depth unless other arrangements there-
for are made with the superintendent;
pay all damages to crops, buildings,
and other improvements on the prem-
ises occasioned by the lessee’s oper-
ations: Provided, That the lessee shall
not be held responsible for delays or

casualties occasioned by causes beyond
his control.

§ 227.23 Wells.
The lessee shall agree (a) to drill and
produce all wells necessary to offset or
predict the leased land from drainage
by wells on adjoining lands not the
property of the lessor, or in lieu there-
of, compensate the lessor in full each
month for the estimated loss of royalty
through drainage: Provided, That during
the period of supervision by the
Secretary of the Interior, the necessity
for offset wells shall be determined by
the supervisor and payment in lieu of
drilling and producing shall be with the
consent of, and in an amount deter-
mined by the Secretary of the Interior;
(b) at the election of the lessee to drill
and produce other wells: Provided, That
the right to drill and produce such
other wells shall be subject to any sys-
tem of well spacing or production al-
lotments authorized and approved
under the applicable law or regula-
tions, approved by the Secretary of the
Interior and affecting the field or area
in which the leased lands are situated;
and (c) if the lessee elects not to drill
and produce such other wells for any
period the Secretary of the Interior
may, within 10 days after due notice in
writing, either require the drilling and
production of such wells to the number
necessary, in his opinion, to insure rea-
sonable diligence in the development
and operation of the property, or may
in lieu of such additional diligent drill-
ing and production require the pay-
ment on and after the first anniversary
date of the lease of not to exceed $1 per
acre per annum, which sum shall be in
addition to any rental or royalty here-
in specified.

§ 227.24 Penalties.
Failure of the lessee to comply with
any provisions of the lease, of the oper-
ating regulations, of the regulations in
this part, orders of the superintendent
or his representative, or of the orders
of the supervisor or his representative,
shall subject the lessee to a penalty of
not more than $500 per day for each day
the terms of the lease, the regulations,
or such orders are violated: Provided,
That the lessee shall be entitled to no-
tice, and hearing within 30 days after
such notice, with respect to the terms
of the lease, regulations, or orders vio-
lated, which hearing shall be held by
the supervisor, whose findings shall be
conclusive unless an appeal be taken to
the Secretary of the Interior within 30
days after notice of the supervisor’s de-
cision, and the decision of the Sec-
retary of the Interior upon appeal shall
be conclusive.

§ 227.25 Inspection of premises, books
and accounts.
Lessee shall agree to allow the lessor
and his agents or any authorized rep-
resentative of the Interior Department
to enter, from time to time, upon and
into all parts of the leased premises for
the purposes of inspection and shall
further agree to keep a full and correct
account of all operations and make re-
ports thereof, as required by the appli-
cable regulations of the Department;
and their books and records, showing
manner of operations and persons in-
terested, shall be open at all times for
examination of such officers of the De-
partment as shall be instructed in writ-
ing by the Secretary of the Interior or
authorized by regulations, to make
such examination.

§ 227.26 Assignments and overriding
royalties.
(a) Leases, or any interest therein,
may be assigned or transferred only
with the approval of the Secretary of
the Interior, and to procure such ap-
proval the assignee must be qualified
to hold such lease under existing rules
and regulations, and shall furnish a
satisfactory bond for the faithful per-
formance of the covenants and condi-
tions thereof. No lease or any interest
therein, or the use of such lease, shall
be assigned, sublet, or transferred di-
rectly or indirectly, by working or
drilling contract, or otherwise without
the consent of the Secretary of the In-
terior. Assignments of leases shall be
filed with the superintendent within 20
days after the date of execution.