

**MMS Minerals Revenue Management**  
**Revised Version 9/2006**

**General Federal and American Indian mineral lease terms**

**Oil, Gas, and Sulfur Leases on Federal Offshore Lands**

<b>Customary Royalty Rate</b>	Rates of 12.5%, 16 2/3% or higher and/or cash bid depending on sale. See Final Notice of Sale (NOS) or updated Federal Register for details of sale. NOS can be found at <a href="http://www.gomr.mms.gov">http://www.gomr.mms.gov</a> . See also Title 30 Code of Federal Regulations (CFR) Section 260 - Outer Continental Shelf Oil and Gas Leasing.
<b>Annual Rent and Other Fees</b>	Rent \$3 to \$5 per acre standard or \$10 per acre for drainage sales. May be higher or lower based on lease sale.
<b>Duration of Lease</b>	Not set by law. Typically 5 to 10 years; continued if capable of producing in commercial quantities. May be eight or ten years in depths of 400 meters or more or if drilling commenced within 3 years.
<b>Size of Lease</b>	Usually ranging from 2,500 to 5,760 acres or equivalent hectares.
<b>Bonding Requirements</b>	Lease: \$50,000 Area: depending on development, up to \$3,000,000

**Oil and Gas Leases on Federal Onshore Lands: Competitive Leases**

<b>Customary Royalty Rate</b>	Leases issued from 5-3-1945 to 12-22-1987: 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 12-22-1987: flat rate of 12 1/2% in amount or value of production. See 43 CFR 3103.3 - Royalties, 43 CFR 3162.7-4 and Bureau of Land Management (BLM) Manual Part H-3103-1 - Fees, Rentals and Royalty. See <a href="http://www.mt.blm.gov/">http://www.mt.blm.gov/</a> for additional information.
<b>Annual Rent and Other Fees</b>	Leases issued prior to 9-2-1960: \$0.25 to \$1 acre. Leases issued 9-2-1960 through 12-22-1987: \$2 per acre. Bonus paid at issuance. Leases issued after 12-22-1987: \$1.50 per acre first five years, \$2 per acre; subsequent years if extended. Bonus paid at issuance. See 43 CFR 3103.2- Rentals, and BLM Manual Part H-3103-1.
<b>Duration of Lease</b>	Primary term of 10 years: continued if capable of commercially producing.
<b>Size of Lease</b>	Through 12-22-1987: 640 acres or less. After 12-22-1987: maximum 2,560 acres, or 5,760 acres within Alaska.
<b>Bonding Requirements</b>	Lease: \$10,000 State: \$25,000 Nationwide: \$150,000

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

**Oil and Gas Leases on Federal Onshore Lands: Noncompetitive Leases**

<b>Customary Royalty Rate</b>	12 1/2% in amount or value of production. See 43 CFR 3103.3 - Royalties, and BLM Manual Part H-3103-1.
<b>Annual Rent and Other Fees</b>	Leases issued prior to 9-2-1960: \$0.25 to \$1 acre. Leases issued 9-2-1960 through 2-1-1977: \$0.50 per acre. Leases issued 2-1-1977 through 12-22-1987: \$1 to \$2 per acre first 5 years, \$2 per acre subsequent years. Leases issued after 12-22-1987: \$1.50 per acre first five years, \$2 per acre subsequent years if extended. See 43 CFR 3103.2- Rentals, and BLM Manual Part H-3103-1.
<b>Duration of Lease</b>	Primary term of 10 years: continued if capable of commercially producing.
<b>Size of Lease</b>	640 acres or 1 full section minimum to 10,240 acres maximum within a 6-mile square.
<b>Bonding Requirements</b>	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**

<b>Customary Royalty Rate</b>	Royalties on oil and gas shall be at the rate specified in the notice of sale. See <a href="http://www.mms.gov/alaska/lease/lease.htm">http://www.mms.gov/alaska/lease/lease.htm</a> for latest sale information. Current rate: 12 1/2%
<b>Annual Rent and Other Fees</b>	Rent \$3 per acre.
<b>Duration of Lease</b>	Primary term of 10 years.
<b>Size of Lease</b>	2,560 acres or 4 full contiguous section minimum to 60,000 acres maximum.
<b>Bonding Requirements</b>	Corporate surety: \$100,000 per lease, or \$300,000 National Petroleum Reserve.

**Oil and Gas Leases on American Indian Lands**

<b>Customary Royalty Rate</b>	Varies. In most cases the minimum rate is 16 2/3% or more in amount of the value of production. Leases before 1982 are generally 12 1/2% or 16 2/3% in amount or value of production.
<b>Annual Rent and Other Fees</b>	\$2.00 per acre or greater as prescribed in the lease.
<b>Duration of Lease</b>	Primary term not to exceed 10 years, absent specific lease provisions.
<b>Size of Lease</b>	Not to exceed 640 acres.
<b>Bonding Requirements</b>	By Lease: Varies 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**

<b>Customary Royalty Rate</b>	\$0.15 per ton underground and \$0.175 per ton surface mines.
<b>Annual Rent and Other Fees</b>	Rent \$1 per acre credited against royalty payments for the lease year. Minimum royalty: per lease terms.
<b>Duration of Lease</b>	Indefinite period with 20-year readjustments.
<b>Size of Lease</b>	No more than 46,080 acres in one state and no more than 100,000 acres in the United States.
<b>Bonding Requirements</b>	Non-producing 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**

<b>Customary Royalty Rate</b>	Readjusted and new leases: 8% of value of production for underground mines and 12 1/2 % of value of production for surface mines.
<b>Annual Rent and Other Fees</b>	Rent \$3 per acre not credited against royalty payments. Lease filing fee: \$250 Transfer fee: \$50
<b>Duration of Lease</b>	20 years and at the end of each period of 10 years thereafter as long as as the condition of continued operation is met.
<b>Size of Lease</b>	No more than 75,000 acres in one state and no more than 150,000 total acres in the United States.
<b>Bonding Requirements</b>	Varies; not less than \$5,000.

**Coal Leases on American Indian Lands**

<b>Customary Royalty Rate</b>	Varies with lease. Not less than 8% of value of production for underground mines and 12 1/2% of value of production for surface mines.
<b>Annual Rent and Other Fees</b>	Varies with lease. Not less than \$2 per acre.
<b>Duration of Lease</b>	Primary term of 10 years absent specific lease provisions.
<b>Size of Lease</b>	Varies by lease terms; normally limited to 2,560 acres.
<b>Bonding Requirements</b>	All amounts are subject to the approval and discretion of the Secretary. Lease: Not less than \$2,000 State: \$75,000 Nationwide: \$150,000

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

### Asphalt Leases on Federal Lands

<b>Customary Royalty Rate</b>	Per lease terms, but not less than \$0.25 per ton or \$3 per acre, whichever is greater.
<b>Annual Rent and Other Fees</b>	Year 1, \$0.25 per acre; years 2-5, \$0.50 per acre; years 6+, \$1 acre. Minimum per permit or lease is \$20. Pay rental in advance before anniversary date.
<b>Duration of Lease</b>	Initial term is 20 years, with right of renewal every 10 years thereafter.
<b>Size of Lease</b>	Minimum is a quarter-quarter section, a lot, or a protraction block. Maximum per Lease is 640 acres and by state is 2,560 acres.
<b>Bonding Requirements</b>	Lease: At least \$5,000 State: At least \$25,000

### Geothermal Leases on Federal Lands

<b>Customary Royalty Rate</b>	10% to 15% of value of geothermal resources 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. Minimum royalty is \$2 per acre. <b>Proposed Rules per Federal Register Volume 71, Number 140: 8/25/2006</b> Minimum royalty is eliminated. Netback valuation of geothermal for leases issued or modified after August 8th, 2005 would no longer be determined for purposes of royalty calculation. Rather, royalty based on the electricity generated by geothermal resources, to which the royalty rate will be 1.75% for the first 10 years and 3.5% in subsequent years.
<b>Annual Rent and Other Fees</b>	Non-competitive leases are \$1 per acre; \$2 per acre for competitive leases. There may be additional rents depending on circumstance. These rents are \$3 to \$6 per acre depending on situation and which year of the term the lease is in. See also 43 CFR 3211-Fees, Rent and Royalties. <b>Proposed Rules per Federal Register Volume 71, Number 140: 8/25/2006</b> Non-competitive leases are \$1 per acre through year 10, \$5 per acre for every year thereafter. Competitive leases are \$2 per acre year one, \$3 per acre years two through 10, and \$5 per acre thereafter.
<b>Duration of Lease</b>	10 years; continued for up to 40 more years if capable of commercially producing.
<b>Size of Lease</b>	2,560 acres maximum and not less than 640 acres. <b>Proposed Rules per Federal Register Volume 71, Number 140: 8/25/2006</b> Largest lease size would now be 5,120 acres.
<b>Bonding Requirements</b>	Varies based on classification of operation and area of bond. See 43 CFR 3214.13 for additional information.

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

**Gilsonite Leases on Federal Lands**

<b>Customary Royalty Rate</b>	Per lease terms, but not less than \$3 per acre.
<b>Annual Rent and Other Fees</b>	\$.50 per acre. Minimum per permit or lease is \$20. Pay rental in advance on or before the anniversary date.
<b>Duration of Lease</b>	Initial term is 20 years, subject to readjustment every 20 years.
<b>Size of Lease</b>	Minimum is a quarter-quarter section, a lot, or a protraction block. Maximum per lease is 5,120 acres and by state is 7,680 acres.
<b>Bonding Requirements</b>	Numbers listed are minimums. Lease: \$5,000 State: \$25,000 Nationwide: \$75,000

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

<b>Customary Royalty Rate</b>	Per lease terms, but not less than \$3 per acre.
<b>Annual Rent and Other Fees</b>	\$1 per acre. Minimum per permit or lease is \$20. Pay rental in advance on or before the anniversary date.
<b>Duration of Lease</b>	Initial term is not to exceed 20 years; can be renewed every 10 years thereafter.
<b>Size of Lease</b>	Minimum is a quarter-quarter section, a lot, or a protraction block. Maximum per Lease is 2,560 acres and by state is 20,480 acres.
<b>Bonding Requirements</b>	Numbers listed are minimums. Lease: \$5,000 State: \$25,000 Nationwide: \$75,000

**Oil Shale Leases on Federal Lands:**

First lease sale to be held no sooner than six months after regulations are published. The scheduled close for the public comment period for the Advance Notice of Proposed Rulemaking is October 25, 2006. See <http://www.blm.gov> and <http://ostseis.anl.gov/> for additional information.

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

**Potassium, Sodium or Phosphate Leases on Federal Lands**

<b>Customary Royalty Rate</b>	Phosphate - per lease terms, but not less than 5% of value of production or \$3 per acre. Sodium or Potassium - per lease terms, but not less than 2% of value of production or \$3 per acre, whichever is greater.
<b>Annual Rent and Other Fees</b>	Phosphate - year 1 \$0.25, year 2-3 \$0.50, year 4+ \$1 per acre. Pay rental in advance on or before anniversary date. Sodium or Potassium - year 1 \$0.25, year 2-5 \$0.50, year 6+ \$1 acre Minimum per permit or lease is \$20 regardless of type of mineral. Pay rental in advance before January 1st of each year.
<b>Duration of Lease</b>	Phosphate and Potassium - lease term is indefinite, subject to readjustment every 20 years. Sodium - lease term is 20 years, which can be renewed for 10 year terms thereafter.
<b>Size of Lease</b>	Minimum is a quarter-quarter section, a lot, or a protraction block. Maximum by lease or permit is 2,560 acres. There is a national maximum for phosphate of 20,480 acres, a state maximum for sodium of 5,120 acres and a state maximum of 96,000 acres for potassium.
<b>Bonding Requirements</b>	Numbers listed are minimums. Lease: \$5,000 State: \$25,000 Nationwide: \$75,000

**Sulfur Leases on Federal Lands**

<b>Customary Royalty Rate</b>	Per lease terms, but not less than 5% of value of production or \$3 per acre.
<b>Annual Rent and Other Fees</b>	\$0.50 per acre. Minimum per permit or lease is \$20. Pay rental in advance on or before the anniversary date.
<b>Duration of Lease</b>	20 years, which can be renewed for 10 year terms thereafter.
<b>Size of Lease</b>	Minimum is a quarter-quarter section, a lot, or a protraction block. Maximum per lease is 640 acres and by state is 1,920 acres.
<b>Bonding Requirements</b>	Numbers listed are minimums. Lease: \$5,000 State: \$25,000 Nationwide: \$75,000

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

**Other Mineral Leases on Federal and American Indian Lands**

<b>Customary Royalty Rate</b>	Varies by commodity and lease terms. Ranges from \$.50 to \$15 per unit. Some leases are subject to ad valorem royalty rates. Contact local BIA and/or BLM field office for additional information.
<b>Annual Rent and Other Fees</b>	Varies by lease. Flat amount of rent or advanced royalty can be applicable. Normally at 6th year, \$3 acre credit against royalty. Pay rental in advance on or before the anniversary date.
<b>Duration of Lease</b>	Varies by lease from seasonal to 20 years.
<b>Size of Lease</b>	1 acre to 40,000 acres.
<b>Bonding Requirements</b>	Varies by Lease.

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

<b>Customary Royalty Rate</b>	Varies from 2% to 10% depending upon commodity. Commodities include gypsum, gemstone (non-precious), fossils, limestone, coal, gilsonite and common clay.
<b>Annual Rent and Other Fees</b>	Rent varies from \$1 to \$4 per acre. Minimum royalty \$5 per acre through year 10, then \$3 per acre.
<b>Duration of Lease</b>	For leases, primary term is 10 years subject to readjustment per lease terms; State Exploration Agreement with Option to Lease is 5 years.
<b>Size of Lease</b>	Limited to not more than 2,560 acres or 4 sections.
<b>Bonding Requirements</b>	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.