

## Frequently Asked Questions for Public Scoping Meeting

### Oil and Gas Lease Sale of Lands in Four Rivers FO, BLM

**What is a federal oil and gas lease?** A lease is a legal contract that grants the lessee the right to use the leased lands to explore and drill for, extract, and remove the underlying oil and gas resource.

Oil and gas leases are subject to standard stipulations that condition the lessee's rights. A lease may also be subject to additional stipulations, developed in a NEPA document, that mitigate impacts to other sensitive resources. Leases are granted on the condition that the lessee will have to obtain BLM approval before conducting any surface-disturbing activities. The lessee or his/her operator cannot build a house on the land, cultivate the land, or remove any minerals other than oil and gas from the leased land.

**Why is BLM offering leases at this time, prior to release of the Four Rivers RMP?** Under normal circumstances, BLM offers lands nominated by the public for leasing, that have been identified in a land use plan as eligible and available for leasing. However, BLM regulations state that lands which are subject to drainage should be leased, even if they are otherwise unavailable for leasing (43 CFR 3120.1-1(d)). BLM has determined that the lands currently being considered for lease are or soon will be threatened by drainage of federally-owned oil and gas.

**What is meant by the term "drainage"?** Drainage is defined as the migration of oil and gas in a reservoir, due to a pressure reduction caused by production from wells bottomed in the reservoir. A prime responsibility of the BLM is to protect the U.S. from the loss of royalty that results from drainage (uncompensated drainage). For unleased lands, the objectives of BLM's drainage protection program may be accomplished by leasing and requiring the lessee to take protective measures, or by negotiation of compensatory royalty agreements.

**When and where will the competitive oil and gas lease sale occur?** In 6 to 8 months, after completion of this EA. The public will be notified 90 days prior to the lease sale, of the parcel descriptions and any stipulations attached to each parcel. The parcels will be auctioned off by oral bidding, at a sale in either Boise or Salt Lake. The Salt Lake lease sale is scheduled for Feb. 15, 2015.

**Where does the lease money go?** The government (ONRR, formerly MMS) collects money from an oil and gas lease for three activities. First, when a parcel is offered in a competitive lease sale, individuals bid on the parcel on a \$ per acre basis (bidding starts at \$2/acre). The highest qualified bidder receives the lease. The money BLM collects is referred to as the "bonus bid." Second, the lessee pays rent on a per acre basis each year. The rent is \$1.50 per acre for the first 5 years, and \$2 per acre for the remaining 5 years. Third, if the lease is put into production, then a royalty is collected, based on production. The royalty is 12.5%.

ONRR allocates 50% of the proceeds to the U.S. Treasury, and 50% to the State in which the lease is located.

**Has BLM already identified any natural resource issues that need to be addressed?** There are steep slopes in some areas being considered for lease. Impacts to these areas would be mitigated by a stipulation that prohibits surface disturbance on slopes greater than 30%.

**I own land that has federal mineral estate. What rights do I have if my lands are leased?** BLM refers to lands in which the surface estate is privately owned but the minerals are owned by the United States as split estate lands. Various laws, including the Stock Raising Homestead Act of 1916, granted land patents to private individuals but reserved the mineral rights to the Federal Government. As the federal agency that administers and manages the federal mineral estate on behalf of the government,

the BLM must comply with the provisions of the laws under which the surface was patented. While many of those laws do not identify the rights of the surface owner in split estate mineral development situations, BLM has published regulations that address split estate owners' concerns.

During the leasing stage, the surface owner is encouraged to provide comment during the NEPA process. The surface owner has the right to protest and or comment on pending lease sales. Once the property is leased, it is the lessee's responsibility to show due regard for the interests of the surface estate owner. The lessee may occupy only those portions of the surface that are reasonably necessary to develop the mineral estate.

Prior to entry on the land for planning, staking or resource surveying purposes, the lessee/operator must make a good-faith effort to notify the surface owner. Furthermore, operators are encouraged to notify the BLM as well. If the operator intends to conduct resource surveys or inventories, they're encouraged to reach an agreement about the time and method for which the survey or inventory would be conducted. However, if an agreement can't be reached, the operator still has the right to enter upon the lands to perform these activities.

The BLM offers the same level of environmental protection on split estate lands as would be provided for on federal lands and will consider the surface owner's concerns prior to approving the APD. In addition, the operator is required to provide BLM with three certified statements specific to split estate. The operator must certify to BLM that:

- 1- they've made a good-faith effort to notify the surface owner prior to entry.
- 2- they've made a good-faith effort to reach a surface access agreement with the surface owner and disclose whether an agreement was reached.
- 3- they made a good-faith effort to provide a copy of the Surface Use Plan of Operations to the surface owner of the well site location.

After the APD is approved, the operator must make a good-faith effort to supply a copy of the conditions of approval to the surface owner. However, approval of the APD is not contingent upon the delivery of the conditions of approval to the surface owner.

A surface access agreement may come in many forms. It may include various types of information such as the terms and conditions of land use. It may be a waiver from the surface owner for access. Or it may be an agreement for compensation. The thing to remember is that the BLM is not privileged to the content of the surface access agreement. All that the BLM requires is a certification from the operator stating that a good-faith effort was made to reach an agreement and whether an agreement was reached.

If a surface access agreement cannot be reached with the surface owner, the operator must submit an adequate bond to the BLM, which is held for the sole benefit of the surface owner that would be sufficient to compensate the surface owner for any loss or damages to the surface estate. In the case of the Stock-raising Homestead Act, the amount of the bond is limited to loss or damages to crops or tangible improvements. This bond is known as a surface owner protection bond, and must be at least one thousand dollars. If the surface owner feels the bond amount is insufficient, they may appeal BLM's decision to accept the bond, to the Interior Board of Land Appeals.