

TEXACO, INC.

IBLA 78-202

Decided April 27, 1979

Appeal from the decision of the New Mexico State Office, Bureau of Land Management, denying application for renewal lease NM-25742.

Affirmed.

1. Oil and Gas Leases: Extensions—Oil and Gas Leases: Renewals—Oil and Gas Leases: Twenty-Year Leases—Oil and Gas Leases: Unit and Cooperative Agreements

A 20-year oil and gas lease which has been renewed for successive 10-year periods, and which at the time of expiration of a 10-year period is committed to an approved unit plan of development, is not entitled to another 10-year renewal, but can be extended only pursuant to 30 U.S.C. § 226(j) (1970).

APPEARANCES: Paul W. Eaton, Jr., Esq., of Hinkle, Cox, Eaton, Coffield & Hensley, Roswell, New Mexico, for appellant.

OPINION BY ADMINISTRATIVE JUDGE GOSS

Texaco, Inc., appeals from the January 4, 1978, decision of the New Mexico State Office, Bureau of Land Management (BLM), rejecting Texaco's application for renewal of oil and gas lease NM-25742. The original lease was issued in 1936 for a 20-year term with a preferential right to renew for successive 10-year terms. The most recent renewal was issued December 1, 1967. In 1973, this renewal lease was partially unitized and the portion committed to the Rhodes-Yates Unit was segregated in 1975 and assigned Serial Number NM-25742. The appeal concerns that portion of the original lease.

Texaco applied for a 10-year renewal in June 1977. BLM determined that since the lease was then subject to an approved unit agreement, the 10-year renewal period was no longer applicable. Therefore, BLM rejected the application.

Appellant contends that section 17(j) of the Mineral Leasing Act, 30 U.S.C. § 266(j) (1976), extends leases committed to a unit agreement for the duration of the unit, and has no bearing on 10-year lease renewals. It should not be construed in derogation of property rights. Appellant notes that once a lease has been dropped from a unit agreement, it may be renewed according to the original lease terms. H. Leslie Parker, 62 I.D. 88 (1955); Omaha National Bank, 11 IBLA 174 (1973). Appellant claims that leases remaining in a unit agreement should be able to opt for renewal either according to the original lease terms or according to section 266(j).

Appellant also contends that lease renewal potential is a contract right which cannot be abrogated without the consent of the parties involved. The unit agreement constitutes a contract. Approval by a representative of the Secretary of the Interior makes Interior a party to the lease owners' contract. This unit agreement, submitted only in part, apparently does not refer to 10-year renewals specifically but is presumed to include them. The unit contract is modeled on section 18 of the prototype published in 30 CFR 226 (1951).

[1] The issue here is whether or not section 17(j) of the Mineral Leasing Act, 30 U.S.C. § 226(j) (1976) provides the sole means of extending a lease subject to a unit agreement. This section provides:

Any lease issued for a term of twenty years, or any renewal thereof, or any portion of such lease that has become the subject of a cooperative or unit plan of development or operation of a pool, field, or like area, which plan has the approval of the Secretary of the Interior, shall continue in force until the termination of such plan.

The section also provides for the treatment of paying leases which have been eliminated from unit agreements.

Any lease which shall be eliminated from any such approved or prescribed plan, or from any communitization or drilling agreement authorized by this section, and any lease which shall be in effect at the termination of any such approved or prescribed plan, or at the termination of any such communitization or drilling agreement, unless relinquished, shall continue in effect for the original term thereof, but for not less than two years, and so long thereafter as oil or gas is produced in paying quantities.

This section has been repeatedly construed, sometimes, appellants argue, with inconsistent and arbitrary results. Texaco, Inc., 76 I.D. 196 (1969), held that renewal options were unavailable to leases included in unit agreements at the end of their terms. However, H. Leslie Parker, *supra*, allowed an extension by production where a lease had been dropped from its unit before the end of the lease term. Martin Yates III, 7 IBLA 261 (1972) and Anne Burnett Tandy, 7 IBLA 356

(1972), both followed the rationale in Texaco, Inc., 76 I.D. 196 (1969), for leases still subject to unit agreements. The Board in Omaha National Bank, *supra*, determined that a 10-year renewal lease which had been dropped from a unit prior to the end of its lease term was entitled to further renewal. These decisions established the following dichotomy. A renewed 20-year lease which ends its renewal term as part of a unit, may be extended only through the end of the unit plus 2 years and so long thereafter as oil and gas is produced in paying quantities, according to 30 U.S.C. § 226(j). A renewed 20-year lease which is no longer part of a unit agreement may be either extended by production or renewed. Both Anne Burnett Tandy, 33 IBLA 106 (1977), which arose on facts virtually identical to those at hand, and Texaco, Inc., 33 IBLA 296 (1978) (also very similar facts) followed Texaco, Inc., 76 I.D. 196 (1969) and denied an option to renew independent of the unit agreement.

The purpose of a cooperative unit is coordinated management of an aggregate of leases as one entity, in order to achieve conservation and maximum efficiency. So long as a given lease is subject to a plan, the lease is to continue in force as a part of that plan. 30 U.S.C. § 226(j). The statute does not contemplate separate management of individual leases within the unit.

This decision does not detract from appellant's property or contract rights. The lease and its subsequent unitization agreement were from the outset made subject to statutory provisions allowing the exclusive extension provision for leases included in units at the end of their lease terms. The provisions of the unit agreement, being based on regulation, were not intended to conflict with the mandates of the statute.

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.

Joseph W. Goss
Administrative Judge

We concur.

Frederick Fishman
Administrative Judge

Douglas E. Henriques
Administrative Judge

