

Lands that are not within any known geologic structure of a producing oil and gas field, commonly known as "wildcat" lands, are subject to leasing to the first qualified person making application for a lease. Such lease is termed non competitive since the applicant is entitled to the lease without competing bidding.

### LOCATION OF TRACTS

Many tracts offered for non competitive leasing are in the Western States where most of the public land is located. These are the states of Alaska, California, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. Occasionally, a few tracts in Washington and Oregon are offered.

Tracts in the Midwest and East are also put up for non competitive leasing. The tracts are primary in Alabama, Arkansas, Florida, Louisiana, Michigan, Mississippi and Ohio.

### HOW THE DRAWINGS WORK

Each State Office of the Bureau of Land Management prepares and posts a list of lands within its jurisdiction that are available for releasing. These tracts range in size form 40 acres up to a maximum of 10,240 acres. These list a may be viewed in the State Offices or obtained from the State Offices by mail for a small charge, usually \$5 to \$10 per list.

If any lands are available for releasing, the Bureau of Land

Management State Office posts its list on the first day of business for the months of February, April, June, August, October, and December. Applications are accepted until the close of business on the 15th working day after the list is posted. If more than one application is received for a given tract, a drawing is held to decide who will get the lease. All application for simultaneous oil and gas leases must be submitted to the Wyoming State Office, which maintains a central computerized system.

## QUALIFICATIONS AND LIMITATIONS

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

Aliens may not hold any interest in leases. They may, however, own or control stock in a corporation holding leases, if the laws of their country do not deny similar privileges to citizens of the United States.

No person, association, or corporation may hold, own or control oil and gas leases for than 246,080 acres in any one State.

## HOW TO FILE

Applications may be filed on any of the parcels shown on the list posted in the BLM State Office. The parcel applied for must be identified by the number shown on the list.

Each offer to lease must be submitted on a official Automated Simultaneous Oil and Gas Lease Application (forms 3112-6), The applications must be fully completed and personally signed in ink by the applicant, or anyone authorized to sign on behalf of the applicant, during the filing period.

Each part B application form must be accompanied by a non refundable \$75 filing fee for each parcel, and the first year's rental of \$1 per acre or fraction thereof.

Each applicant must contain the actual business or residential address of the applicant. Addresses of third parties filing on behalf of the applicant are not permitted.

An applicant may file, or have an interest in, only one application for any one parcel; however, an applicant may file, or have an interest in, one application each for as many different parcels as he or she wishes.

## THE DRAWING

After the close of the filing period on the 25th working day after the list is posted, a computer-generated random selection is conducted at the Wyoming State Office. Because of the heavy volume of applicants that must be processed, selection does not occur until the following month.

One applicant is randomly selected for each numbered parcel. If the applicant selected is unacceptable or rejected, a reselection will be made by computer from the remaining applications. Each applicant is notified of the results of his application in the random selection. The advance rental will be refunded to nonwinners.

#### CHOOSING A PARCEL

It should be remembered that these lands have been leased previously and are not known to contain deposits of oil or gas. Neither the Bureau of Land Management nor any other Federal agency can make any recommendation concerning the potential value of any parcel offered for non competitive leasing.

Most applicants use a "Filing Service" to select parcels. Some service charge a fee to evaluate parcels on the basis of geological and marketing data; others offer maps and information about the activities of oil companies operating in the area where the various parcels are located. A third type of filing service charges a fee for selecting a parcel from the list posted by the Bureau and assisting the applicant in filing application.

Neither BLM, nor any other Federal agency, endorses any filing service. None are in any way with the Federal Government.

Be wary of filing services that paint an overly optimistic picture of your chances of winning and making money. Consider these firms may file for hundreds and even thousands of clients on a limited number of parcels, and the more interest these firms can generate in drawings, the more applications will be filed on each parcel, and the less chance each individual will have of obtaining a lease.

The names of firms or individuals that specialize as filing services may be located through business or professional associations, through oil and gas trade publications or chambers of commerce. They sometimes are listed under the heading "Federal Leasing Services" in the yellow pages of telephone directories.

Anyone considering the use of a filing services should carefully examine what services are offered and how big a premium is being charged beyond the required \$75 filing fee and the advance rental that must be paid to BLM for each filing.

Possible source of information on a filing service are the Better Business Bureau in the area where the firm is located and the State, county or local consumer protection agency.

## LEASE TERM AND CONDITIONS

The lease grants the lessee the right to explore and drill for, extract, remove and dispose of oil and gas deposits, except helium, that may be found in leased lands. Such leases are issued for a period of 10 years and so long thereafter as oil and gas are produced in paying quantities. The lessee cannot build a house on the land, cultivate the land, or remove any minerals other than oil and gas from the leased land.

Before any drilling operation can commence, the lessee or his operator must furnish a bond to assure compliance with all the lease terms, including protection of the environment.

## WHAT IS THE LEASE WORTH

The value of oil and gas leases varies greatly. None of the tracts offered has known potential for oil and gas production. In certain cases, non competitive leases have brought substantial profit to the winners. Generally, however, these leases average only a few dollars per acre if resold.

## SELLING OR ASSIGNING A LEASE

Many people who acquire an oil and gas lease through the leasing system do not intend to drill for oil or gas. Often the motive for entering the drawing is to sell the lease to an oil company for a profit.

If the lease is located in an area which may be attractive to industry, interested buyers may make an offer.

A willing buyer may offer a lump sum for a lease. In some cases, the original lessee can negotiate to retain a royalty interest in any future production from the lease.

#### CAUTION

Any person who considers entering the oil and gas drawing should keep certain facts in mind:

- \* The land offered for leasing was formerly included in oil and gas leases that expired, terminated, or were relinquished or canceled.

- \* The land involved is not recognized as being within a known geological structure of a producing oil or gas field.

- \* Your offer to lease is strictly a gamble. Since a very large percentage of the tracts won are never drilled on, your parcel may not have any potential for oil and gas even if you win the drawing.

- \* The more desirable parcels may attract hundreds, even thousands of applications.

#### WHAT TO DO NEXT TO PARTICIPATE

After carefully reading this report, if you wish to participate in the drawings of your own, here is how to proceed:

Select the geographical area that interests you

Locate the BLM State Office that is responsible for the area you have selected. Write that state for information. The State Office will send you application forms and tell you how much it will cost you to receive by mail the list from which you must select your tracts for the drawing.