

B. D. PRICE

IBLA 78-4

Decided March 22, 1979

Appeal from decision of the New Mexico State Office, Bureau of Land Management, rejecting high bid for competitive oil and gas lease NM-A 31438 (Okla.).

Affirmed.

1. Oil and Gas Leases: Competitive Leases

Under 43 CFR 3120.3-1, rejection of the high bid tendered for a parcel of land offered at a sale of competitive oil and gas leases will be affirmed where there is a rational basis for the conclusion that the highest bid was too low.

APPEARANCES: B. D. Price, pro se.

OPINION BY ADMINISTRATIVE JUDGE GOSS

B. D. Price has appealed from the August 30, 1977, decision of the New Mexico State Office, Bureau of Land Management, which rejected his high bid on competitive oil and gas lease NM-A 31438 (Okla.), for the stated reason that appellant's bid of \$2.40 per acre was inadequate. The Geological Survey's lease sale committee determined that the minimum acceptable bonus would be \$20 per acre.

On appeal, appellant contends that Geological Survey had not taken into account a second dry hole drilled in the same section as the parcel applied for. He further contends that the nearest producing well to this tract was a gas well which has gone to salt water and which has been plugged and abandoned by Amoco. A letter from Amoco submitted by the appellant confirms that Amoco was unable to eliminate large volumes of associated produced water at the onset of gas sales, and it subsequently abandoned the Morrow zone in the well.

Amoco states, however: "We are presently evaluating the wellbore for possible recompletion opportunities \* \* \*." Appellant finally argues that availability of the parcel was published and sent to every possible bidder, that there was only one other bidder besides himself, and that his bid therefore reflects the true fair-market value of the lease. He feels the bid should be accepted to encourage development of these less desirable tracts.

[1] Under 43 CFR 3120.3-1, the United States reserves the right to reject any and all bids submitted at a competitive oil and gas lease sale. Rejection of the high bid tendered for a parcel of land offered at a sale will be affirmed on appeal where the case file contains uncontradicted memoranda from the U.S. Geological Survey sufficient to establish a rational basis for the conclusion that the highest bid was too low. Frances J. Richmond, 29 IBLA 137 (1977).

As one of the reasons for the evaluation, a Geological Survey memorandum refers to a nearby well which is described as a "good gas well, producing from the Morrow Formation." Survey cites the possibility that a Morrow gas reservoir may extend through the area; if such a reservoir is found and developed, appellant's leaser may share in the production. It is not clear whether that well is the same Morrow formation well which appellant claims Amoco abandoned. Nevertheless, appellant has not responded to the Geological Survey memorandum nor furnished further information from Amoco as to the recompletion of its well. The following further observations were made by the Geological Survey in its lease evaluation:

This parcel is located in the South Fort Supply field. Oil and gas production has been found in Pennsylvanian, Mississippian, and Hunton Formations in the area. The erratic occurrence of production in this area, coupled with the past bidding history, indicates that neither a dry hole nor a depleted well in a section discourages additional drilling in the same section. Consequently, lands in sections containing dry holes continue to receive lease bonus bids in the range of \$20.00 to \$35.00 per acre.

In view of the values for nearby lands, we see no basis for the assertion that the lands are worth a bonus bid of only \$2.40 per acre.

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 affirmed.

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Joseph W. Goss  
Administrative Judge

We concur.

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Joan B. Thompson  
Administrative Judge

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Douglas E. Henriques  
Administrative Judge