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Form 3100-114  
(March 1960)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTPROM APPROVED  
OMB No. 1604-0008  
Expires January 31, 1986

Serial No.

## OFFER TO LEASE AND LEASE FOR OIL AND GAS

N-47183

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 et seq.), the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 OP. Att'y. Gen. 41), or the <sup>signature certifies compliance with qualifications concerning Federal coal leases before completing</sup>

1. Name *John Anschutz Corporation*Street 2400 Anaconda Tower  
55 Seventeenth Street  
City, State, Zip Code Denver, CO 80202

2. This offer/lease is for: (Check Only One)

 PUBLIC DOMAIN LANDS ACQUIRED LANDS (per acre U.S. dollars \_\_\_\_\_)

Surface managing agency if other than BLM:

Legal description of land requested:

T. 21 N. R. 52 E.  
(Pro. Dia. No. 166)  
sec. 1, A11;  
sec. 12, A11;  
sec. 13, A11;  
sec. 24, A11;  
sec. 25, A11.

Mendan Mount Diablo State Nevada County Eureka

Amount remitted: Filing fee \$ 75.00

Rental fee \$ 3302.00

Total acres applied for 3302.00

Total \$ 3277.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. R. Mendan State County

SAME AS ITEM 2

NOT IN A KNOWN  
GEOLOGICAL STRUCTURETotal acres in lease 3302.00  
3302.00

Rental retained \$

In accordance with the above offer, or 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 renewal 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 issuance, and to regulations and formal orders hereafter promulgated when 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

*Mark D. Cook*  
Chief, Branch of Lands  
and Minerals Operations

(Signature)

NOV 20 1987

(Date)

DEC 01 1987

EFFECTIVE DATE OF LEASE

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

NV-5636-2

BOOK 170 PAGE 002

4. (a) Under-signed 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 partners holding an interest in the offer are in compliance with 43 CFR 1100 and the leasing authority; (3) offeror is a chargeable lessee, direct and indirect in either public domain or acquired lands, or has exceed 260,000 acres in oil and gas regions or 240,000 acres in coal and mineral areas in the same State, or 500,000 acres in leases and 1,000,000 acres in options in either leasing District in Alaska; and (4) offeror is not under a lease or a permit under the laws of the State in which the lands covered by this offer are located.

(b) Under-signed agrees that signature to this offer connotes acceptance of this lease, including all terms, conditions, and stipulations of which offer, has been given hereto, and an amendment or separate lease that may include any term described in this offer upon its being at the time this offer was made not required 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 covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford 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 wilfully to furnish any information which is false, fictitious, or fraudulent, or to make any statement or representation as to any matter within its jurisdiction.

Duly executed this 13th day of November 1981

Lillian J. Lantz

(Signature of Lessee or Agent 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) Simultaneous noncompetitive lease, \$1.00 for the first 5 years, thereafter, \$3.00;
- (b) Regular, no-competitive lease, \$1.00;
- (c) Competitive lease, \$2.00;
- (d) Other, see attachment.

If all or part of a non-competitive leasehold is determined to be within a known geological structure or a favorable petroleum, geophysical 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 committed to an approved cooperative 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 within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day) if the 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 lessor.

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, no-competitive lease, 12 1/2%;
- (c) Competitive lease, see attachment;
- (d) Other, see attachment.

Lessor reserves the right to specify whether royalty is to be paid in value, in-kind, and the right to establish reasonable minimum values for products after giving 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 that shall be delivered, unless otherwise agreed to by lessor, in increments, the condition of the premises where produced without cost to lessor. Lessor shall not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, or to shall lessor be held liable for loss or destruction of royalty or of 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 not be waived, suspended, or reduced, and the above royalty rate 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 in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (43 CFR 1124.7). Lessor 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 statute issued under FOGRMA or the leasing authority.

Sec. 3. Books - Lessor shall file and maintain all books required under regulations.

Sec. 4. Diligence, rate of development, utilization, 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 in the public interest and to require lessor to subscribe to a cooperative unit plan, with in 30 days of notice, if deemed necessary for proper development and operation of area field, or pool encompassing these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from damage or loss, proportionately, resulting from drainage in amount determined by lessor.

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 of existence, or other arrangement for sale or disposal of products. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, processes therefrom, and amounts used for production purposes or unmarketable by lessor. Lessor may be required to provide plans and schematic drawings showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. 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 furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor the leased premises and all wells, underground machinery, and fixtures thereon, and all books, account maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessor shall maintain copies of all contracts, sales agreements, accounting records, and documentation law in holdings, sources, or similar documentation that

supports claim, claim of manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessor's accounting offices for future audit by lessor. Lease 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 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. Conservation of operators - Lessor 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. Lessor shall take reasonable measures determined necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may be hide, but are not limited to, modifications to using or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing use and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-ways. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessor.

Prior to disturbing the surface of the leased lands, 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 may require inventories or special studies to determine the extent of impact to other resources. Lessor may be required to complete major 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 archaeological significance or significant effects are observed, lessor shall immediately contact lessor. Lessor shall cease any operation 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 operation.

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 lessor or owner of the gas. Lessor 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 have 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 - Lessor shall pay when due all legally assessed and levied other taxes of the State or the United States, general and 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.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent kickbacks. If lessor operates a pipeline or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated as lessor, or is derived from these leased lands, lessor shall comply with section 28 of the Mineral Leasing Act of 1920.

Lessor shall comply with Executive Order No. 11240 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessor nor lessor's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interest and relinquishment of lease - As required by regulations, lessor shall file with lessor's assignment or other transfer of an interest in this lease. Lessor may request this lease or any right 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 lessor 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, lessor shall place affected wells in condition for suspension or abandonment, return the land as specified by lessor and, within a reasonable period of time, remove equipment and large vehicles not deemed necessary or lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default - If lessor 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. Lessor shall also be subject to applicable provisions and penalties of FOGRMA (43 CFR 1124.7). However, if this 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 available remedy, including waiver of the default. Any such remedy, or waiver shall not prevent lessor cancellation for the same default occurring at any other time.

WHEN RECORDED, PLEASE RETURN TO THE ANSCHUTZ CORPORATION, 2400 ANACONDA TOWER, DENVER, COLORADO 80202

9423

RECORDED AT THE REQUEST OF  
*The Anschutz Corporation*  
BOOK 170 PAGE 002

87 DEC 10 P1:39

OFFICIAL RECORDS  
EUREKA COUNTY, NEVADA  
M.N. REBAL - CITY RECORDER  
FILE NO. 111914  
FEE \$ 7.00

BOOK 170 PAGE 004