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REGULATIONS

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OIL AND GAS OPERATIONS

ON

RESTRICTED INDIAN LANDS IN OKLAHOMA

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REGULATIONS TO GOVERN OIL AND GAS OPERATIONS ON RESTRICTED INDIAN LANDS IN OKLAHOMA.

DEFINITIONS.

The following expressions, wherever used in the lease and regulations, shall have the meaning now designated, viz:

Superintendent.—The superintendent of any Indian agency in Oklahoma, or any other person who may be in charge of such agency and reservation, and it shall be his duty to enforce compliance with these regulations.

Inspector.—Any person appointed as inspector of oil and gas operations, or who may be designated by the Secretary of the Interior or the Commissioner of Indian Affairs to supervise oil or gas operations on restricted Indian lands, acting under general instructions from the Bureau of Mines and under the supervision of the superintendent.

Oil lessee.—Any person, firm, or corporation to whom an oil-mining lease is made under these regulations.

Gas lessee.—Any person, firm, or corporation to whom a gas lease is made under these regulations.

Leased lands.—The term "leased lands" or "leased premises" or "leased tract" shall mean any restricted lands belonging to Indian allottees within the State of Oklahoma from which restrictions have not been removed, and which have been leased by such allottees with the approval of the Secretary of the Interior.

OPERATIONS.

1. No operations shall be permitted upon any tract of land until a lease covering such tract shall have been approved by the Secretary of the Interior.

POWERS AND DUTIES OF INSPECTOR.

It shall be the duty of the inspector—

2. To visit from time to time leased lands where oil and gas mining operations are being conducted and to inspect and supervise such operations, with a view to preventing waste of oil and gas, damage to oil, gas, or water bearing formations, or to coal measures or other mineral bearing deposits, or injury to property or life, in accordance with the provisions of these regulations.

3. To make reports to the superintendent and to the Bureau of Mines as to the general conditions of the leases, property, and the manner in which the operations are being conducted and his orders complied with.

4. To consult and advise with the superintendent as to the condition of the leased lands and to submit information and recommendations from time to time for safeguarding and protecting the property of the lessor and securing compliance with the provisions of these regulations.

5. To give such orders or notices as may be necessary to secure compliance with the regulations and to issue all necessary instructions or orders to lessees to stop or modify such methods or practices as he may consider contrary to the provisions of such regulations.

6. To modify or prohibit the use or continuance of any operation or method which, in his opinion, is causing or is likely to cause any surface or underground waste of oil or gas or injury to any oil, gas, water, coal, or other mineral formation, or which is dangerous to life or property or in violation of the provisions of these regulations.

7. To prescribe, subject to the approval of the superintendent, the manner and form in which all records or reports called for by these regulations shall be made by the lessee.

8. To prohibit the drilling of any well into any producing sand, when in his opinion and with the approval of the superintendent the marketing facilities are inadequate, or insufficient provision has been made for controlling the flow of oil or gas reasonably to be expected therefrom, until such time as suitable provision can be made.

9. To prescribe or approve the methods of drilling wells through coal measures or other mineral deposits.

10. To determine when and under what conditions a producing well may be drilled deeper and under what conditions a producing well or sand may be abandoned.

11. To require that tests shall be made to detect waste of oil or gas or the presence of water in a well, and to prescribe or approve the methods of conducting such tests.

12. To require that any condition existing subsequent to the completion of a well which is causing, or is likely to cause, damage to an oil, gas, or water-bearing formation, or to coal measures, or other mineral deposits, or which is dangerous to life or property, be corrected as he may prescribe or approve.

13. To approve the type or size of separators used to separate the oil, gas, or water coming from a well.

14. The inspector may limit the percentage of the open flow capacity of any well which may be utilized when in his opinion such action is necessary to properly protect the gas-producing formation.

15. The inspector shall be the sole judge of whether his orders have been fully complied with and carried out.

DUTIES OF LESSEES.

16. Before actual drilling or development operations are commenced on the leased lands, or within not less than 30 days from the date of approval of these regulations in case of producing leases, or leased lands on which such operations have been commenced prior to such approval, the lessee or assignee shall appoint a local or resident representative within Osage County or Oklahoma on whom the superintendent or other authorized representative of the Department of the Interior may serve notices or otherwise communicate

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with, in securing compliance with these regulations and shall notify the superintendent of the name and post-office address of the representative so appointed.

In the event of the incapacity or absence from the county of such designated local or resident representative, the lessee shall appoint some person to serve in his stead and in the absence of such representative, or of notice of the appointment of a substitute, any employee of the lessee upon the leased premises or the contractor or other person in charge of drilling operations thereon shall be considered the representative of the lessee for the purpose of service of orders or notices as herein provided, and service upon any such employee, contractor, or other person shall be deemed service from the lessee.

17. Five days prior to the commencement of drilling operations lessee shall submit, on forms to be furnished by the superintendent, a report in duplicate showing the location of the proposed wells.

18. Lessee shall keep upon the leased premises accurate records of the drilling, redrilling, or deepening of all wells, showing formations drilled through, casing used, together with other information as indicated on prescribed forms to be furnished by the superintendent and shall transmit such and other reports of operations when required by the superintendent.

19. Lessee shall furnish on the 1st day of January and the 1st day of July of each year a plat in manner and form as prescribed by the superintendent, showing all wells, active or abandoned, on the leased lands, and other related information. Blank plats will be furnished upon application.

20. Lessee shall clearly and permanently mark all rigs or wells in a conspicuous place, with the name of the lessee and the number or designation of the well, and shall take all necessary precautions for the preservation of these markings.

21. Lessee shall not drill within 300 feet of boundary line of leased lands except with the consent of the superintendent. Lessee shall not locate any well or tank within 200 feet of any public highway or any building used as a dwelling, granary, barn, or established watering place, except with the written permission of the superintendent.

22. Lessee shall notify the superintendent, in advance, of intention to use the mud-fluid process of drilling, so that the inspector may approve the method and material to be used, in the event the operator is not familiar with this process.

23. Lessee shall provide a properly prepared slush pit into which all sand pumpings and other materials extracted from the well during the process of drilling shall be deposited. Such sand pumpings and materials shall not be allowed to run over the surface of the land. The construction of such pits shall be subject to the approval of the inspector.

24. Lessee shall effectually shut out and exclude all water from any oil or gas-bearing stratum and take all proper precaution and measures to prevent the contamination or pollution of any fresh water supply encountered in any well drilled for oil or gas.

25. Lessee shall protect to the satisfaction of the inspector each productive oil or gas-bearing formation drilled through for the purpose of producing oil or gas from a lower formation.

26. Lessee shall place an approved gate valve, or other approved controlling device, on the innermost string of casing seated in the well, and keep same in place and in proper condition for use until the well is completed, whenever drilling operations are commenced in "wildcat" territory, or in a gas or oil field where high pressures are known to exist, whenever the inspector shall deem same necessary for the proper control of the production from the well.

27. When natural gas is encountered in commercial quantities in any well, lessee shall confine such gas to its natural stratum until such time as the same can be produced and utilized without waste, it being understood that a commercial quantity of gas produced by a well is any unrestricted flow of natural gas in excess of 2,000,000 cubic feet per 24 hours: *Provided*, That if in the opinion of the superintendent gas of a lesser quantity shall be of commercial value, the superintendent shall have authority to require the conservation of said gas. Water shall not be introduced into any well where such introduction will operate to kill or restrict the open flow of gas therein.

28. Lessee shall separate the oil from the gas when both are produced in commercial quantities from the same formation or under such conditions as might result in waste of oil or gas in commercial quantities.

29. Lessee shall not use natural gas from a distinct or separate stratum for the purpose of flowing or lifting the oil.

30. Lessee shall prevent oil or gas or both from escaping from any well into the open air, and not permit any oil or gas well to go wild or to burn wastefully.

31. Lessee shall not use natural gas in place of steam to operate engines or pumps under direct pressure except with the special permission of the inspector.

32. Lessee shall not use natural gas in flambeau lights, save as authorized or approved by the inspector.

33. Lessee shall use every possible precaution, in accordance with the most approved methods, to stop and prevent waste of natural gas and oil, or both, at the wells and from connecting lines, and to prevent the wasteful utilization of such gas about the well.

34. Lessee shall notify the superintendent a reasonable time in advance of starting work, of intention to re-drill, deepen, plug, or abandon a well; and whenever the superintendent or inspector has given notice that extra precautions are necessary in the plugging of wells in a particular territory, lessee shall give at least three days' advance notice of such intended plugging.

35. Lessee shall not abandon any well for the purpose of drilling deeper for oil or gas unless the producing stratum is properly protected, and shall not abandon any well producing oil or gas except with the approval of the superintendent or where it can be demonstrated that the further operation of such well is commercially unprofitable.

36. Lessee shall plug and fill all dry or abandoned wells on the leased lands in the manner required, and where any such well penetrates an oil or gas bearing formation it shall be thoroughly cleaned to the bottom of the hole before being plugged or filled, and shall then be filled with mud-laden fluid of a consistency approved by the

inspector, from the bottom to the top thereof, before any casing is removed from the well, or in lieu of the use of such mud fluid, each oil and gas bearing formation shall be adequately protected by cement, or approved plugs, or by both such plugs and cement, and the well filled in above and below such cement or plugs with material approved by the inspector.

Where both fresh water and salt water are encountered in any dry or abandoned well which is not being filled with mud-laden fluid as hereinbefore provided, the fresh water shall be sufficiently protected against contamination by cement or approved plugs, or by both such cement and plugs, to be placed at such points in the well as the inspector shall approve for the protection of the fresh water.

37. If such abandoned or dry well be in a coal bed or other mineral vein deposit, or be in such condition as to warrant taking extraordinary precautions, the inspector may require such variations in the above-prescribed methods of plugging and filling as may be necessary in his judgment to protect such seam or deposit against infiltration of gas or water, and to protect all other strata encountered in the well.

38. The manner in which such mud-laden fluid, cement, or plugs shall be introduced into any well being plugged, and the type of plugs so used, shall be subject to the approval of the inspector.

In the event the lessee or operator shall fail to plug properly any dry or abandoned well in accordance with these regulations, the superintendent may, after five days' notice to the parties in interest, plug such well at the expense of the lessee or his surety.

39. All B-S or water from tanks or wells shall be drained off into proper receptacles located at a safe distance from tanks, wells, or buildings, to the end that same may be disposed of by being burned or transported from the premises.

Where it is impossible to burn the B-S, or where it is necessary to pump salt water in such quantities as would damage the surface of the leased land, or adjoining property, or pollute any fresh water, the lessee shall notify the superintendent, who shall give instructions in each instance as to the disposition of such B-S or salt water.

40. Lessee shall make a full and complete report to the superintendent of all accidents or fires occurring on the leased premises.

41. Lessee shall provide approved tankage of suitable shape for accurate measurement, into which all production of crude oil shall be run from the wells, and shall furnish the superintendent copies of accurate tank tables and all run tickets, as and when requested.

42. The superintendent may make arrangements with the purchasers of oil for the payment of the royalty, but such arrangements, if made, shall not relieve the lessee from responsibility for the payment of the royalty should such purchaser fail, neglect, or refuse to pay the royalty when it becomes due: *Provided*, That no oil shall be run to any purchaser or delivered to the pipe line or other carrier for shipment or otherwise conveyed or removed from the leased premises until a division order is executed, filed, and approved by the superintendent, showing that the lessee has a regularly approved lease in effect and the conditions under which the oil may be run. Lessees shall be required to pay for all oil or gas used off the leased premises for operating purposes; affidavits shall be made as to the

production used for such purposes and royalty paid in the usual manner. The lessee or his representatives shall be present when oil is taken from the leased premises under any division order, and will be responsible for the correct measurement thereof and shall report all oil so run.

The lessee shall also authorize the pipe-line company or the purchaser of oil to furnish the superintendent with a monthly statement, not later than the 10th day of the following calendar month, of the gross barrels run as common carrier shipment or purchased from his lease or leases.

43. Lessee will not be permitted to use any timber from any Osage lands except under written agreement with the owner, and in all cases where lands are restricted such agreement shall be subject to the approval of the superintendent or inspector. Lessee shall, when requested by the superintendent, furnish a statement under oath as to whether the rig timbers were purchased on the leased tract, and if so, state the name of the person from whom purchased and give such other information regarding the procurement of timber as the superintendent may desire.

44. Unless expressly provided for in the lease, lessees shall pay to the superintendent for the parties in interest all reasonable damage done to the surface and any growing crops thereon or to improvements on said land in the amount of such damage when agreed upon between the parties in interest. When such amount can not be agreed upon, any of such parties may notify the superintendent, whereupon the superintendent shall notify the parties in interest that if such claims can not be arbitrated satisfactorily, he will, after 10 days from date of notice, investigate the matter of damage, such notice to be sent the lessee, allottee, or his heirs, and such other person as may have informed the superintendent in writing of a claim to an interest in such lands. The superintendent shall thereupon determine the damage and apportionment thereof between the parties in interest, such determination to be final unless an appeal therefrom be taken to the Secretary of the Interior within 10 days from the date of notice of such determination. The decision of the Secretary of the Interior shall be final and conclusive upon all parties concerned. The lessee shall be permitted to proceed with operations pending determination of the amount of damage by the superintendent upon depositing with the superintendent such amount as he may stipulate as sufficient to cover the damages claimed, and such lessee may continue with operations pending appeal upon depositing such additional amount, if any, as may be sufficient to cover the damages as fixed and apportioned by the superintendent, the surplus, if any, to be returned to the lessee. Pending action upon the appeal so much of said amount as is not in dispute by the parties in interest may be disbursed.

45. Failure to comply with any provision of these regulations shall subject the lease to cancellation by the Secretary of the Interior or the lessee to a fine of not more than \$500 per day for each and every day the terms of the lease or of the regulations are violated, or the orders of the superintendent pertaining thereto are not complied with, or to both such fine and cancellation, in the discretion of the Secretary of the Interior: *Provided*, That the lessee shall be entitled

to notice and hearing with respect to the terms of the lease or of the regulations violated, which hearing shall be held by the superintendent, whose finding shall be conclusive unless an appeal be taken to the Secretary of the Interior within 30 days after notice of the superintendent's decision, and the decision of the Secretary of the Interior upon appeal shall be conclusive.

46. These regulations shall become effective and in full force from and after the date of approval and shall be subject to change or alteration at any time by the Secretary of the Interior.

E. B. MERITT,

Assistant Commissioner of Indian Affairs.

VAN. H. MANNING,

Director Bureau of Mines.

Approved:

Department of the Interior,
FRANKLIN K. LANE.

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