

BURTON W. HANCOCK

IBLA 77-118

Decided June 17, 1977

Appeal from decision of the Utah State Office, Bureau of Land Management, denying extension of oil and gas leases U 1065 and U 1531.

Affirmed.

1. Oil and Gas Leases: Extensions

To qualify for a 2-year extension of an oil and gas lease under the diligent drilling provision of 30 U.S.C. § 226(e), it must be shown that actual drilling operations were being prosecuted on the leasehold on the last day of the lease term, with good faith intent to complete a producing well. Good faith attempts to initiate "actual drilling operations" which are frustrated by inclement weather, personnel shortages and equipment failures so that "actual drilling operations" are not being prosecuted on the lease on the last day of the lease term do not serve to gain the lease an extension.

APPEARANCES: Burton W. Hancock, pro se.

OPINION BY ADMINISTRATIVE JUDGE HENRIQUES

Appellant Burton Hancock, by assignment dated December 1, 1966, acquired oil and gas leases U-1065 and U-1531 in the Bar X-Stateline gas field in Grand County, Utah. These leases had been issued effective December 1, 1966, for a primary term of 10 years, with the right to a 2-year extension in the event that the lease holder was engaged in diligent drilling operations at the expiration of the primary lease term. 30 U.S.C. § 226(e) (1970); 43 CFR 3107.2-2. On November 10, 1976, appellant presented notices of intention to drill on the leased tracts to the U.S. Geological

Survey for environmental review and approval. Due to a series of mechanical mishaps and extreme inclement weather, actual drilling did not commence until after the expiration of the primary terms of the leases. By decision dated December 10, 1976, the Utah State Office, Bureau of Land Management, stated there was no diligent drilling operation on either lease as of November 30, 1976, and denied extension of the leases in question. Hancock appeals from this State Office decision.

In support of his appeal, appellant notes that during the 4-day period prior to the end of his lease term, the U.S. Weather Station in Grand Junction, Colorado, recorded temperatures which generally equalled or surpassed the coldest prior readings for those dates since the year 1892. In addition to the record cold, appellant's drilling crew was hampered by dry, powdery silt which collected along the access road to the drilling site and on the drilling area itself when the crew reached the site on November 30, 1976.

The record cold temperatures, as described above, gave rise to a series of mechanical difficulties but for which appellant's work crew would probably have been drilling on the lease sites prior to the expiration of those lease terms at midnight, November 30. Appellant's statement of reasons describes in detail the delays which attended the failure of a truck battery due to the cold, the subsequent breaking of a battery clamp, and the failure of a frozen drilling rig mast. Appellant urges that his concededly heroic efforts at spudding wells on these lease sites in the face of these numerous difficulties, in itself, constitutes "diligent operations" within the meaning of 43 CFR 3107.2-2. We cannot agree.

[1] 43 CFR 3107.2-2 defines "diligent operations" for purposes of the continuation or extension of a primary lease term:

§ 3107.2-2 Diligent operations.

Actual drilling operations must be conducted in such a way as to be an effort which one seriously looking for oil or gas could be expected to make in that particular area, given existing knowledge of geologic and other pertinent facts.

In testing the facts of the present case against the legal standard set out by the above section, we find that the words "actual drilling operations" are dispositive of this appeal. While the phrase "actual drilling operations" is, itself defined for purposes of the Act as including "not only the physical drilling of a well but the testing, completing or equipping of such well * * *" (43 CFR 3107.2-1(a)), the qualifying activities

other than physical drilling, all contemplate the prior initiation of physical drilling. One cannot test, complete, or equip a well which has not been drilled, and appellant, however determined his efforts may have been, did not begin to drill a well before the expiration of his leases.

In Inexco Oil Company, 20 IBLA 134, 136 (1975), we held that where a lessee had taken preliminary steps toward drilling but had not actually commenced such operations before the end of the lease term, the preparatory work was insufficient to permit an extension of the lease. See also Rajac Industries, Inc., 26 IBLA 202 (1976); Michigan Oil Co., 71 I.D. 263 (1964). Similarly in D. T. Cook, 20 IBLA 315 (1975), we stated that, "to qualify for the extension the evidence must show that actual drilling operations were diligently pursued on the leasehold on the last day of the lease * * *."

Appellant Hancock held the leases in question for 10 years and mere preparations for drilling in the final days of the term, however diligent such efforts may have been, will not negate appellant's failure to commence actual drilling operations on the leasehold prior to the deadline, midnight, November 30, 1976.

Accordingly, 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 affirmed.

Douglas E. Henriques
Administrative Judge

We concur:

Joan B. Thompson
Administrative Judge

Martin Ritvo
Administrative Judge