

TITLE 385. DEPARTMENT OF THE COMMISSIONERS OF THE LAND OFFICE
CHAPTER 15. SALE AND OPERATION OF OIL AND GAS LEASES

385:15-1-1. Purpose

The rules of this chapter ~~have been promulgated to establish the requirements and procedures whereby an interested party may acquire an~~ to lease oil and gas ~~mining lease from the State of Oklahoma upon~~ mineral interests on school land lands and other public lands managed by the Land Office. Said rules ~~describe the progressive steps that are required in order to lease these properties by the State's sealed bid process. These rules also describe the bond and fee requirements to obtain a lease, the State's consent to assignments, the grounds for lease cancellation, requirements for well and surface maintenance, price guidelines for the computation of the State's royalty, and those reports required to be filed with the State by the Lessee.~~

385:15-1-2. Definitions

The following words or terms, when used in this Chapter, shall have the following meaning, unless the context clearly indicates otherwise:

~~"Affiliated party"~~ **"Affiliate"** means any party with whom the lessee has a financial relationship that results in either the lessee or the other party having control over the other, or the lessee and other party being under common control of a ~~parent or subsidiary~~ third party.

~~"Alternate Performance Payments"~~ means ~~to include any payment that is received by a lessee from a purchaser as an alternative to delivery of production, or as a prepayment for future delivery of production, or indexed to production, or for access to the reserves.~~

~~"Average spot price"~~ means ~~averages of actual sales derived from one or more valid publications, publishing bidweek prices (or if bidweek prices are not available, first of the month prices) with at least one index pricing point in the field or area.~~

"Barrel" means 42 (US) gallons at 60° F. at atmospheric pressure.

~~"Commission"~~ means the Commissioners of the Land Office, State of Oklahoma.

"Condensate" means liquid hydrocarbons which were originally in the gaseous phase in the reservoir.

~~"Control" means identity of ownership is conclusive as is consolidated financial reporting but is not necessary, and the lack of identity of ownership is not presumptive of lack of control.~~

~~"Cubic foot of gas" or "Standard cubic foot of gas" means the volume of gas, including both natural gas and casinghead gas, contained in one cubic foot of space at a standard pressure base and at a standard temperature base. The standard pressure base is 14.65 pounds per square inch absolute and the standard temperature base is 60° F. Whenever the conditions of pressure and temperature differ from the above standards, conversion of the volume from these conditions to the standard conditions shall be made in accordance with the "Ideal Gas Laws" corrected for deviation from Boyle's Law, which correction must be made unless the pressure at the point of measurement is 200 pounds per square inch gauge or less; all in accordance with the methods and tables generally recognized by and commonly used in the natural gas industry.~~

~~"Day" means a period of twenty-four (24) consecutive hours; For accounting purposes only, it is from a day begins at 7:00 A.M. to and ends at 7:00 A.M. the following day.~~

~~"Field" means the general area underlaid by one or more Pools.~~

~~"Gas" means all natural gas and including condensate and all other fluid hydrocarbons not herein defined as Oil, including Condensate, because it originally was in the gaseous phase in the reservoir oil unless the context clearly indicates otherwise.~~

~~"Gross proceeds sales value" means the value of the total amount of money or credit derived from production or rights thereto without any deductions, reductions, or setoffs.~~

~~"Land Office" means the State of Oklahoma ex rel. Commissioners of the Land Office.~~

~~"Lease" or "oil and gas lease" means an oil and gas lease issued by the Land Office.~~

~~"Leased premises" the tract of school land subject to a oil and gas lease.~~

~~"Lessee means the successful bidder or assignee awarded a leasehold interest to mineral rights by an oil and gas lease. To the extent that the lessee designates a third party to comply any requirement of the lease or the rules and regulations of the Land Office, the third party designee shall comply with the requirements of the lease and the rules and regulations of the Land Office.~~

~~"Log" or "Well Log" means a systematic detailed and correct record of formations encountered in the drilling and production records maintained by the lessee or operator of a well.~~

~~"Notice of Sale" means a notice of oil and gas lease sale published by the Land Office.~~

~~"Offset Well" means a well drilled directly opposite a State tract within a 40-acre square area, or within a directly opposite unit spaced by the Oklahoma Corporation Commission, or within an area which is generally regarded as the development unit in the area.~~

~~"Oil" or "Crude Oil" means crude petroleum oil and all other hydrocarbons, regardless of gravity, which are produced in liquid form, but does not include liquid hydrocarbons which were originally in a gaseous phase in the reservoir.~~

~~"Operator" means any person or persons, who, duly authorized, is in charge of the management, development of a lease or the operation of a producing property that controls, manages, or directs the exploration and drilling for oil and gas on school lands.~~

~~"Plug" means the closing off, in a manner prescribed by the Corporation Commission, of all oil, gas, and water bearing formations in any producing or non-producing well bore before such well is abandoned.~~

~~"Potential" means the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Oklahoma Corporation Commission.~~

~~"Production in Paying Quantities" means that the gross income from oil and gas produced and sold (after deduction of taxes and royalty) exceeds the cost of operation.~~

~~"Secretary" means the duly appointed and qualified Secretary to the Commissioners of the Land Office.~~

~~"State Land School lands" means any land under the control and supervision of the Commissioners of school lands and other public lands managed by the Land Office.~~

~~"Subsidiary" means any party with whom the lessee has a financial relationship that results in either the lessee or the other party having control or ownership over the other, or the lessee and another party being under common ownership or control of a third person.~~

385:15-1-3. ~~Notice of Lease sale/results~~ Awards and tabulations

~~Awards and Tabulations will~~ tabulations resulting from the public auction process shall be posted on the Land Office's official website [See 385:1-1-13]. Any person or entity who would like to receive Notices of Sale by electronic mail may do so by submitting a written request to the Land Office and presented to the Board at the next regular meeting for ratification.

385:15-1-4. Lands available for leasing

~~Any tract of School Land not currently under lease may be offered for oil and gas lease purposes at the earliest scheduled oil and gas lease sale, upon receipt of a written request. Request should include the contact information of the Requestor and the complete legal description of the tract or tracts requested.~~

~~(a) The Land Office may offer any unleased tracts of school lands for oil and gas leasing through the public auction process.~~

~~(b) Interested persons may request that particular tracts of school lands be offered for oil and gas leasing by submitting a written request containing the contact information of the requestor and the complete legal description of the tracts requested.~~

385:15-1-5. Newspaper advertising requirement [REVOKED]

~~School lands or other lands owned by the state shall be offered by public competition after notice of the lease auction is published one time no less than thirty (30) days prior to the lease auction date in two newspapers authorized by law to publish legal notices. One of the newspapers shall be published in the county where the land is located or other newspaper by section 106 of Title 25 of the Oklahoma Statutes. The other shall be a newspaper of general circulation in this state.~~

385:15-1-6. Public bid auction process

The public bid auction process for school land oil and gas lease sales shall be as follows:

(1) ~~**Separate tract requirement. Notice of Sale.** A separate bid showing the tract number and legal description must be filed on each tract. Each tract will be leased separately to the highest responsible bidder. Drilling contracts or production payments will not be considered, except in a special lease sale.~~

~~(A) The Land Office shall publish a Notice of Sale in the manner prescribed by law prior to conducting a public auction for school land oil and gas leases.~~

~~(B) The Notice of Sale shall list each tract offered for leasing separately.~~

~~(C) The Notice of Sale shall specify the tract number and legal description for each tract offered for leasing.~~

(D) The Notice of Sale shall specify the date and time of the sale and the date and time bidding will be closed.

(2) **Sealed bid requirement Oil and gas lease sales.**

(A) **Written Bids.** ~~Bids must be written and enclosed in one sealed envelope, and placed in another envelope bearing notation on the outside front face of the envelope "Bids for Oil and Gas Leases" and the date of sale. Such bids must be delivered to the office of the Commissioners of the Land Office, and if sent by mail shall be addressed to the Commissioners of the Land Office's official business residence [See 385:1-1-13]. (No bid will be considered that is not delivered prior to date and time of sale.), or~~ The Land Office shall utilize the standard lease form to offer a tract for leasing except in a special oil and gas lease sale. The Land Office may alter the standard lease form to offer a tract for leasing in a special oil and gas lease sale.

(B) **Electronic Bids.** ~~Alternatively, the use of electronic bidding shall be permitted subject to the policies, requirements, and procedures contained in the Secretary's Electronic Bidding Procedures as authorized by the Commissioners of Land Office, available online at www.clo.ok.gov or by request. Bidders shall submit a separate sealed bid for each tract sought. Each bid shall identify the tract number and legal description for the tract sought.~~

(C) Except as otherwise provided in this section, the Land Office shall lease each tract offered for leasing to the highest responsible bidder.

(D) The Land Office shall not consider drilling contracts or production payments when reviewing bids, except if consideration of drilling contracts or production payments is applicable to a special oil and gas lease sale.

(E) The Land Office shall reject all bids less than \$5.00 per acre, except if consideration of bids less than \$5.00 per acre is applicable to a special oil and gas lease sale.

(F) The Land Office may reject any and all bids. The Land Office shall not provide justification for rejecting a bid.

(3) **Special oil and gas lease sales.**

- (A) The Land Office may conduct special oil and gas lease sales to offer non-standard lease terms or make special considerations.
 - (B) The Land Office shall mark notices of special oil and gas lease sales, "Notice of Special Oil and Gas Lease Sale."
 - (C) The Land Office shall list non-standard lease terms or special considerations in the Notice of Special Oil and Gas Lease Sales.
 - (D) The Notice of Special Oil and Gas Lease Sales shall otherwise conform to the requirements of a Notice of Sale provided in this section.
- (4) **Electronic bidding.**
- (A) Sealed bids for each tract offered shall be submitted electronically in the manner designated by the Secretary.
 - (B) The Secretary shall post electronic bidding procedures on the Land Office website.
 - (C) Subject to other applicable laws, the Secretary may select a designee to manage the electronic bidding process for the Land Office.
 - (D) The designee selected by the Secretary may impose a surcharge on the winning bid not to exceed two percent (2%) of the winning bid or a fee determined by resolution of the Board.
- ~~(3)~~(5) **Time of sale.** ~~Bids will be received as provided in the Notice of Sale and are subject to the right of the Commissioners of the Land Office to reject any and all bids. (All bidders are invited to attend opening of bids which is held in the office of the Secretary to the Commissioners of the Land Office.)~~ The Land Office shall not accept bids submitted after bidding is closed, as specified in the Notice of Sale.
- (4) **~~Minimum bid accepted.~~** ~~No bid of less than \$5.00 per acre will be considered, except in a special lease sale.~~
- ~~(5)~~(6) **Deposit required.** ~~Each bid must be accompanied by a remittance in the sum of 25% of the amount bid, payable to the Commissioners of the Land Office. Upon acceptance of any bid and the awarding of the lease to the bidder, the successful bidder shall be liable for the full amount of the bid. The unsuccessful bidders will have their remittance check returned.~~

- (A) Bidders shall remit a deposit not less than twenty-five percent (25%) of the total amount bid to the Land Office or its designee when submitting a bid.
 - (B) Successful bidders shall remit the remaining seventy-five percent (75%) of the total amount bid to the Land Office or its designee within thirty (30) days following the Land Office's acceptance of the successful bid.
 - (C) The Land Office or its designee shall refund deposits submitted by unsuccessful bidders within forty-five (45) days following the Land Office's acceptance of a successful bid.
- (6) **Bid forms.** ~~Bid forms are available on the Land Office's official website [See 385:1-1-13]~~
- (7) **Assignment of bids.** ~~Oil and Gas Lease bids may not be assigned. Bidders shall not assign their rights to bids for oil and gas leases.~~
- (8) **Special oil and gas lease sales.** ~~The Commission will have a special oil and gas lease sale if they desire to consider bids other than standard lease terms. This notice of sale will be marked "Special Oil and Gas Lease Sale," and the terms and conditions of this sale will be as provided in the notice of said sale.~~
- (9)(8) **Bids become are final.** ~~All bids on mineral leases Bids shall become be final at the date and hour for opening bids and no bid may be withdrawn or rejected to correct an error by any bidder. when submitted by a bidder. The Land Office shall not permit a bidder to withdraw or alter a sealed bid to correct an error or for any other purpose.~~
- (9) **Award.** The Land Office shall award a lease to the successful bidder within sixty (60) days following the auction.
- (10) **Responsibilities of bidder after award.** Within thirty (30) days of the Land Office's award of a lease, the successful bidder shall:
- (A) execute and return the oil and gas lease to the Land Office; and
 - (B) remit the balance of money owed for lease bonus, delay rental, or performance fee to the Land Office.
- (11) **Extension.** The successful bidder may submit a written request for an extension of time to execute and return the oil and gas lease and remit the balance of money owed. The Land Office may grant a reasonable extension, in writing, for good cause shown.

385:15-1-7. Advertising deposit [REVOKED]

~~At the discretion of the Director of Mineral Management Division an advertising deposit may be required. The Director of Mineral Management Division will set the amount of deposit, if required. The actual cost of advertising shall be paid by the successful bidder. If there is no successful bidder or the bid is rejected, advertising costs shall be paid by the requester of the lease sale. If said costs are less than the deposit, the overpayment will be refunded.~~

385:15-1-8. Lease terms [REVOKED]

~~Pursuant to 64 O.S. §§ 1063 through 1066 inclusive, a successful bidder for a corpus school land oil and gas lease will be issued a commence type lease requiring paid up delay rentals of \$1.00 per net mineral acre to preserve the primary term on a form prescribed by the Commissioners, providing for royalty as established by a majority vote of the Commission; provided, that at least 28 days notice of intent to change the royalty policy is announced through two (2) newspapers with normal statewide circulation, and departmental publications; Intent to change the royalty policy which announcements shall contain the date and time and place which the Commission may vote on the proposed change;~~

385:15-1-9. Performance fee, and bond ~~and bonus deadline~~

(a) ~~All successful Successful bidders of awarded oil and gas leases subsequent to May 11, 1998 by the Land Office shall be required to pay a Performance Fee in an amount equal to .007 of the lease bonus but not to exceed an amount equal to \$2.00 performance fee of \$1.00 per net mineral acre leased. Said fee shall be placed in the Land Office's Performance Fee Escrow Account with interest accrued.~~

~~(1) The lessee shall have thirty (30) days from the date of award of the lease to do the following:~~

- ~~(A) Pay the Performance fee;~~
- ~~(B) Execute the oil and gas lease and return it to the CLO;~~
- ~~(C) Pay the balance of the bonus and delay rental due;~~
- ~~(D) Pay any actual advertising costs that are in excess of the advertising deposit.~~

~~(2) The Lessee may have a longer period of time to complete (a) above if an extension is granted in writing by the Director of the Minerals Management Division or his or her designee.~~

~~(b) All Lessees holding an interest in oil and gas leases executed prior to May 11, 1998, may terminate their bonding requirement pursuant to 385:15-1-20 upon the payment of a one-time Performance Fee in accordance with the following schedule: Performance fees paid with the award or assignment of an oil and gas lease shall be deposited into the Land Office Performance Fee Escrow Account.~~

~~(1) 1 to 5 leases owned: \$300.00~~

~~(2) 6 to 10 leases owned: \$325.00~~

~~(3) 11 to 15 leases owned: \$350.00~~

~~(4) 15 to 20 leases owned: \$400.00~~

~~(5) 21 to 60 leases owned: \$450.00~~

~~(6) 61 to 180 leases owned: \$500.00~~

~~(7) 181 or more leases owned: \$550.00~~

~~(e) Said fee shall be placed in the Performance Fee Escrow Account. The payment of the Performance Fee shall cover all leases that were formerly covered under the Lessee bond, including the interest(s) of Lessee(s) added by virtue of an Appointment of Lease Operator form or the current Bond Appointment form. Bonded lessees electing not to pay said Performance Fee will be required to maintain their bond pursuant to 385:15-1-20 herein.~~

~~(d)(c) The Secretary may apply funds from the Land Office Performance Fee Escrow Account shall be used to insure that the lessee faithfully operates the lease premises and complies with all lease terms and provisions and Land Office's oil and gas rules and regulations. This may include but is not limited to the payment of uncollectible royalty payments, plugging wells, cleaning up well sites, tank battery sites and pipelines, and the reclamation of soil and vegetation, ponds and water ways. Said fee shall not minimize or relieve the lessee of any liability or obligation that exists or may arise from the operations of the lease, nor limit in any manner the Land Office's remedies at law: to recover unpaid or uncollectable royalties, plug wells, and/or restore the surface when the lessee is unavailable to pay damages or a damage award against the lessee is otherwise uncollectable.~~

(d) Payment of the performance fee shall not relieve or shield a lessee of liability under the oil and gas lease nor limit the legal or equitable remedies available to the Land Office to enforce the terms of the oil and gas lease against the lessee.

(e) Said Performance Fee shall be maintained until such time that the Performance Fee Escrow Account exceeds \$250,000.00, at which time the performance fee will be discontinued until such time that it falls below \$200,000.00, at which time the Performance Fee will be reinstated. The Secretary of the Land Office will provide notice of any such discontinuance or reinstatement of said Performance Fee through the Notice of Oil and Gas Lease Sale that is published. The Land Office shall retain any performance bonds previously posted for the same purpose as the Land Office Performance Fee Escrow Account until the associated oil and gas lease is either released or cancelled. The performance bond, if any, shall be applied to unpaid royalties, plugging, or surface damages before any funds from the Land Office Performance Fee Escrow Account are applied such damages. The performance bond or some portion thereof, as appropriate, shall be returned to the lessee upon the release or cancellation of the oil and gas lease and the resolution of any damage claims by the Land Office.

(f) Claims against the Performance Fee Escrow Account will be paid only upon the recommendation of the Director of the Mineral Management Division and the approval of the Secretary of the CLO. Said Director will insure that all other sources of payment of any claim, have been considered and/or exhausted before recommending payment from the fund. Said Director will also consider the primary purpose of creating said fund which is to preserve and protect the assets of the School Land Trust when no other source is available. The payment of any one claim shall not exceed 20% of the then existing Performance Fee Escrow Account.

(g) The appointment of Lease Operator (for bonding purposes) form, created pursuant to 385:15-1-12 has been terminated. Therefore, all Lessees holding an interest in oil and gas leases executed prior to May 11, 1998, whose bond requirement is not satisfied will be required to comply with one of the following:

- (1) Pay the one-time Performance Fee based upon number of leases owned;
- (2) Pay \$1.00 per net acre owned with a minimum of \$25.00 per lease owned;
- (3) Post a Surety Performance Bond in an amount prescribed by the Commissioners pursuant to 385:15-1-20.

385:15-1-10. Lease award [REVOKED]

~~The tabulation of each oil and gas lease sale will be presented to the Commissioners at their next regular meeting for ratification and consideration of Secretary's award of leases.~~

385:15-1-11. Lease cancellation procedure [REVOKED]

~~(a) — **Notice.** Upon violation of any of the substantial terms of an oil and gas lease, or the rules and regulations of the Commission pertaining thereto, the Commission shall issue a notice of proposed cancellation by registered mail, to the last known address of the lessee, specifying the said rule or rules, terms or conditions which have been violated.~~

~~(b) — **Hearing.** The lessee may, within fifteen days from the date of mailing of the notice in (a) of this section, request a hearing at which he may show cause, if any he has, why the lease should not be canceled. Upon receipt, by the Secretary of the Commission, of a written request for a hearing, the matter shall be set for hearing before an outside hearing officer selected by the Commissioners, having substantial technical experience in the issue or issues under discussion, designated by the Commission, at a date, time and place certain and the lessee shall be immediately advised thereof by registered mail not less than 15 days prior to such hearing. Prior to the date set for such hearing the lessee may file with the Hearing Officer a written response setting forth the reasons such lease should not be canceled and forfeited. Affidavits, depositions or other written or documentary evidence in support of the matters and things alleged in said response may be filed therewith, in which case the lessee need not appear in person or by counsel at the hearing herein provided for and may rest on such written proof. If a hearing is not requested, the Commission may proceed to the cancellation of the lease without further notice to the lessee. The Hearing Officer shall conduct the hearing at the time and place designated, or at the time and place to which said matter is adjourned or continued. At such hearing evidence and oral arguments in support of the alleged violation giving rise to the notice of proposed cancellation and in support of the material allegations of the written response thereto will be heard, such time being allowed therefore as the Hearing Officer shall direct. The Hearing Officer shall make a full report of said hearing to the Commission, orally or in writing, as the Commission may direct. The lessee shall be promptly notified of the decision of the Commission, and the lessee or any other interested party aggrieved by such decision shall be allowed a judicial review to the District Court of the County where the leased premises are~~

~~situated, in accordance with the provisions of Section 318, of said Title 75, Oklahoma Statutes; thereupon, the procedure and rights involved shall be determined in accordance with the provisions of said Section 318 and the following Sections of said Title 75 § 319, 320, 321, 322 and 323, with the right of appeal to the Supreme Court from the lower court's action as provided by Section 323 of Title 75. The judicial review referred to is to be had by filing a petition therefore in the District Court within thirty (30) days after the appellant has notice of the order to be appealed from, as provided in said statute. The review shall be conducted by the court without a jury, and shall be confined to the record. (The court does not hear the matter de novo, as formerly provided, but may, in a proper case, set aside, modify or reverse the order and remand the case.)~~

385:15-1-12. Lease operator forms for bonding purposes [REVOKED]

385:15-1-13. Release of lease

~~Upon payment of all liabilities then accrued and due the Commission and damages including, but not limited to, unpaid or uncollectable royalties, well plugging, and surface restoration, the oil and gas a lessee may, at any time surrender and terminate a State an oil and gas lease by filing a formal relinquishment and release of said lease with the Secretary of the Commission, provided that if such Land Office. However, if the oil and gas lease has been recorded in the county with a County Clerk, the lessee shall record a release thereof must be recorded in the county by the lessee prior to filing a release with the Secretary of the Commission Land Office.~~

385:15-1-14. Seismograph permits

~~Any person or entity desiring to do seismograph exploration for oil and gas purposes may obtain a non-exclusive seismic permit upon the filing of an application together with a remittance of \$200.00 as an application fee. Said permit will cover both the surface and mineral interest of the CLO, whatever that interest may be. The Minerals Management Division will appraise the acreage for a non-exclusive seismic permit. Said appraisal shall be made in a timely manner and the seismic permit fee shall not exceed 10 percent of the appraised value of an oil and gas lease covering the acreage to be explored plus the damages to the CLO's surface interest, if any. If the~~

~~mineral interest is under oil and gas lease, applicant must obtain the written permission of the lessee and only pay CLO for damages to its surface interest, if any. The CLO retains the right to put any tract of land up for bid when it is deemed to be in the best interest of the trust. Said permit shall be for a period of ninety days with limited extension available upon written request. The seismic exploration permit will terminate upon issuance of an oil and gas lease covering the permitted acreage. In addition to the above mentioned fees and damages, the permittee shall pay any and all damages caused to CLO surface lessee's interest in the land and shall be responsible for any liability arising out of the seismic operations.~~

(a) The Land Office may issue a non-exclusive seismic exploration permit allowing seismic exploration for oil, gas, and other minerals, as follows:

(1) The applicant seeking the seismic exploration permit shall submit an application in a form designated by the Land Office.

(2) The applicant seeking the seismic exploration permit shall remit an application fee.

(3) The applicant seeking the permit shall remit a per net mineral acre fee to conduct seismic exploration.

(b) The seismic exploration permit shall allow the applicant to conduct seismic exploration for a period that does not exceed ninety (90) days.

(c) The seismic exploration permit shall not prohibit or delay the Land Office from conducting a public auction for the lease of minerals underlying the tract of land permitted.

(d) The seismic exploration permittee shall pay the surface lessee and/or the Land Office, as applicable, damages caused by seismic operations.

385:15-1-15. Pipeline requirements

(a) **Pipeline easements.** All pipelines, except those that are used exclusively in lease operations, must be covered by an easement. Applications for a pipeline easement must include a plat of pipeline, drawn to scale, in triplicate. Except as provided in subsection (b), all pipelines crossing school land shall require and be subject to an easement granted by the Land Office.

(b) **Pipeline construction.** Oil and gas lessees may authorize operators, purchasers of oil and gas, and utility companies furnishing electricity for lease operations to construct the necessary pipelines and electric lines as provided in paragraph number 1 of the oil and gas lease necessary for operation of oil and gas wells without an easement granted by the Land Office. Lessee shall

remain liable for any such construction and the removal of all lines and restoration of surface area, unless such construction is covered by an easement from the Commissioners of the Land Office.

385:15-1-16. Subordination of oil and gas lease to mortgage [REVOKED]

(a) ~~The holder of an oil and gas lease covering lands mortgaged to the Commission may obtain a subordination agreement by submitting the following:~~

- ~~(1) An assignment of oil and gas lease rentals and royalties in duplicate on departmental forms, which will be furnished on request.~~
- ~~(2) An affidavit of statement of bonus consideration, signed and acknowledged by both lessor and lessee.~~
- ~~(3) A photostatic, or certified copy of the oil and gas lease or leases.~~
- ~~(4) Payment of the subordination fee in the amount of \$50.00. (See 385:15-1-32)~~

(b) ~~The Department will not grant a subordination agreement if either the bonus consideration or the annual delay rental is less than One Dollar (\$1.00) per acre.~~

385:15-1-17. Leases on lands under certificate of purchase [REVOKED]

(a) ~~The holder of an oil and gas lease covering the interest of a certificate of purchase holder may file his lease of record with the Commission by complying with the following:~~

- ~~(1) Submit assignment of oil and gas lease rentals and royalties in duplicate on departmental form for certificate of purchase, which will be furnished on request.~~
- ~~(2) Submit affidavit of statement of bonus consideration signed by both lessors and lessees.~~
- ~~(3) Submit original oil and gas lease together with a photostatic or certified copy thereof.~~
- ~~(4) Pay the required fee in the amount of \$12.50 per lease. (See 385:15-1-32)~~

(b) ~~The filing of an oil and gas lease with the Commission will entitle the lessee thereof to notice of any proposed cancellation of the certificate of purchase covering said land.~~

385:15-1-18. Forms available on website [REVOKED]

~~All forms relevant to the sale and operation of the Land Office's oil and gas leases are posted on the Land Office's official website [See 385:1-1-13].~~

385:15-1-19. Copies of records [REVOKED]

~~The Commission will upon the payment of appropriate fee furnish a copy of Commission Records, certified copies of Commission minutes, proofs of publication, and copies of other records, only upon written request. (For charges see 385:15-1-32)~~

385:15-1-20. Bond requirements

(a) ~~**Amount of bond; forms. Performance bond for oil and gas leases.** Each mineral lessee whose interest(s) is not covered by a performance fee must post a Performance Bond to cover the following agreements with this Department: Successful bidders awarded oil and gas leases by the Land Office shall not be required to post a performance bond. Performance bonds previously posted shall remain effective until released by the Land Office.~~

~~(1) Bond posted must be in the total sum required to cover any or all agreements in accordance with the following:~~

~~(A) Oil & Gas Lease Bond (one or more leases) \$10,000.00~~

~~(B) Salt Water Disposal Agreement \$10,000.00~~

~~(2) All bonds must be prepared on Commission forms. Bond forms will be supplied upon request. Maximum bond required for Oil and Gas Leases and related operations (on current Department form).~~

~~(b) **Performance bond for saltwater disposal agreements.** A performance bond in the amount of Ten Thousand Dollars (\$10,000) shall be posted for each saltwater disposal agreement.~~

~~(b)(c) **Release of bond.** Bonds will Performance bonds shall be released upon written request of the lessee or bonding company ~~when~~ after all contracts covered thereby are satisfactorily terminated, as determined by the ~~CL~~ Land Office.~~

~~(e)(d) **Underwriter requirements.** All surety bonds must be made by a company authorized to do business in the State of Oklahoma.~~

~~(d) **Cash deposit for loan of abstracts.** Firms desiring to borrow abstracts may post a cash deposit in the amount of \$500.00 which is required, to insure the return of the abstracts borrowed. Upon return of said abstracts the deposit will be refunded.~~

(c) ~~Cash Bond as Performance Bond~~ **bond, liability, and interest.** A mineral lessee as defined in (a) above may post a bond by submitting cash in the amount of \$10,000.00 as a ~~Performance Bond with the Commissioners of the Land Office, from which the Commissioners of the Land Office may debit, or draw the entire sum, to pay for loss or damage resulting from the lessee's operations, or violations of the duties and obligations imposed by the lease.~~ The ~~Performance~~ bonds ~~are~~ shall not be a substitute for liability; or liability limits but merely serve as minimal security for the debts and obligations. The lessee person posting the performance bond shall not be entitled to interest while ~~this~~ the performance bond is held by the ~~Commissioners of the Land Office.~~

385:15-1-21. Requirements for consents to assignments Assignment of oil and gas leases

(a) ~~—Bond of assignee.~~ If the interest of a lessee is not covered by the payment of a Performance fee pursuant to 385:15-1-9(b), the lessee must post a bond pursuant to 385:15-1-20. ~~If the interest of a lessee is covered by said Performance fee, no bond is required.~~

(b)(a) ~~Copy of assignment~~ **Assignments.** ~~All requests~~ Each request for consent and approval of Assignments must an assignment of oil and gas lease shall be accompanied by a fully executed ~~copies~~ copy of said assignments and the required transfer fee of \$25.00, per assignment per lease, both of which will be retained by this Department the assignment, payment of an application fee to be established by resolution of the Board, and payment of a performance fee of ten cents (\$0.10) per net mineral acre. ~~When all requirements of this department have been completed the Commission will prepare and issue a written Consent to Assignment. No assignment of a State~~ an oil and gas lease will be valid or vest any interest in the assignee until same is approved in writing by the Commission Land Office provides written consent to the assignment.

(c)(b) **Assignment forms.** Assignments of ~~State~~ oil and gas leases may be made on any assignment form in general use in the oil and gas industry and may convey a subdivision, an undivided interest, or a vertical subdivision.

(d)(c) **Accompanying agreements.** ~~All assignments~~ Assignments presented for approval which are subject to other agreements, upon request of the Land Office, ~~must~~ shall be accompanied by a copy of such other agreement.

~~(e)~~(d) **Assignments of overriding royalties.** ~~Assignment~~ Assignments, reservations, or grants of overriding royalty interests do not require approval of the ~~Commission~~ Land Office.

(e) **Outstanding financial obligations.** The Land Office may require payment of any outstanding financial obligations or liabilities of the assignor before providing consent to an assignment. If the outstanding obligations or liabilities are not paid, the Land Office may allow, in writing, the assignee to assume the outstanding financial obligations or liabilities of the assignor.

385:15-1-22. Well installation and maintenance requirements

(a) **Pipeline depth.** ~~All pipelines must~~ Pipelines shall be buried and maintained at a minimum depth of three (3) feet below the surface.

(b) **Identification of well.** Within thirty (30) days ~~of~~ after the completion of a producing oil or gas well, a sign shall be posted showing the name and A.P.I. number of the well and the legal description of the lease.

(c) **Surface casing.** All wells drilled for oil, gas, ~~or salt water~~ saltwater disposal, shall set surface casing below all ~~fresh water~~ freshwater strata, and shall be cemented from bottom to top.

(d) **Enclosures of well property.** Upon demand by ~~Commission~~ Land Office all ~~salt water~~ saltwater tanks, oil tanks, and other lease installations shall be enclosed with earthen dikes sufficient to protect the lease from damage by leakage ~~and overflowing~~ or overflow. The oil and gas lessee shall erect and maintain substantial gates or cattle guards on all entrances to the lease or any subdivision thereof.

(e) **Saltwater disposal well applications.** ~~Salt water~~ Saltwater, other than that produced from the leased lands, ~~may~~ shall not be disposed of in wells on ~~State land unless pursuant to school~~ lands except by written agreement with the ~~Commission~~ Land Office. Applications for ~~salt water~~ saltwater disposal agreements ~~should~~ shall be accompanied by a plat showing the location of all wells from which the ~~salt water~~ saltwater is produced; and the amount of ~~salt water~~ saltwater and oil produced by each well. ~~(For fees and agreements, contact the Real Estate Management Division.)~~

(f) **Plugging requirements.** The lessee shall securely plug all dry, or abandoned, wells in the manner required by the rules and regulations of the Oklahoma Corporation Commission and the ~~Laws~~ laws of the State of Oklahoma.

(g) **Care of surface.** The lessee shall maintain all installations in a neat and workmanlike manner. ~~All~~ The lessee shall remove all equipment or supplies not needed in day to day operation of the lease ~~shall be removed from the lease.~~ ~~All~~ The lessee shall immediately plug all dry, ~~or exhausted, or abandoned~~ wells ~~shall be plugged immediately upon abandonment.~~ The lessee shall ~~repair~~ immediately repair any damages caused by ~~his operation~~ lease operations to terraces, waterways, or any other soil conservation practice.

(h) **Removal of equipment and restoration of surface after lease termination.** Upon termination of a lease, the lessee shall ~~have ninety (90) days thereafter to~~ restore surface area; ~~remove any casing, production facilities or equipment; and plug any well or wells on said lease~~ within ninety (90) days unless an extension of time is granted in writing by the ~~Commissioners~~ of the Land Office; ~~any~~ Any material not removed ~~in said time~~ within ninety (90) days shall be forfeited to the State. An inspection will be made ninety (90) days after termination of the lease and ~~a~~ an inspection fee of One Hundred Dollars (\$100.00) ~~will~~ shall be charged to the lessee if ~~the requirements of this paragraph have not been met~~ the surface restoration is incomplete. ~~Likewise, additional~~ Additional inspections ~~will~~ shall be ~~made~~ conducted at thirty (30) day intervals until surface restoration ~~of the surface and removal of material is completed~~ complete. ~~The fee will~~ An additional inspection fee of One Hundred Dollars (\$100.00) shall apply to each additional inspection.

385:15-1-23. Measurement standards for oil and gas removal

Measurement standards for oil and gas removal ~~are~~ shall be as follows:

(1) **Oil tanks and tank batteries.** ~~The oil shall be gauged in tanks located on the leased premises. Such tanks shall be properly set, free from leakage, and sufficiently gas tight, and so maintained as to preserve, so far as possible, the full gravity of the oil and prevent undue evaporation losses. The lessee shall be accountable for all oil lost by leakage, overflowing, etc. Oil produced from more than one lease may be stored in a common tank battery upon written approval of a common tank battery agreement by the Commission. All requests for approval of a common tank battery must be accompanied by proof of settlement for surface damages with the surface lessee, and the approval fee. (See 385:15-1-32)~~

(A) Oil shall be gauged in tanks located on the leased premises.

- (B) Tanks shall be properly set, free from leakage, sufficiently gas tight, and maintained to preserve the full gravity of the oil, and to prevent evaporation losses.
- (C) The lessee shall be accountable for all oil lost by leakage, overflowing, or for other reasonably preventable reasons.
- (D) Oil produced from more than one lease may be stored in a common tank battery only with written approval of a common tank battery agreement by the Land Office.
- (E) Lessee requests for approval of a common tank battery shall be accompanied by proof of settlement for surface damages with the Land Office's surface lessee, if applicable, and payment of a common tank battery approval fee to be set by resolution of the Board.

(2) **Oil tank requirements.** ~~All tanks shall be strapped to a full 100 percent of their capacity, and individual tank tables shall be prepared and submitted in accordance therewith. All strapping tank measurement, and calibration shall be done in accordance with "Tank Measurement and Calibration", of the A.P.I. Code for measuring, sampling and testing crude oil. The Commissioners shall be supplied with a certified copy of the original strapping, showing the tank number, make and size. Any tank moved bodily, taken down and reset, or altered in any way that might change the capacity thereof, shall be treated as a new tank, and a new number shall be assigned. When new tank tables are prepared, they should show by number the previous tables applying; also, when new numbers are given to old tanks, the table applying should be shown.~~

- (A) All tanks shall be strapped to a full 100 percent of their capacity and individual tank tables shall be prepared and submitted.
- (B) Tank strapping shall be measured and calibrated using American Petroleum Institute Standards for measuring, sampling, and testing crude oil.
- (C) The lessee shall supply the Land Office with a certified copy of the original strapping showing the tank number, make, and size.
- (D) Any tank moved bodily, taken down and reset, or altered in any way that might change the capacity thereof; shall be treated as a new tank and lessee shall assign a new number.
- (E) When lessee prepares new tank tables or assigns new numbers are to old tanks, reference to prior tank tables or tank numbers shall be provided to the Land Office.

(3) **Oil measurement.** ~~The oil shall be measured by gauge pole or measuring line on which is marked and numbered, in such a manner so as to be clearly legible full standard feet and inches and fractions thereof, such numbering started from the base of said line or pole. All measurements taken shall be from the same gauge or thief hole in the tank deck, and the floor of the tank directly under such point of measurement shall be level and free from all obstructions whatsoever. The oil shall be measured from the tank floor to the top surface of the liquid level, and readings shall be taken to the nearest one-quarter inch and so recorded. No oil shall be measured by automatic custody transfer without approval of the Commission in writing. All bottoms and solids removed from tanks shall be measured by first measuring from the tank floor to the top surface of the liquid level immediately prior to removal of the bottoms and solids and again immediately after removal; both measurements must be supplied to the Commissioners of the Land Office, upon request, with a copy of disposal invoices or said volumes shall be deemed marketable production and royalties due on said volumes as if sold at market value of oil.~~

- (A) Oil shall be measured by gauge pole or measuring line marked and numbered in full standard feet, inches, and fractions thereof and in a clearly legible manner. Numbering for measurements shall start from the base of said line or pole.
- (B) Measurements of oil depth shall be taken consistently from the same gauge or thief hole in the tank deck. The floor of the tank directly under the point of measurement shall be level and free from obstructions.
- (C) Oil shall be measured from the tank floor to the top surface of the liquid level.
- (D) Oil measurement readings shall be recorded to the nearest one-quarter inch.
- (E) Oil shall not be measured by automatic custody transfer without prior approval of the Commission in writing.
- (F) Bottoms and solids removed from tanks shall be measured by first measuring from the tank floor to the top surface of the liquid level immediately prior to removal and immediately after removal. Both measurements shall be supplied to the Land Office, upon request, with a copy of disposal invoices. Bottoms and solids removed without sufficient evidence of disposal shall be considered marketable production and lessee shall pay a royalty on such volumes as if sold under the terms of the lease.

(4) **Oil temperature.** ~~The temperature of all oil~~ Oil temperature shall be taken at the same time ~~it is gauged~~ oil is measured. The temperature shall be representative of the average temperature

of the entire body of oil from the tank bottom to the top of the liquid surface. ~~In tanks of 500 barrels or less in capacity the~~ The temperature in tanks with a capacity less than 500 barrels shall be taken by suspending a standard thermometer for at least five minutes, at a point not less than twelve inches from the side of the tank, and midway between the tank bottom and the top surface of the oil.

(5) **Oil sample.** The observed A.P.I. gravity and hydrometer temperature shall be taken in a sample representative of the merchantable body of the oil, and shall be taken and recorded at the time of measurement ~~and so recorded~~. Pipeline oil ~~must~~ shall be tested for gravity from a sealed sample and not by an unsealed (open vapor) hydrometer.

(6) **Instruments of measurement.** All instruments used in determining temperature, A.P.I. gravity, water, and sediment ~~must~~ shall be of a standard make, of reputable manufacture, accurately calibrated, and in good working order.

(7) **Oil gravity and volume.** The observed gravity and the observed volume of oil shall be corrected to the standard of 60- degrees Fahrenheit ~~in accordance~~ consistent with ~~the~~ National Standard of Petroleum Tables.

(8) **Run tickets.** ~~All run~~ Run tickets ~~must~~ shall be legible, ~~and~~ properly executed at the time measurements are taken, and ~~must~~ shall contain all information necessary to complete ~~the~~ final calculations. ~~The Lessee shall furnish the original of these run tickets, or a carbon copy thereof, must be furnished to the Commissioners of the Land Office, upon request.~~

(9) **Gas metering.** Gas of all kinds is shall be subject to royalty and shall be measured by a meter ~~which is~~ approved for general use by the oil and gas industry. All measurements shall be adjusted to conform to the Standard Gas Measurement Act.

(10) **Gasoline measurement.** Tests to determine the approximate gasoline content of gas delivered to plants processing gasoline or rendering liquids ~~are required~~ shall be provided by the lessee at the request of the Land Office to check plant efficiency and to obtain an equitable basis for allocating the gasoline output of any processing plant ~~to the several sources from which the gas treated is derived. The gasoline content of the gas delivered to each gasoline plant treating gas from lease lands shall be determined periodically by field tests for determining the percentages of each lease being processed.~~

385:15-1-24. Oil and gas royalty price computation

(a) **Oil royalty.** ~~Price Basis for computing oil royalty shall be: the total value received, adding premiums, bonuses, as well as adding gathering and dehydration or treating if absorbed or deducted in price; the highest posted field price, or the average published spot price, whichever is greater. The lessee may not recover any oil or other hydrocarbon that has been injected into a well from the State's royalty interest unless fully supported by purchase tickets setting forth the substance injected, volume, gravity or other quality properties suitable to a reliable basis to distinguish recovery from formation production. If the support is inadequate to distinguish recovery from production, all production shall bear royalty. In the event that the lessee or an affiliated party to the lessee is the purchaser of the oil, the price basis for computing oil royalty will be the greater of the value paid or the spot price for West Texas Intermediate at Cushing, Oklahoma less the actual cost of transportation to Cushing.~~ **Marketable condition and sale:** Lessee shall place oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas produced from the leased premises in a marketable condition. Lessee shall pay all direct and indirect costs incurred to place the oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas produced from the leased premises in a marketable condition. Lessee shall market and sell such oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas products at no cost to the Land Office.

(1) Oil and condensate recovered by mechanical separators at or near the wellhead shall be deemed to be in a marketable condition only after the oil products are separated, treated, dehydrated and placed into a storage tank or other facility for delivery to a purchaser or refinery and without cost to the Land Office.

(2) Gas delivered to a gas plant for processing shall be deemed to be in a marketable condition only after the gas products meet the location, quality, and pressure specifications for transmission by an interstate pipeline for sale to an independent, non-affiliated, third party purchaser.

(3) Gas sold at the wellhead or gas that is not delivered to a gas plant for processing shall be deemed to be in a marketable condition only after the gas products meet the location, quality, and pressure specifications for transmission into an interstate pipeline for sale to an independent, non-affiliated, third party purchaser.

(4) Natural gas liquids shall be deemed to be in a marketable condition only after the natural gas liquid products have been either:

(A) recovered at a processing plant and separated and fractionated into discrete products (e.g., ethane, propane, butane, and natural gasoline) and placed into a storage tank or other facility for delivery to a purchaser, or

(B) recovered at a processing plant and sold at the tailgate of the plant to an independent, non-affiliated, third party purchaser without further separation and fractionation into discrete products, provided the royalties due and payable thereon to the Land Office shall be based upon the gross sales value received for such product, including any credit or payments received by lessee based on any further downstream processing.

(5) In the event the gas stream contains commercial quantities of non-hydrocarbon gas, such non-hydrocarbon gas shall be deemed to be in a marketable condition only after the non-hydrocarbon gas products have been recovered, separated, treated, purified and otherwise placed in a form and condition suitable for commercial sale, exchange, and use.

~~(b) **Gas royalty.** Price Basis for computing gas royalty shall be the greater of: the total value received under the sale contract adding premiums and bonuses, alternate performance or reservation payments, as well as adding gathering, compression and dehydration or treating if absorbed or deducted in price; the highest price any lessee enforces under similar sale contracts in the wellbore or the gross proceeds that would have been received if the gas had been sold at the average spot price in the pipeline without deduction for taxes or for the cost of compressing, treating, metering, dehydrating, gathering or for other charges necessary or determined desirable to deliver gas into pipelines. In the event that the lessee or an affiliated party to the lessee is the purchaser of the gas, the basis for computing gas royalty will be the greater of: the without cost Price Basis received by the affiliated party's sale to a non-affiliated third party in the pipeline or the highest price being paid in the field by any purchaser for like kind and quality gas in the pipeline.~~ **Royalty:** Lessee shall pay the Land Office a royalty consisting of a fractional share (defined by the lease) of proceeds for any and all substances produced from the leased premises, including, but not limited to oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas products; as follows:

(1) **Deductions:**

(A) Royalties shall be computed free and clear of all deductions for production costs, post-wellhead costs, marketing costs, and other direct or indirect costs,

including without limitation, all costs, charges, expenditures, or fees incurred for gathering, compressing, pressurizing, treating, dehydrating, separating, processing, fractionating, storing, transporting, marketing, and other costs incurred to convert oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas produced from the leased premises into a marketable condition.

(B) Any and all reductions to the sales price received by lessee for any post-production services provided by the purchaser or any other party prior to the oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas products being placed into a marketable condition shall be added back to the sales price to determine the gross sales value for royalty payment purposes.

(2) Royalty computation for oil:

(A) Royalties for oil produced from the leased premises shall be computed on the price received by the lessee for oil sold or disposed of through an arm's length transaction from an independent, non-affiliated, third party purchaser for the product in marketable condition, including all bonuses, premiums, allowances or other consideration of any nature received by lessee for oil produced from the leased premises.

(B) Royalties for oil produced from the leased premises shall be computed on the index price for West Texas Intermediate at Cushing, Oklahoma prevailing on the dates the oil is sold or disposed of through any transaction other than by an arm's length transaction, including any oil sold or transferred by lessee to itself or an affiliate of lessee.

(C) Royalties for oil produced from the leased premises shall be computed on the index price for West Texas Intermediate at Cushing, Oklahoma prevailing on the dates the oil is sold or disposed of through any transaction in which the lessee cannot produce records of an arm's length transaction, including, but not limited to monthly production reports and purchase statements.

(3) Royalty computation for gas:

(A) Royalties for gas produced from the leased premises shall be computed on the price received by the lessee through an arm's length transaction from an independent, non-affiliated, third party purchaser for the product in marketable condition, including

all bonuses, premiums, allowances or other consideration of any nature received by lessee for gas produced from the leased premises.

(B) Royalties for gas produced from the leased premises shall be computed on the average monthly spot price in the nearest interstate pipeline prevailing on the dates the gas is sold or disposed of for any gas that is sold or disposed of other than by an arm's length transaction, including any gas sold or transferred by lessee to itself or an affiliate of lessee.

(C) Royalties for gas produced from the leased premises shall be computed on the average monthly spot price in the nearest interstate pipeline prevailing on the dates the gas is sold or disposed of for any gas that is sold or disposed of and the lessee cannot produce records of the arm's length transaction, including, but not limited to monthly production reports and purchase statements.

(4) Royalty computation for natural gas liquids and non-hydrocarbon gas.

(A) Royalties for natural gas liquids or non-hydrocarbon gas produced from the leased premises shall be computed on the price received by the lessee through an arm's length transaction from an independent, non-affiliated, third party purchaser for the product in marketable condition, including all bonuses, premiums, allowances or other consideration of any nature received by lessee for natural gas liquids or non-hydrocarbon gas.

(B) Royalties for natural gas liquids or non-hydrocarbon gas produced from the leased premises shall be computed on the highest market price, including any premium associated therewith, then prevailing on the dates the natural gas liquids or non-hydrocarbon gas are sold or disposed of, in the same processing plant for production of similar chemistry and quality (or if there is no such price then prevailing in the same processing plant, then in the nearest processing plant in which there is such a prevailing price) for any natural gas liquids or non-hydrocarbon gas sold or disposed of other than by an arm's length transaction, including any natural gas liquids or non-hydrocarbon gas sold or transferred by lessee to itself or an affiliate of lessee.

(C) Royalties for natural gas liquids or non-hydrocarbon gas produced from the leased premises shall be computed on the highest market price, including any

premium associated therewith, then prevailing on the dates the natural gas liquids or non-hydrocarbon gas are sold or disposed of, in the same processing plant for production of similar chemistry and quality (or if there is no such price then prevailing in the same processing plant, then in the nearest processing plant in which there is such a prevailing price) for any natural gas liquids or non-hydrocarbon gas sold or disposed of and the lessee cannot produce records of the arm's length transaction, including, but not limited to monthly production reports and purchase statements.

(c) **Processed gas royalty.** ~~The price basis for computing processed gas royalty shall be the same as for gas royalty under (b) above. Processed liquid hydrocarbons basis for royalty shall be the greater of the value received for the liquid BTU's or the value the liquid BTU's would have brought if not rendered from the gas by processing and sold at the closest market for unprocessed gas without BTU ceilings. In the event that the lessee or an affiliated party to the lessee operates or owns an interest in the plant which is processing the gas, the State's royalty will be based on the greater of the value received by the affiliated party's first arms length sale of the residue gas and liquid hydrocarbons; the highest price being paid by this plant or any other plant in the area for like kind and quality residue gas and liquid hydrocarbons; or the highest price being paid at the closest market for unprocessed gas; without deduction as set forth in (b) above.~~ **Percentage of proceeds sales.** When any processing plant, gas purchaser, or other party retains a percentage of the sales proceeds, or a volumetric share of oil, gas, recoverable natural gas liquids, and non-hydrocarbon gas as compensation for services and returns a percentage of the sales proceeds to the lessee, the lessee shall pay royalties on the sales proceeds returned to lessee plus royalties on the full value of the sales proceeds or volumetric share retained by the processing plant, gas purchaser, or other party. The royalty due to Land Office shall be based upon one hundred percent (100%) of the value of the production at the price received by the Lessee.

(d) ~~**Allowance for processing.** An allowance to compensate for the cost of processing gas may be allowed in an amount not to exceed one half (1/2) of the value of the liquid hydrocarbons. Royalty shall be paid on no less than one half (1/2) of the value of the liquid hydrocarbons and one hundred percent (100%) of the value of the residue gas.~~ **Use of production.** When any processing plant, gas purchaser, or other party uses or retains production volumes as part of, or in exchange for post-wellhead services, lessee shall pay royalties on the

sale proceeds returned to lessee plus royalties on the full value of the oil, gas, recoverable natural gas liquids, or non-hydrocarbon gas used, received, or retained by the processing plant, gas purchaser, or other party.

~~(e) — **Drip gasoline and condensate royalty.** Price basis for computing royalties on drip gasoline or natural condensate recovered from gas produced from the leased land without resort to manufacturing process shall be the sale price, the posted field price, or the average spot price, whichever is greater.~~

385:15-1-25. Monthly production reports

~~Oil and gas.~~ On or before the last day of the month following the month of production, the oil and gas lessee ~~must~~ shall file a ~~sworn~~ monthly report of oil, gas, ~~and casinghead gas~~ recoverable natural gas liquids, and non-hydrocarbon gas produced and sold from the leased premises. ~~This Lessee shall file the monthly report will be filed on Commissioners of the Land Office using a paper or electronic form and must be completed in detail. (Forms furnished on request.)~~ provided by the Land Office.

385:15-1-26. Purchase statements

(a) ~~The Lessee shall provide monthly pipeline run statement~~ statements and oil and gas settlement sheet ~~sheets of the purchaser of oil or gas sold from a State lease must be furnished to the Commission on or before the last day of the month succeeding production generated by oil or gas purchasers to the Land Office.~~

(b) Monthly pipeline run statements and oil and gas settlement sheets shall be submitted electronically in a .pdf format with the following naming convention: YYYYMM-WELLNAME-API NUMBER. The year (YYYY) and month (MM) used in the file name shall reflect the sales month.

(c) Electronic files of monthly pipeline run statements and oil and gas settlement sheets shall be emailed to the Land Office not later than sixty (60) days after the referenced oil and gas sale is final.

(d) Each email containing electronic files of monthly pipeline run statements and oil and gas settlement sheets shall include the name, company affiliation, and telephone number of the sender.

385:15-1-27. Notice of intent to drill or recomplete

~~Prior to the commencement of operation, Lessee shall file a notice shall be given to the Commission~~ of intention to drill or recomplete any well for oil and gas with the Land Office ~~prior to the commencement of operations. Such~~ The notice of intent shall include the location of the well, the name and A.P.I. number of the well, the approximate date operations will begin, and the estimated depth of the well.

385:15-1-28. Notice of intent to plug oil and gas well; plugging report

(a) **Notice of intent to plug oil and gas well.** ~~Notice~~ Lessee shall file a notice of intention to plug ~~must be filed with the Commissioners of~~ with the Land Office at least not less than five (5) days prior to plugging ~~of~~ any producing oil or gas well on a form prescribed by the Oklahoma Corporation Commission.

(b) **Plugging reports.** ~~A~~ Lessee shall file a copy of the plugging record shall be filed with the ~~Commission within~~ Land Office not less than thirty (30) days of after the completion of plugging operations.

385:15-1-29. Lessee's annual summary of operations [REVOKED]

385:15-1-30. Special reports

~~The Commission~~ Land Office may ~~require~~ request special reports ~~pertaining to~~ describing production or operation of a ~~State~~ oil and gas lease leases. ~~Upon request, the~~ The lessee ~~must~~ shall promptly submit the required furnish the Land Office with any special reports requested.

385:15-1-31. Completion reports and well logs

(a) ~~Within thirty days after completion or recompletion of any well,~~ Lessee shall file a completion report ~~shall be filed with the Commissioners of the Land Office~~ within thirty (30) days after completion or recompletion of any well. ~~This report~~ Completion reports shall be on ~~the~~ a form prescribed by the Oklahoma Corporation Commission and shall be signed ~~and sworn to~~ by the lessee or ~~his authorized representative~~ lessee's representative. ~~In addition to the above~~

~~report, the lessee, upon request, shall furnish the Commissioners of the Land Office a copy of any electric or other logs run on this well.~~

(b) Lessee shall furnish a copy of any electric logs or other well records upon request of the Land Office.

385:15-1-32. Deposit and fee schedule [REVOKED]

~~The amount of deposits and fees shall be based upon a schedule of fees established by the Commissioners. The fee schedule shall be posted on the Land Office's official website [See 385:1-1-13].~~

385:15-1-33. Electronic funds transfer

~~All payments due under the CLO oil & gas mining lease, to be paid after the lease is consented to by the Commissioners, may be paid by electronic funds transfer debit or other more certain electronic transfer of funds to the account of the Commissioners of the Land Office at the State Treasurer's Office. The Land Office may accept payments of fees, royalties, or other financial obligations by electronic funds transfer.~~

385:15-1-34. Royalty Check Detail [NEW]

(a) Lessees shall submit royalty check stub data consistent with the technical instructions provided on the Land Office website.

(b) Lessees shall submit royalty check stub data in an electronic format using the software template available on the Land Office website.