

AUG 06 1987

110704  
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0202  
Expires January 31, 1986

Serial No.

H-46503

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (reverse) 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. 181-188), the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-359), the Attorney General's Consent of April 2, 1941 (40 C.F.R. 201.41), and the Secretary certifies compliance with qualifications concerning Federal coal lease holdings provided in Sec. 2(a)(2)(A) of M.L.A. Read instructions before completing.

1. Name: The Anschutz Corporation  
Street: 2400 Anaconda Tower  
555 Seventeenth Street  
City, State, Zip Code: Denver, CO 80202

2. This offer/lease is for: (Check Only One)  PUBLIC DOMAIN LANDS  ACQUIRED LANDS (pursuant to U.S. interest \_\_\_\_\_)  
Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project: \_\_\_\_\_  
Legal description of land requested:  
T. 27 N. R. 51 E. Meridian Mount Diablo State Nevada County Eureka  
sec. 19, lots 1, 2, E1/4, NE1/4.

Amount estimated: Filing fee \$ 75.00 Rental fee \$ 315.00  
Total acres applied for 314.21  
Total \$ 390.00

3. Land included in lease: DO NOT WRITE BELOW THIS LINE  
T. \_\_\_\_\_ R. \_\_\_\_\_ Meridian \_\_\_\_\_ State \_\_\_\_\_ County \_\_\_\_\_  
SAME AS ITEM 2

NOT IN A KNOWN  
GEOLOGICAL STRUCTURE

Total acres in lease 314.21  
Rental received \$ 315.00

In accordance 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 thereupon for the term indicated below, subject to renewal or extension at accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached regulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with 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  
*Richard S. Bond*  
Chief, Branch of Lands and Minerals Operations (Signing Officer)  
JUL 31 1987  
EFFECTIVE DATE OF LEASE AUG 01 1987

\*Formerly 3110-1, 2, 3, 3120-1, 7, 3130-4, 5, and 7) BOOK 161 PAGE 457 NV-5627-A

4. (a) Undergo and convey that (1) offeror is a citizen of the United States, an association of such citizens, a state, territory, 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 plan provides ingress, egress and egress, direct and indirect, to either public domain or acquired lands do not exceed 200,000 acres in oil and gas options or 240,000 acres in options and leases in the same State, or 300,000 acres in Alaska and 200,000 acres in options in either 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) Undergo and convey that the offeror (1) understands 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 upon its leasing in the same State as in the case 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 this lease, an amendment to this lease, or a separate lease, whichever occurs the least described in the withdrawal, has been signed on behalf of the United States.  
This offer, with its rejection and withdrawal, is given no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required paperwork. 19 U.S.C. Sec. 1901 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.  
Regulatory certifies compliance with qualifications concerning Federal coal lease holdings provided in Sections 801 and 802 of the Mineral Leasing Act of 1920.

Duly executed this 1st day of July 19 87  
THE ANSCHUTZ CORPORATION  
Julian J. King ASST. VICE PRESIDENT

**LEASE TERMS**

**Sec. 1. Rentals**—Rentals shall be paid to proper office of lessee 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 geographically defined petroleum geologic province, annual rental shall be less than \$1.00 beginning with the lease year 1988 to a date of such determination. However, a lease that would otherwise be subject to rental of more than \$3.00 shall continue to be subject to the higher rental.

If this lease or a portion thereof is converted to an approved cooperative or unit plan which includes a well program of producing leased resources and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to non-lease. However, annual rentals shall continue to be due at the rate specified in (a), (b), (c), or (d) for these lands and until a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease for next official working day of office is deemed to be a voluntary termination of 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 received or sold. Royalty rates are:

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

Lessee reserves the right to specify whether royalty is to be paid in value of oil and gas, 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. Where 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. Lessee shall not be required to hold 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 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 if otherwise justified.

An interest charge shall be assessed on late royalty payments on underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1962 (FROGMA) to 40 Stat. 297-71. Lessee shall remain liable for royalty payments on oil and gas lost or wasted from a lease site which is left less or worse as a result of negligence or the fault of the operator, or due to the fault of lessee, with any rule, regulation, order, or condition issued under FROGMA or the leasing authority.

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

**Sec. 4. Obligations:** care of developments, operations, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to land or to waste oil and gas resources. Lessor reserves the right to specify rates of development and production in the public interest and to require lessee to submit to a cooperative unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, project, or production in leased lands. Lessee shall drill and produce waste oil and gas to prevent waste and to drain to pay compensation results to drainage in amount determined by area.

**Sec. 5. Documents, returns, and inspection**—Lessee shall file with proper office of lessor, not later than 30 days after effective date thereof, any contracts, or evidence of other agreements for sale or disposition of production. As such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of oil, products removed and sold, shall provide information showing amounts and quality of oil, products removed and sold. Lessee may be required to provide plans and schemes, diagrams, show of development work and improvements, and reports with respect to parties in interest, operations, and disposition costs to 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 trends copies to lessor when requested. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, equipment, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, lease agreements, accretion records, and documentation such as catalogs, invoices, or similar documents that

support 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 records for 5 years after they are generated if, in an audit or investigation is underway, and released to the auditor to maintain such records by law.

Nothing contained in this lease, information contained 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, soil and water, soil 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: construction to siting or design of facilities, timing of operations, and appropriate safety of operations. Lessee shall also take other measures, timing of operations, and appropriate safety of operations. Lessee reserves the right to determine the timing and safety of operations and to suspend future operations upon or in the leased lands, including the approval of operations or rights-of-way. Such operations shall be conducted so as to prevent unnecessary or unreasonable interference with rights of lessor.

Prior to disturbing the surface of the leased land, lessor shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed that require modifications or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If as the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are involved, lessor 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 having extracted helium from gas production in a manner specified and by means provided by lessor at no expense to him or 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**—Lessor shall pay lessor for damage to lessor's improvements, and shall use such funds to leave lessor free from all claims for damage or harm to persons or property as a result of lease operations.

**Sec. 10. Promotion of diverse interests and equal opportunity**—Lessor 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 or sale of wages at least twice each month in lawful to employees of the United States, and shall make a safe working environment in accordance with standard industry practices, and take whatever 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 speculation. Lessor operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated according to oil derived from these leased lands, lessor shall comply with section 28 of the National Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11246 of September 24, 1966, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessor nor lessee's subcontractors shall maintain segregated facilities.

**Sec. 11. Transfer of lease interests and relinquishment of lease**—As required by regulations, lessor shall file with state any assignment or other transfer of an interest in this lease. Lessor 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. Driveway of premises**—At such time as all or portions of this lease are returned to lessor, lessor shall install affected wells in condition for suspension or abandonment, reclaim 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 producible wells.

**Sec. 13. Proceedings in case of default**—If lessee fails to comply with any provisions 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 FROGMA (40 Stat. 297-71). However, if this lease includes land known to contain valuable deposits of mineral resources, it may be terminated 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. Hours and successive interests**—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall extend to and inure to the benefit of, lessee, successors, beneficiaries, or assignees of the lessee.

WARRANTED, PLEASE RETURN  
THE ANSCHUTZ CORPORATION  
2400 ANACONDA TOWER  
DENVER, COLORADO 80202

BOOK 161 PAGE 458 93574

RECORDED AT THE REQUEST OF  
*Aschute Corporation*  
BOOK 161 PAGE 457

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OFFICIAL RECORDS  
EUREKA COUNTY CLERK  
H.M. REBALL 110764  
FILE NO. \_\_\_\_\_  
FEE \$ 7.00

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