

Form 3000-17\*  
March 1986

110586  
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED  
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CRIS No. 1986-088  
Expires January 31, 1986

Serial No. **W-43112**

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (bureau) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-399), the Attorney General's Opinion of April 2, 1962 (36 OP. Atty. Gen. 493), or the

Read Instructions Before Completing

1. Name **A. E. Milner**  
Street **1835 Bootleggers Cove**  
City, State, Zip Code **Anchorage, AK 99501**

2. This offer/lease is for:  PUBLIC DOMAIN LANDS  ACQUIRED LANDS (specify U.S. interest \_\_\_\_\_)  
Surface managing agency if other than BLM: \_\_\_\_\_

Legal description of land requested:  
T. **28 N., S. 52 E., Section 14, Mt. Diablo** Size **Nevada** County **Eureka**

- sec. 2, Lots 1 thru 10, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$  (All);
- sec. 10, NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ ;
- sec. 11, Lots 6, 9, 10, NW $\frac{1}{4}$ SE $\frac{1}{4}$ ;
- sec. 12, NW $\frac{1}{4}$ ;
- sec. 13, W $\frac{1}{2}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ ;
- sec. 14, Lots 1 thru 10, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ ;
- sec. 34, E $\frac{1}{2}$ ;
- sec. 35, All;
- sec. 36, W $\frac{1}{2}$ .

Amount received: Filing fee \$ **75.00** Rent for \$ **4537.00** Total acres applied for **4536.85**  
Total \$ **4612.00**

A. Land included in lease:  
T. \_\_\_\_\_ S. \_\_\_\_\_ Section \_\_\_\_\_ Size \_\_\_\_\_ County \_\_\_\_\_

**SAME AS ITEM 2**

**NOT IN A KNOWN GEOLOGIC STRUCTURE.**

Total acres in lease **4536.85**  
Rent amount \$ **4537.00**

In accordance with the above offer, or the previously submitted applications for oil and gas lease applications or competitive bid, this lease is being granted the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in item 3 together with the right to hold and maintain necessary improvements thereupon for the term indicated below, subject to removal or expiration in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and federal orders in effect as of lease execution, and to regulations and federal orders hereafter promulgated when not inconsistent with laws herein granted or specific provisions of this lease.

- Type and primary term of lease:
- Simultaneous noncompetitive lease (ten years)
  - Regular noncompetitive lease (ten years)
  - Competitive lease (five years)
  - Other \_\_\_\_\_

THE UNITED STATES OF AMERICA  
by *Martin S. Dahl* Agency Official  
Chief, Branch of Lands & Minerals Operations **APR 10 1986**

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EFFECTIVE DATE OF LEASE **MAY 01 1986**

\*Formally 3110-1, 2, 3, 3120-1, 7, 3130-4, 5, and 7)

4. (a) Undersigned certifies that (1) offeror is a citizen of the United States, an association of such citizens, a municipality, or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) all persons holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offeror's chargeable interests, debts and liabilities, to either public domain or acquired lands do not exceed 200,000 acres in oil and gas rights or 246,000 acres in oil and gas leases in the lease State, or 300,000 acres in leases and 300,000 acres in options in certain leasing District in Alaska; and (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offeror has been given notice, and any amendments or separate lease that may include any land described in this offer open to leasing; as the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before the lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this 27<sup>th</sup> day of MARCH, 19 86.

*[Signature]*  
 Captain of Lease or Attorney-in-Fact

**LEASE TERMS**

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

- (a) Semiconsecutive noncompetitive lease, \$1.00 for the first 5 years, thereafter, \$3.00;
- (b) Regular noncompetitive lease, \$1.00;
- (c) Competitive lease, \$2.00; or
- (d) Other, see attachment.

If all or part of a noncompetitive leasehold is determined to be within a known geological structure or a favorable petroleum geological province, annual rental shall become \$2.00, beginning with the lease year following notice of such determination. However, a lease that would otherwise be subject to rental of more than \$2.00 shall continue to be subject to the higher rental.

If this lease or a portion thereof is commuted to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, interest rentals shall continue to be due at the rate specified in (a), (b), (c), or (d) for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or unit official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

- (a) Semiconsecutive noncompetitive lease, 12 1/2 %;
- (b) Regular noncompetitive lease, 12 1/2 %;
- (c) Competitive lease, see attachment; or
- (d) Other, see attachment.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production shall be delivered, unless otherwise agreed to by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessor shall not be required to load such production in storage beyond the last day of the month following the month in which production occurred, nor shall lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessor.

Minimum royalty shall be due for any lease year after discovery in which royalty payments aggregate less than \$1.00 per acre. Lessor shall pay no difference at end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

An interest charge shall be assessed on late royalty payments or underpayments as accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (96 Stat. 2447). Lessor shall be liable for royalty payments on oil and gas lost or wasted from a lease one when such loss or waste is due to negligence on the part of the operator, or due to the lessee's failure to comply with any rule, regulation, order, or action issued under FOGRMA or the leasing authority.

Sec. 3. Bonds—Lessor shall file and maintain any bond required under regulations.

Sec. 4. Diligence, care of development, maintenance, and drainage—Lessor shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production as the public interest and to require lessee to participate in a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from drainage of any compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspections—Lessor shall file with proper office of lessor not later than 30 days after effective date thereof, any contract or evidence of other arrangements for sale or disposal of production. At such times used in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold; proceeds therefrom, and amount used for production purposes or unavailability, but Lessee may be required to provide plans and schematic diagrams showing development work and improvements, and reports with respect to various activities, expenditures, and depreciation costs. In the form prescribed by lessor, lessee shall keep a daily drilling record; a log, stratigraphic well logs and logs, and a record of substantial investigations and Bureau copies to lessee which represent Lessee's shall keep open as all documents, maps, and surveys with authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessor shall maintain copies of all contracts, lease agreements, accounting records, and documentation such as billings, invoices, or similar documents.

supports costs claimed in manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting office for future audit by lessor. Lessee shall maintain accurate records for 5 years after they are prepared or, if in audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessor shall conduct operations in a manner that maximizes ultimate recovery to the least land and injury to cultural, biological, visual, and other resources, and to other land uses or uses. Lessee shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease terms granted, such measures may include, but are not limited to, modifications to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or substantial interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require measures or special studies to determine the extent of impacts on other resources. Lessee may be required to complete major investigations or short term special studies under guidelines provided by lessor. If, in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unexamined environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations—To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessor reserves the option of extracting or leaving unmined helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessor or owner of the gas. Lessee shall include in any contract or rule of gas the provisions of this section.

Sec. 9. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall cease and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall: pay when due all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessee reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee shall comply with section 7E of the Mineral Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessor's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal sublease by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the contractual obligations of the lease and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place affected wells in condition for suspension or abandonment, unless the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of productive wells.

Sec. 13. Forfeitures in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation. Lessee shall also be subject to applicable provisions and penalties of FOGRMA (96 Stat. 2447). However, if the lease includes land known to contain valuable deposits of sand resources, it may be cancelled only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 14. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, assigns, or assignees of the respective parties herein.

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
NEVADA STATE OFFICE

P.O. Box 12000  
Reno, Nevada 89520

IN REPLY REFER TO:

N-43112  
3112A  
(NY-943.3)

Certified Mail  
Return Receipt Requested

June 25, 1986

DECISION

A. E. Milner  
1835 Bootleggers Cove  
Anchorage, AK 99501

:  
: Oil and Gas  
:

LEASE CORRECTED

An error was made as to the total number of acres for simultaneous oil and gas lease N-43112. The complete land description is as follows:

T. 28 N., R. 52 E., MDM, Nevada, Eureka County

- sec. 2, lots 1 thru 10, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$  (A11);
- sec. 10, N $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ ;
- sec. 11, lots 6, 9, 10, NW $\frac{1}{4}$ SE $\frac{1}{4}$ ;
- sec. 12, W $\frac{1}{2}$ ;
- sec. 13, W $\frac{1}{2}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ ;
- sec. 14, lots 1 thru 10, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ ;
- sec. 34, E $\frac{1}{2}$ ;
- sec. 35, A11;
- sec. 36, W $\frac{1}{2}$ .

Total: 3766.57 acres

This decision is hereby made a part of the oil and gas lease mentioned above. All other terms and conditions of the lease remain unchanged.

If you have any questions please contact Joan Woodin at (702) 784-5703.

RECORDED AT THE REQUEST OF  
Rene Koshich  
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Marla B. Bohl, Chief  
Branch of Lands and Minerals Operations

'87 AUG 11 P3:04

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
M.N. RECORDS SECTION  
FILE NO. 110586  
FEE \$ 7.00

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