

## **PART 3120—COMPETITIVE LEASES**

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**Authority:** 16 U.S.C. 3101 *et seq.* ; 30 U.S.C. 181 *et seq.* and 351–359; 40 U.S.C. 471 *et seq.* ; 43 U.S.C. 1701 *et seq.* ; and the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41).

**Source:** 53 FR 22843, June 17, 1988, unless otherwise noted.

#### **Subpart 3120—Competitive Leases**

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## § 3120.1 General.

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### § 3120.1-1 Lands available for competitive leasing.

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All lands available for leasing shall be offered for competitive bidding under this subpart, including but not limited to:

- (a) Lands in oil and gas leases that have terminated, expired, been cancelled or relinquished.
- (b) Lands for which authority to lease has been delegated from the General Services Administration.
- (c) If, in proceeding to cancel a lease, interest in a lease, option to acquire a lease or an interest therein, acquired in violation of any of the provisions of the act, an underlying lease, interest or option in the lease is cancelled or forfeited to the United States and there are valid interests therein that are not subject to cancellation, forfeiture, or compulsory disposition, such underlying lease, interest, or option shall be sold to the highest responsible qualified bidder by competitive bidding under this subpart, subject to all outstanding valid interests therein and valid options pertaining thereto. If less than the whole interest in the lease, interest, or option is cancelled or forfeited, such partial interest shall likewise be sold by competitive bidding. If no satisfactory bid is obtained as a result of the competitive offering of such whole or partial interests, such interests may be sold in accordance with section 27 of the Act by such other methods as the authorized officer deems appropriate, but on terms no less favorable to the United States than those of the best competitive bid received. Interest in outstanding leases(s) so sold shall be subject to the terms and conditions of the existing lease(s).
- (d) Lands which are otherwise unavailable for leasing but which are subject to drainage (protective leasing).
- (e) Lands included in any expression of interest or noncompetitive offer, except offers properly filed within the 2-year period provided under §3110.1(b) of this title, submitted to the authorized officer.
- (f) Lands selected by the authorized officer.

### § 3120.1-2 Requirements.

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- (a) Each proper BLM State office shall hold sales at least quarterly if lands are available for competitive leasing.
- (b) Lease sales shall be conducted by a competitive oral bidding process.
- (c) The national minimum acceptable bid shall be \$2 per acre or fraction thereof payable on the gross acreage, and shall not be prorated for any lands in which the United States owns a fractional interest.

### § 3120.1-3 Protests and appeals.

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No action pursuant to the regulations in this subpart shall be suspended under §4.21(a) of this title due to an appeal from a decision by the authorized officer to hold a lease sale. The authorized officer may suspend the offering of a specific parcel while considering a protest or appeal against its inclusion in a Notice of Competitive Lease Sale.

Only the Assistant Secretary for Land and Minerals Management may suspend a lease sale for good and just cause after reviewing the reason(s) for an appeal.

## § 3120.2 Lease terms.

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### § 3120.2-1 Duration of lease.

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Competitive leases shall be issued for a primary term of 10 years.

[58 FR 40754, July 30, 1993]

### **§ 3120.2-2 Dating of leases.**

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All competitive leases shall be considered issued when signed by the authorized officer. Competitive leases, except future interest leases issued under §3120.7 of this title, shall be effective as of the first day of the month following the date the leases are signed on behalf of the United States. A lease may be made effective on the first day of the month within which it is issued if a written request is made prior to the date of signature of the authorized officer. Leases for future interest shall be effective as of the date the mineral interests vest in the United States.

### **§ 3120.2-3 Lease size.**

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Lands shall be offered in leasing units of not more than 2,560 acres outside Alaska, or 5,760 acres within Alaska, which shall be as nearly compact in form as possible.

### **§ 3120.3 Nomination process.**

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The Director may elect to implement the provisions contained in §§3120.3–1 through 3120.3–7 of this title after review of any comments received during a period of not less than 30 days following publication in the Federal Register of notice that implementation of those sections is being considered.

#### **§ 3120.3-1 General.**

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The Director may elect to accept nominations requiring submission of the national minimum acceptable bid, as set forth in this section, as part of the competitive process required by the act, or elect to accept informal expressions of interest. A List of Lands Available for Competitive Nominations may be posted in accordance with §3120.4 of this title, and nominations in response to this list shall be made in accordance with instructions contained therein and on a form approved by the Director. Those parcels receiving nominations shall be included in a Notice of Competitive Lease Sale, unless the parcel is withdrawn by the Bureau.

#### **§ 3120.3-2 Filing of a nomination for competitive leasing.**

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Nominations filed in response to a List of Lands Available for Competitive Nominations and on a form approved by the Director shall:

(a) Include the nominator's name and personal or business address. The name of only one citizen, association or partnership, corporation or municipality shall appear as the nominator. All communications relating to leasing shall be sent to that name and address, which shall constitute the nominator's name and address of record:

(b) Be completed, signed in ink and filed in accordance with the instructions printed on the form and the regulations in this subpart. Execution of the nomination form shall constitute a legally binding offer to lease by the nominator, including all terms and conditions;

(c) Be filed within the filing period and in the BLM office specified in the List of Lands Available for Competitive Nominations. A nomination shall be unacceptable and shall be returned with all moneys refunded if it has not been

completed and timely filed in accordance with the instructions on the form or with the other requirements in this subpart; and

(d) Be accompanied by a remittance sufficient to cover the national minimum acceptable bid, the first year's rental per acre or fraction thereof, and the administrative fee as set forth in §3120.5-2(b) of this title for each parcel nominated on the form.

[53 FR 22843, June 17, 1988; 53 FR 31958, Aug. 22, 1988]

### **§ 3120.3-3 Minimum bid and rental remittance.**

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Nominations filed in response to a List of Lands Available for Competitive Nominations shall be accompanied by a single remittance. Failure to submit either a separate remittance with each form or an amount sufficient to cover all the parcels nominated on each form shall cause the entire filing to be deemed unacceptable with all moneys refunded.

### **§ 3120.3-4 Withdrawal of a nomination.**

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A nomination shall not be withdrawn, except by the Bureau for cause, in which case all moneys shall be refunded.

### **§ 3120.3-5 Parcels receiving nominations.**

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Parcels which receive nominations shall be included in a Notice of Competitive Lease Sale. The Notice shall indicate which parcels received multiple nominations in response to a List of Lands Available for Competitive Nominations, or parcels which have been withdrawn by the Bureau.

### **§ 3120.3-6 Parcels not receiving nominations.**

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Lands included in the List of Lands Available for Competitive Nominations which are not included in the Notice of Competitive Lease Sale because they were not nominated, unless they were withdrawn by the Bureau, shall be available for a 2-year period, for noncompetitive leasing as specified in the List.

### **§ 3120.3-7 Refund.**

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The minimum bid, first year's rental and administrative fee shall be refunded to all nominators who are unsuccessful at the oral auction.

## **§ 3120.4 Notice of competitive lease sale.**

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### **§ 3120.4-1 General.**

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(a) The lands available for competitive lease sale under this subpart shall be described in a Notice of Competitive Lease Sale.

(b) The time, date, and place of the competitive lease sale shall be stated in the Notice.

(c) The notice shall include an identification of, and a copy of, stipulations applicable to each parcel.

## § 3120.4-2 Posting of notice.

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At least 45 days prior to conducting a competitive auction, lands to be offered for competitive lease sale, as included in a List of Lands Available for Competitive Nominations or in a Notice of Competitive Lease Sale, shall be posted in the proper BLM office having jurisdiction over the lands as specified in §1821.2–1(d) of this title, and shall be made available for posting to surface managing agencies having jurisdiction over any of the included lands.

## § 3120.5 Competitive sale.

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### § 3120.5-1 Oral auction.

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(a) Parcels shall be offered by oral bidding. The existence of a nomination accompanied by the national minimum acceptable bid shall be announced at the auction for the parcel.

(b) A winning bid shall be the highest oral bid by a qualified bidder, equal to or exceeding the national minimum acceptable bid. The decision of the auctioneer shall be final.

(c) Two or more nominations on the same parcel when the bids are equal to the national minimum acceptable bid, with no higher oral bid being made, shall be returned with all moneys refunded. If the Bureau reoffers the parcel, it shall be reoffered only competitively under this subpart with any noncompetitive offer filed under §3110.1(a) of this title retaining priority, provided no bid is received at an oral auction.

### § 3120.5-2 Payments required.

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(a) Payments shall be made in accordance with §3103.1–1 of this title.

(b) Each winning bidder shall submit, by the close of official business hours, or such other time as may be specified by the authorized officer, on the day of the sale for the parcel:

(1) The minimum bonus bid of \$2 per acre or fraction thereof;

(2) The total amount of the first year's rental; and

(3) The processing fee for competitive lease applications found in the fee schedule in §3000.12 of this chapter for each parcel.

(c) The winning bidder shall submit the balance of the bonus bid to the proper BLM office within 10 working days after the last day of the oral auction.

[53 FR 22843, June 17, 1988, as amended at 70 FR 58875, Oct. 7, 2005]

### § 3120.5-3 Award of lease.

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(a) A bid shall not be withdrawn and shall constitute a legally binding commitment to execute the lease bid form and accept a lease, including the obligation to pay the bonus bid, first year's rental, and administrative fee. Execution by the high bidder of a competitive lease bid form approved by the Director constitutes certification of compliance with subpart 3102 of this title, shall constitute a binding lease offer, including all terms and conditions applicable thereto, and shall be required when payment is made in accordance with §3120.5–2(b) of this title. Failure to comply with §3120.5–2(c) of this title shall result in rejection of the bid and forfeiture of the monies submitted under §3120.5–2(b) of this title.

(b) A lease shall be awarded to the highest responsible qualified bidder. A copy of the lease shall be provided to the lessee after signature by the authorized officer.

(c) If a bid is rejected, the lands shall be reoffered competitively under this subpart with any noncompetitive offer filed under §3110.1(a) of this title retaining priority, provided no bid is received in an oral auction.

(d) Issuance of the lease shall be consistent with §3110.7 (a) and (b) of this title.

### § 3120.6 Parcels not bid on at auction.

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Lands offered at the oral auction that receive no bids shall be available for filing for noncompetitive lease for a 2-year period beginning the first business day following the auction at a time specified in the Notice of Competitive Lease Sale.

### § 3120.7 Future interest.

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#### § 3120.7-1 Nomination to make lands available for competitive lease.

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A nomination for a future interest lease shall be filed in accordance with this subpart.

#### § 3120.7-2 Future interest terms and conditions.

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(a) No rental or royalty shall be due to the United States prior to the vesting of the oil and gas rights in the United States. However, the future interest lessee shall agree that if, he/she is or becomes the holder of any present interest operating rights in the lands:

(1) The future interest lessee transfers all or a part of the lessee's present oil and gas interests, such lessee shall file in the proper BLM office an assignment or transfer, in accordance with subpart 3106 of this title, of the future interest lease of the same type and proportion as the transfer of the present interest, and

(2) The future interest lessee's present lease interests are relinquished, cancelled, terminated, or expired, the future interest lease rights with the United States also shall cease and terminate to the same extent.

(b) Upon vesting of the oil and gas rights in the United States, the future interest lease rental and royalty shall be as for any competitive lease issued under this subpart, as provided in subpart 3103 of this title, and the acreage shall be chargeable in accordance with §3101.2 of this title.

#### § 3120.7-3 Compensatory royalty agreements.

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The terms and conditions of compensatory royalty agreements involving acquired lands in which the United States owns a future or fractional interest shall be established on an individual case basis. Such agreements shall be required when leasing is not possible in situations where the interest of the United States in the oil and gas deposit includes both a present and a future fractional interest in the same tract containing a producing well.

[53 FR 22843, June 17, 1988]