

STANDARD OIL COMPANY OF CALIFORNIA

IBLA 72-22

Decided September 27, 1972

Appeal from decision (Anch. 024363 and Anch. 024366) by Alaska state office, Bureau of Land Management, giving notice of increased oil and gas lease rental rate.

Reversed.

Administrative Practice -- Courts -- Oil and Gas Leases: Rentals -- Oil and Gas Leases: Unit and Cooperative Agreements

Where only a portion of the lands in a unitized oil and gas lease is eliminated from the unit, the leased lands are situated in whole or in part on a known geologic structure of a producing oil or gas field, and the lease terms and factual circumstances are identical to those in the decision, Standard Oil Company of California, et al., 76 I.D. 271 (1969), this Department will follow the ruling by the United States Court of Appeals for the Ninth Circuit in Standard Oil Company of California v. Morton, 450 F.2d 493 (1971), which overturned that decision solely upon principles of contract construction; therefore, the eliminated lands will retain the rental rate applicable to nonparticipating acreage within the unit rather than the higher rate applicable to non-unitized lands within a known geologic structure.

APPEARANCES: D. G. Couvillon, Vice President, Standard Oil Company of California.

OPINION BY MR. HENRIQUES

Standard Oil Company of California has appealed to this Board from a decision dated June 15, 1971, by the Alaska state office of the Bureau of Land Management to the extent that the decision mandated an increase of the yearly rental to \$ 1.00 an acre for those lands within a known geologic structure of a producing oil and gas field and lying outside of a unitized area, which are covered by the same lease as lands within the unitized area.

This issue has heretofore been considered by this Department on several occasions. In Standard Oil Company of California, et al.,

76 I.D. 271 (1969), the Department held that such lands eliminated from a unit agreement would be subject to the rental requirements generally applied to lands situated on a known geologic structure, viz., a \$ 1.00 an acre rental. This decision, however, was reversed by the United States District Court for the District of Alaska in Standard Oil Company of California v. Hickel, 317 F. Supp 1192, which was affirmed sub nom. Standard Oil Company of California v. Morton, 450 F.2d 493 (9th Cir. 1971).

Subsequently, this Board held that "\* \* \* the courts' interpretation of the lease terms in Standard as to the rental rate for lands eliminated from a unit will control this Department's determination of such rental rate in this case and other cases where the lease terms and factual circumstances are identical." Standard Oil Company of California and Atlantic Richfield Company, 79 I.D. 23, 5 IBLA 26, 33-34 (1972).

As the issues in this case are identical to those considered by the courts in Standard and by the Board in Standard Oil and Atlantic Richfield, we adhere to the ruling by the court that where a lease embraces lands both within a unit and eliminated therefrom, the lands eliminated from the unit agreement will retain the rental rate applicable to nonparticipating acreage within the unit, rather than the higher rate applicable to non-unitized lands within a known geologic structure.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is reversed.

Douglas E. Henriques  
Member

We concur:

Frederick Fishman  
Member

Joan B. Thompson  
Member

