

INTERIOR BOARD OF LAND APPEALS

Newiel, Inc.

130 IBLA 298 (August 30, 1994)

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Appeal from a decision of the Eastern States Office, Bureau of Land Management, rejecting oil and gas lease offer LAES 45789.

Affirmed.

1. Oil and Gas Leases: Lands Subject To

Land subject to an outstanding lease is not available for leasing, and an offer to lease land subject to an outstanding lease is properly rejected.

APPEARANCES: John M. Shuey, Jr., Esq., Shreveport, Louisiana, for appellant; M. Dennis Dougherty, Esq., Office of the Solicitor, U.S. Department of the Interior, Washington, D.C., for the Bureau of Land Management.

OPINION BY ADMINISTRATIVE JUDGE MULLEN

This is an appeal of a January 13, 1993, decision by the Eastern States Office, Bureau of Land Management (BLM), rejecting oil and gas lease offer LAES 45789, filed on March 30, 1992, by Newiel, Inc. (Newiel). Newiel's offer to lease land described as the W $\frac{1}{2}$  SE $\frac{1}{4}$ , sec. 30, T. 18 N., R. 16 W., Longwood Field, Louisiana Meridian, Caddo Parish, Louisiana, was rejected by BLM on January 13, 1993, because the land described in the lease offer was then subject to oil and gas lease LAES 33848 at the time of the offer. <sup>1/</sup>

In its statement of reasons Newiel states that the wells drilled in the land subject to lease LAES 33848 had not produced since 1988, were not regularly operated, did produce, and were abandoned. Newiel contends that the land subject to that lease was available for leasing because lease LAES 33848, which had a 5-year primary term, was not being maintained by production. It also suggests various proposals and conditions under which it would accept a lease. Alternatively, Newiel seeks return of the \$185 submitted with lease offer LAES 45789.

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<sup>1/</sup> BLM also noted that when its decision became final the \$185 minimum bid and first year's rental would be refunded.

The lease identified as LAES 33848 was issued on December 1, 1984, with a primary term of 5 years. Knightsbridge Petroleum Corporation was designated as operator on December 6, 1985, and drilled the USA No. 1 through USA No. 6 (all producing wells) on the leased ground. In May 1987, Knightsbridge filed for bankruptcy, and liens were placed on the USA No. 5 and USA No. 6 wells. Knightsbridge then sold its assets, including operating rights of the USA No. 1 through USA No. 6 wells to United Houston Oil and Gas.

At some time prior to February 1988, the lease was given shut-in status. <sup>2/</sup> On April 3, 1992, BLM's Jackson, Mississippi, District Office notified the Eastern States Office that the term of lease LAES 33848 had been extended by wells capable of production, and that the lease remained in effect. On April 8, 1992, the Jackson District Office granted economic suspension of production requirements until May 31, 1993, noting its finding that prevailing market conditions rendered the operation of stripper/ marginal oil or gas wells uneconomic. On March 5, 1993, BLM notified the lessee that lease suspension would automatically terminate on May 31, 1993, and that the wells must either be in production or plugged by the May 31 date.

BLM seeks dismissal of the appeal because Newiel is not interested in acquiring the lease without changing lease terms and conditions and has, in effect, withdrawn its original offer.

[1] The dispositive circumstance in this case is that lands subject to an outstanding lease are not available for leasing, and an offer to lease lands subject to an outstanding lease is properly rejected. Robert B. Bunn, 102 IBLA 292, 295 (1988); Zoe Schluter, 93 IBLA 314 (1986); David A. Provinse, 45 IBLA 111, 114 (1980). When oil and gas lease offer LAES 45789 was filed on March 30, 1992, the lease identified as lease LAES 33848 had been extended by the wells capable of production, BLM had not directed the lessee to resume production, and BLM was precluded from accepting lease offer LAES 45789. Accordingly, BLM properly rejected lease offer LAES 45789.

We find no merit in BLM's contention that the appeal should be dismissed because the statement of reasons sets out conditions regarding the lease the appellant would accept. The proposed conditions of acceptance set out in the statement of reasons were not addressed in the decision now on appeal, and are not subject to our review. Gabriel Energy Corp. v. OSM, 122 IBLA 316, 323 (1992). However, the statement of reasons did contain sufficient argument of error to sustain an appeal. See Score International, 78 IBLA 142 (1983).

<sup>2/</sup> Memorandum dated Feb. 3, 1989, from BLM's Jackson, Mississippi, District Office, to the Deputy State Director, Mineral Resources.

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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R. W. Mullen  
Administrative Judge

I concur:

Gail M. Frazier \_\_\_\_\_  
Administrative Judge

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