

## § 3137.40

## 43 CFR Ch. II (10–1–06 Edition)

### DEVELOPMENT

#### § 3137.40 What initial development obligations must I define in a unit agreement?

Your unit agreement must define—

- (a) The number of wells you anticipate will be necessary to assess the reservoir adequately;
- (b) A primary target for each well;
- (c) A schedule for starting and completing drilling operations for each well; and
- (d) The time between starting operations on a well to the start of operations on the next well.

#### § 3137.41 What continuing development obligations must I define in a unit agreement?

A unit agreement must obligate the operator to a program of exploration and development (see § 3137.71) that, after completion of the initial obligations—

- (a) Meets or exceeds the rate of non-unit operations in the vicinity of the unit; and
- (b) Represents an investment proportionate to the size of the area covered by the unit agreement.

### OPTIONAL TERMS

#### § 3137.50 What optional terms may I include in a unit agreement?

BLM may approve the following optional terms for a unit agreement if they promote additional development or enhanced production potential—

- (a) Limiting the unit agreement to certain formations and their intervals;
- (b) Multiple unit operators (see § 3137.51 of this subpart);
- (c) Allowing modification of the unit agreement terms if less than 100 percent of the parties to the unit agreement (see § 3137.52 of this subpart) agree to the modification; or
- (d) Other terms that BLM determines will promote the greatest economic recovery of oil and gas consistent with applicable law.

#### § 3137.51 Under what conditions does BLM permit multiple unit operators?

BLM permits multiple unit operators only if the unit agreement defines—

- (a) The conditions under which additional unit operators are acceptable;
- (b) The responsibilities of the different operators, including obtaining BLM approvals, reporting, paying Federal royalties and conducting operations;
- (c) Which unit operators are obligated to ensure bond coverage for each NPR-A lease in the unit;
- (d) The consequences if one or more unit operators defaults. For example, if an operator defaults, the unit agreement would list which unit operators would conduct that operator's operations and ensure bonding of those operations; and
- (e) Which unit operator is responsible for unit obligations not specifically assigned in the unit agreement.

#### § 3137.52 How may I modify the unit agreement?

(a) You may modify a unit agreement if—

(1) All current parties to the unit agreement agree to the modification; or

(2) You meet the requirements of the modification provision in the unit agreement. The modification provision must identify which parties, and what percentage of those parties, must consent to each type of modification.

(b) You must submit to BLM an application for modification. The application must include the following—

(1) The operator must certify that the necessary parties have agreed to the modification; and

(2) If the unit agreement modification alters the current allocation schedule, you must submit to BLM both a—

(i) Description of the new allocation methodology; and

(ii) New allocation schedule.

(c) A modification is not effective unless BLM approves it. After BLM approves the modification, it is effective retroactively to the date you filed a complete application for modification. However, BLM may approve a different effective date if you request it and provide acceptable justification.

(d) BLM will reject modifications that do not comply with BLM regulations or applicable law.

**Bureau of Land Management, Interior**

**§ 3137.64**

UNIT AGREEMENT OPERATING  
REQUIREMENTS

**§ 3137.60 As the unit operator, what are my obligations?**

As the unit operator—

(a) You must comply with the terms and conditions of the unit agreement, Federal laws and regulations, lease terms and stipulations, and BLM notices and orders;

(b) You must provide to BLM evidence of acceptable bonding. Acceptable bonding means a bond in an amount which is no less than the sum of the individual Federal bonding requirements for each of the NPR-A leases committed to the unit. You may also meet this requirement if you add the unit operator as a principal to lease bonds to reach the required amount; and

(c) The bond must be payable to the Secretary of the Interior.

**§ 3137.61 How do I change unit operators?**

(a) To change unit operators, the new unit operator must submit to BLM—

(1) Statements that—

(i) It accepts unit obligations; and

(ii) The percentage of required interest owners consented to a change of unit operator; and

(2) Evidence of acceptable bonding (see § 3137.60(b) of this subpart).

(b) The effective date of the change in unit operator is the date BLM approves the new unit operator.

**§ 3137.62 What are my liabilities as a former unit operator?**

You are responsible for all duties and obligations of the unit agreement that accrued while you were unit operator up to the date BLM approves a new unit operator.

**§ 3137.63 What are my liabilities after BLM approves me as the new unit operator?**

(a) After BLM approves the change in unit operator, you, as the new unit operator, assume full liability, jointly and severally with the record title and operating rights owners, except as otherwise provided in paragraph (c) of this section and to the extent permitted by law, for—

(1) Compliance with the terms and conditions of the unit agreement, Federal laws and regulations, lease terms and stipulations, and BLM notices and orders;

(2) Plugging unplugged wells and reclaiming unreclaimed facilities that were installed or used before the effective date of the change in unit operator (this liability is joint and several with the former unit operator); and

(3) Those liabilities accruing during the time you are unit operator.

(b) Your liability includes, but is not limited to—

(1) Rental and royalty payments;

(2) Protecting the unit from loss due to drainage as provided in § 3137.64 of this subpart;

(3) Well plugging and abandonment;

(4) Surface reclamation;

(5) All environmental remediation or restoration required by law, regulations, lease terms, or conditions of approval; and

(6) Other requirements related to unit operations.

(c) Your liability for royalty and other payments on the unit is limited by section 102(a) of the Federal Oil and Gas Royalty Management Act of 1982, as amended (30 U.S.C. 1712(a)).

**§ 3137.64 As a unit operator, what must I do to prevent or compensate for drainage?**

You must prevent uncompensated drainage of oil and gas from unit land by wells on land not subject to the unit agreement. Permissible means of satisfying the obligation include—

(a) Drilling a protective well if it is economically feasible. For this subpart, *economically feasible* means producing a sufficient quantity of oil or gas from a protective well in the unit for a reasonable profit above the cost of drilling, completing and operating the protective well;

(b) Paying compensatory royalty;

(c) Forming other agreements, or modifying existing agreements, that allow the tracts committed to the unit agreement to share in production after the effective date of the new or modified agreement; or

(d) BLM may require additional measures to prevent uncompensated drainage.