

Form 3130-11\*  
March 1960

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
**110592**

FIELD APPROVED  
BLM No. 1284-0028  
Expires January 31, 1986  
Serial No. **N-43114**

**OFFER TO LEASE AND LEASE FOR OIL AND GAS**

The undersigned (reverts) 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. 351-359), the Attorney General's Opinion of April 2, 1941 (48 Op. Atty. Gen. 41), or the

Read Instructions Before Completing

1. Name **HNG Oil Company**

Street **P.O. Box 2267**

City, State, Zip Code **Midland, Texas 79702**

2. The offer/lease is for: (Check Only One)  PUBLIC DOMAIN LANDS  ACQUIRED LANDS (specify U.S. interest \_\_\_\_\_)

Surface managing agency if other than BLM: \_\_\_\_\_

Line/Project \_\_\_\_\_

Legal description of land requested:

T. **30 N.** R. **52 E.** Meridian **Mt. Diablo** State **Nevada** County **Eureka**

sec. 4, Lots 1, 2, 3, 4, SW $\frac{1}{4}$ , S $\frac{1}{2}$  (A11);  
sec. 10, A11;  
sec. 16, E $\frac{1}{2}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ ;  
sec. 22, A11;  
sec. 28, N $\frac{1}{2}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ ;  
sec. 32, W $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ .

Amount received: Filing fee \$ **75.00**

Rental fee \$ **3043.00**

Total acres applied for **3042.26**  
Total \$ **3118.00**

3. Land included in lease:

DO NOT WRITE BELOW THIS LINE

T. \_\_\_\_\_ R. \_\_\_\_\_ Meridian \_\_\_\_\_ State \_\_\_\_\_ County \_\_\_\_\_

**SAME AS ITEM 2**

**NOT IN A KNOWN GEOLOGIC  
STRUCTURE.**

Total acres in lease **3042.26**  
Rental received \$ **3043.00**

In compliance with the above offer, or the previously submitted simultaneous oil and gas lease application or competitive bid, this lease is issued granting 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 build and maintain necessary improvements thereon for the term indicated below, subject to removal or extension 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 formal orders in effect as of lease inception, and to regulations and formal orders hereafter promulgated which are not inconsistent with lease rights 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 Mark A. Sohl (Signed Official)  
Chief, Branch of Lands  
& Minerals Operations **APR 10 1986**

EFFECTIVE DATE OF LEASE **MAY 01 1986**

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

4. (A) Undersecretary certifies that (1) offeror is a citizen of the United States, an association of such citizens, a partnership, or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) all parcels holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authority; (3) offeror's chargeable interests, direct and indirect, in either public domain or assigned lands do not exceed 200,000 acres in oil and gas systems or 246,080 acres in options and leases in the State of, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska; and (4) offeror is not considered a miner under the laws of the State in which the lands covered by this offer are located.

(B) Undersecretary 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 amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but claimed for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, until the withdrawal is received by the BLM State Office before this bid, 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 accepted and will afford offeror the priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. 10 U.S.C. Sec. 1991 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 in any manner within its jurisdiction.

HNG OIL COMPANY

Duly executed this 14th day of March 19 86

BY:

Robert A. May, Agent & Attorney-in-fact

Evidence of Authority of Agent and Attorney-in-fact  
to execute this Corporation qualification file  
104-0009 and is still in effect.

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) Simultaneous 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 attachments.

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 second 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 the lessee or a person thereof is committed 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, annual 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 for each official working day of office is closed shall automatically terminate this lease in 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) Simultaneous noncompetitive lease, 12 1/2 %;
- (b) Regular noncompetitive lease, 12 1/2 %;
- (c) Competitive lease, see attachment; or
- (d) Other, see attachments.

Lessee 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 lessee, in merchantable condition on the premises where produced without cost to lessee. Lessee shall not be required to locate 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 lessee.

Minimum royalties shall be due for any lease year after discovery in which royalty payments aggregate less than \$1.00 per acre. Lessee shall pay such 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 annual charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (96 Stat. 2467). Lessee shall be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or maximum amount under FOGRMA or the leasing authority.

Sec. 3. Bonds—Lessor shall file and maintain surety 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 mineral resources. Lessor reserves rights to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operations of area, field, or pool containing these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage an amount determined by lessee.

Sec. 5. Documents, evidence, and inspection—Lessor shall file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee shall furnish detailed accounting showing quantity and quality of all production removed and sold, proceeds therefrom, and amounts paid for production purposes or otherwise lawfully levied. Lessee may be required to provide plans and geologic diagrams showing development work and operations, and provide well respect to perforations in reservoir, completions, and production logs. In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and harness except to lesser when required. Lessee shall keep open at all reasonable times for inspection by any 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 assignments on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that

supports costs claimed in manufacturing, preparation, and transportation costs. All such records shall be maintained in lessor's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessee.

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—Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of equipment and fluid reclamation measures. Lessee reserves the right to complete existing and to authorize future uses open for in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be advised of procedures to be followed and modifications or reclamation measures that may be necessary. Action to be disturbed may require inventories or special studies to determine the extent of impacts in other resources. Lessee may be required to complete minor inventories 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 unanticipated 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, lessee reserves the right to deny approval of such operations.

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

Sec. 9. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage to barns or 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 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 28 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. Lessee shall save any 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 subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—As each time as all or portions of this lease are returned to lessor, lessee shall place affected wells in condition for inspection or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove improvement and improvements not deemed necessary by lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provision of this lease, and the non-compliance 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 leased 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, beneficiaries, or assigns of the respective parties hereto.

PRAIRIE FALCON SPECIAL STIPULATION

The following described lands have been identified as favorable habitat supporting relatively high population densities of prairie falcons. Therefore, prior to entry onto the lands within the described areas, the lessee (operator) will discuss the proposed activities jointly with the appropriate Bureau of Land Management's authorized officer who may require additional measures for the protection of prairie falcons. Such measures may include:

- a. No surface occupancy of selected areas;
- b. Restriction of activity near nest sites during the months of March through June.

Description of Lands

Parcel NV-160

RECORDED AT THE REQUEST OF  
Lane Kasrich  
BOOK 161 PAGE 312

'87 AUG 11 P3:05

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
M.N. REGALATI, RECORDER  
FILE NO. 110592  
FEE \$ 7.00

All lands