



# Navigating the New Federal Oil & Gas Leasing Landscape

## What You Should Know About The New Regulations

Inflation Reduction Act – August 16, 2022

### FEDERAL LEASING CHANGES AT A GLANCE

**\$10/Acre**

Minimum Bid

**16.67%**

Royalty Rate

**\$150,000**

Minimum Lease Bond

**\$500,000**

Minimum Statewide Bond

#### Bidding Requirements

- New \$10/acre minimum bid is now required
- No more anonymous submissions with new non-refundable \$5/acre filing fee
- No more non-competitive leasing

#### Bonding Requirements

- New minimum lease bond is now \$150,000
- Minimum statewide bond increased from \$25,000 to \$500,000
- No more nationwide & unit operator bond

#### Rental & Royalty Rates

- Remit bonus and first rental payment to BLM office where lease was signed; remit all subsequent payments to ONRR (Office of Natural Resources Revenue)
- New 16.67% royalty rate, up from 12.5%

#### Rental Payments

- \$3/acre first 2 years
- \$5/acre year 3 to 8
- \$15/acre thereafter

# Until Recently, Changes to Federal Leasing Requirements Have Been Slow

## 1920

Mineral Leasing Act (MLA) allowed leasing of federal lands for the first time at 20 year fixed terms with 10 year extension

## 1935

Amended MLA with 2 types of leases: simultaneous filing/10 year term and sealed competitive bids/5 year term

## 1960

The last bonding update prior to 2022's IRA, fixing bond at \$10,000 for 62 years

## 1987

Amended MLA by eliminating simultaneous filing, introducing 2 year oral competitive bidding/5 year term, and adding noncompetitive lease for first qualified offer/10 year term

## 1992

Both competitive leases and noncompetitive leases are set at 10 year terms

## 2022

Inflation Reduction Act eliminates noncompetitive leases and modernizes oil & gas leasing with appropriate rates for rental, royalties, and bonding, the last major legislation since 1920's MLA

### Missing a Rental Payment

- Rental payments due on/before lease anniversary
- Failing to file with ONRR automatically terminates lease
- ONRR does not send payment notices, no grace periods

### Reinstating a Lease

Leases can be reinstated, however only the Secretary of the Interior has the discretion to make a reinstatement decision.

Noncompetitive leases no longer qualify for reinstatement with the exception of leases under MLA Acquired Lands.

### Class I Reinstatement

- Lease reinstated with existing terms and rates
- Must remit rental payment within 20 days of lease anniversary
- Must show that failure to pay was justified or not due to lack of reasonable diligence

### Class II Reinstatement

- Add 4 points to prior lease royalty rate (no less than 20%) and increase rental to \$20/acre
- Must pay rentals and accrued royalties after 20 days and no longer than 2 years
- Must show that failure to pay was justified or not due to lack of reasonable diligence

## Helpful Links to Learn More



[eCFR Complete List of Leasing Regulations](#)



[Bureau of Land Management](#)



[Office of Natural Resources Revenue](#)

# How PakEnergy Manages Risk

At PakEnergy, we're experts in the evolving regulatory landscape impacting oil & gas companies. Our easy-to-use land management solutions include the industry's leading eCalendar for tracking federal leases and implementing controls to avoid missing important expiration and lease payments. Plus, our ONRR reporting simplifies and accelerates compliance, enabling your team to de-risk and avoid the uncertainty and cost of reinstating a federal lease.

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