of any lease, have the lease cancelled as to the portion surrendered and be relieved from all subsequent obligations and liabilities. If the lease, or portion being surrendered, is owned in undivided interests by more than one party, then all parties shall join in the application for cancellation. Provided, That if this lease has been recorded, Lessee shall execute a release and record the same in the proper office. Such surrender shall not entitle Lessee to a refund of the unused portion of rental paid in lieu of development, nor shall it relieve Lessee and his sureties of any obligation and liability incurred prior to such surrender: Provided further, That when there is a partial surrender of any lease and the acreage to be retained is less than 160 acres or there is a surrender of a separate horizon, such surrender shall become effective only with the consent of the Osage Tribal Council and approval of the Superintendent.

§ 226.4 Form of payment.

Sums due under a lease contract and/or the regulations in this part shall be paid by cash or check made payable to the Bureau of Indian Affairs and delivered to the Osage Agency, Pawhuska, Oklahoma 74056. Such sums shall be a prior lien on all equipment and unsold oil on the leased premises.

§ 226.5 Leases subject to current regulations.

Leases issued pursuant to this part shall be subject to the current regulations of the Secretary, all of which are made a part of such leases: Provided, That no amendment or change of such regulations made after the approval of any lease shall operate to affect the term of the lease, rate of royalty, rental, or acreage unless agreed to by both parties and approved by the Superintendent.

§ 226.6 Bonds.

Lessees shall furnish with each lease a corporate surety bond acceptable to the Superintendent as follows: (a) A bond on Form D shall be filed with each lease submitted for approval. Such bond shall be in an amount of not less than $5,000 for each quarter section or fractional quarter section covered by said lease: Provided, however, That one bond in the penal sum or not less than $50,000 may be filed on Form G covering all oil, gas and combination oil and gas leases not in excess of 10,240 acres to which Lessee is or may become a party.

(b) In lieu of the bonds required under paragraph (a) of this section, a bond in the penal sum of $150,000 may be filed on Form 5-5438 for full nationwide coverage of all leases, without geographic or acreage limitation, to which the Lessee is or may become a party.

(c) A bond on Form H shall be filed in an amount of not less than $5,000 covering a lease acquired through assignment where the assignee does not have a collective bond on form G or nationwide bond, or the corporate surety does not execute its consent to remain bound under the original bond given to secure the faithful performance of the terms and conditions of the lease.

(d) The right is specifically reserved to increase the amount of bonds prescribed in paragraphs (a) and (c) of this section in any particular case when the Superintendent deems it proper. The nationwide bond may be increased at any time in the discretion of the Secretary.

§ 226.7 Provisions of forms made a part of the regulations.

Leases, assignments, and supporting instruments shall be in the form prescribed by the Secretary, and such forms are hereby made a part of the regulations.

§ 226.8 Corporation and corporate information.

(a) If the applicant for a lease is a corporation, it shall file evidence of authority of its officers to execute papers; and with its first application it shall also file a certified copy of its Articles of Incorporation and, if foreign to the State of Oklahoma, evidence showing compliance with the corporation laws thereof.
(b) Whenever deemed advisable the Superintendent may require a corpora-
tion to file any additional information
necessary to carry out the purpose and
intent of the regulations in this part,
and such information shall be fur-
nished within a reasonable time.

§ 226.9 Rental and drilling obligations.

(a) Oil leases, gas leases, and com-
bination oil and gas leases. Unless Les-
see shall complete and place on produc-
tion a well producing and selling oil
and/or gas in paying quantities on the
land embraced within the lease within
12 months from the date of approval of
the lease, or as otherwise provided in
the lease terms, or 12 months from the
date the Superintendent consents to
drilling on any restricted homestead
selection, the lease shall terminate un-
less rental at the rate of not less than
$1 per acre for an oil or gas lease, or
not less than $2.00 per acre for a com-
bination oil and gas lease, shall be paid
before the end of the first year of the
lease. The lease may also be held for
the remainder of its primary term
without drilling upon payment of the
specified rental annually in advance,
commencing with the second lease
year. The lease shall terminate as of
the due date of the rental unless such
rental shall be received by the Super-
intendent, or shall have been mailed as
indicated by postmark on or before
said date. The completion of a well pro-
ducing in paying quantities shall, for
so long as such production continues,
relieve Lessee from any further pay-
ment of rental, except that should such
production cease during the primary
term the lease may be continued only
during the remaining primary term of
the lease by payment of advance rental
which shall commence on the next an-
viversary date of the lease. Rental
shall be paid on the basis of a full year
and no refund will be made of advance
rental paid in compliance with the reg-
ulations in this part: Provided, That
the Superintendent in his discretion
may order further development of any
leased acreage or separate horizon if, in
his opinion, a prudent operator would
conduct further development. If Lessee
refuses to comply, the refusal will be
considered a violation of the lease
terms and said lease shall be subject to
 cancellation as to the acreage or hori-
zon the further development of which
was ordered: Provided further, That the
Superintendent may impose restric-
tions as to time of drilling and rate of
production from any well or wells when
in his judgment, such action may be
necessary or proper for the protection
of the natural resources of the leased
land and the interests of the Osage
Tribe. The superintendent may con-
sider, among other things, Federal and
Oklahoma laws regulating either drill-
ing or production. If a lessee holds both
an oil lease and a gas lease covering
the same acreage, such lessee is subject
to the provisions of this section as to
both the oil lease and the gas lease.

(b) Provided, That
the Superintendent in his discretion
may order further development of any
leased acreage or separate horizon if, in
his opinion, a prudent operator would
conduct further development. If Lessee
refuses to comply, the refusal will be
considered a violation of the lease
terms and said lease shall be subject to
cancellation as to the acreage or hori-
zon the further development of which
was ordered: Provided further, That the
Superintendent may impose restric-
tions as to time of drilling and rate of
production from any well or wells when
in his judgment, such action may be
necessary or proper for the protection
of the natural resources of the leased
land and the interests of the Osage
Tribe. The superintendent may con-
sider, among other things, Federal and
Oklahoma laws regulating either drill-
ing or production. If a lessee holds both
an oil lease and a gas lease covering
the same acreage, such lessee is subject
to the provisions of this section as to
both the oil lease and the gas lease.

§ 226.10 Term of lease.

Leases issued hereunder shall be for a
primary term as established by the
Osage Tribal Council, approved by the
Superintendent, and so stated in the
notice of sale of such leases and so long
thereafter as the minerals specified are
produced in paying quantities.

§ 226.11 Royalty payments.

(a) Royalty on oil—(1) Royalty rate.
Lessee shall pay or cause to be paid to
the Superintendent, as royalty, the
sum of not less than 16% percent of the
gross proceeds from sales after deduct-
ing the oil used by Lessee for develop-
ment and operation purposes on the
lease: Provided, That when the quantity
of oil taken from all the producing
wells on any quarter-section or frac-
tion thereof, according to the public
survey, during any calendar month is
sufficient to average one hundred or
more barrels per active producing well
per day the royalty on such oil shall be
not less than 20 percent. The Osage