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Form 3140-11*
March 1980UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTDRAFT APPROVED
OMB No. 1604-0009
Expires January 31, 1988
Serial No. 11-47107

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 et seq.); the Mineral Leasing Act to Acquired Lands (30 U.S.C. 351-359); the Attorney General's Opinion of April 2, 1941 (40 OP. Att'y. Gen. 41) or other ^{Land Information System} ~~Land Information System~~ ^{Information} ~~Information~~ ^{Competing} ~~Competing~~ qualifications concerning Federal coal ^{and} oil and gas leases provided in Sec. 2(a)(2)(f) of "H".

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

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

 PUBLIC DOMAIN LANDS ACQUIRED LANDS (please U.S. interest _____)

Surface managing agency if other than BLM: _____

Unit/Project: _____

Legal description of land requested:

T. 10 N. R. 53 E. Meridian Mount Diablo, State Nevada County Fureka

sec. 1, lots 1, 2, 3, 5, 6, 7, S1SW1, S1SE1;	sec. 2, lots 2 thru 6, S1S1;
sec. 3, lots 1, 2, 3, 4, S1S1;	sec. 4, lots 1, 2, 3, 4, S1S1;
sec. 5, lots 1, 2, 3, 4, S1S1;	sec. 6, lots 1 thru 5, S1SW1, S1SE1;
sec. 7, lots 1, 2, 3, 4, E1W1, E1;	sec. 10, lots 1, 2, 3, 4, W1SW1, W1SE1, S1SE1;
sec. 9, All;	sec. 11, All.

Total acres applied for _____

Amount retained: Filing fee \$ 75.00

Rental fee \$ 4000.00

Total \$ 4000.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. 10 N. R. 53 E. Meridian State County

SAME AS ITEM 2

NOT IN A KNOWN
GEOLOGICAL STRUCTURE

Total acre in lease 40.00

Rental retained \$ 3000.00

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 2 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 _____

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

THE UNITED STATES OF AMERICA

by *Marta B. Bohl*
Chief, Office of Lands
and Minerals Operations

(Signed Officer)

NOV 20 1987

(Title) DEC 01 1987

(Date)

EFFECTIVE DATE OF LEASE

NV-5636-F

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4. (a) Undersigned certifies that (1) offeror is a citizen of the United States; an association of such citizens, a municipality or a corporation incorporated under the laws of the United States or of any State or Territory thereof; (2) all parties holding an interest in the offer are in compliance with 43 CFR 1.104 and the leasing authority of offeror; (3) no public interest, direct and indirect, in either public domain or acquired lands do not exceed 20,000 acres in oil and gas rights or 460,000 acres in mineral and leases in the same State; (4) 100,000 acres in leases 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) Undersigned agrees that signature to this offer constitutes acceptance of the lease, including all terms, conditions, and stipulations of this offer, has been given freely, and any amendment or supplemental agreement that may be made to any land described in this offer open to leasing at the time this offer was filed will remain in effect from that date. The undersigned 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 is awarded in favor of a separate lease, whichever comes first, the land described in the offer, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no presents if it is not properly completed and executed in accordance with the regulations. If it is not accompanied by the required payments, 10 U.S.C. Sec. 1001 makes it a crime for any person knowingly and wilfully 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. Signature certifies compliance with qualifications concerning Federal coal lease holdings provided in Section 2(b)(2)(A) of the Mineral Leasing Act.

Duly executed this 13th day of November 1987

JHE ANSCHUTZ CORPORATION

Lillian J. Dentz ASST. VICE PRESIDENT

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 non-competitive lease, \$1.00 for the first 5 years, thereafter, \$1.00;
- (b) Regular non-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 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 at rate of \$1.00 shall continue to be subject to the higher rental.

If this lease or a portion thereof is committed to an approved cooperative oil and gas 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 (next official working day 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) Simultaneous non-competitive lease, 12 1/2%;
- (b) Regular non-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 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, or 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 lessor 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 payment aggregate less than \$1 per acre. Lessor shall pay such different amount of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates shall 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 (FUGRMA), 43 CFR 1.233. 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 citation issued under FUGRMA or the leasing authority.

Sec. 3. Bonds - Lessor shall file and maintain any bonds required under regulations.

Sec. 4. Diligence, care, development, utilization, and drainage - Lessor shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to lessor or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest, and to require lessor to curtail or cease operations or unit production within 30 days or more if deemed necessary for proper development and operation of lease field, or prevent encroaching on these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from damage or pay compensation for damage 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 contracts or evidence of other arrangement for sale or disposal of production. At such time and in such form as lessor may prescribe, lessor shall furnish detailed statements showing amounts and qualities of all products removed and sold, proceeds therefrom, and amount used for production purposes or unreasonably lost. Lessor may proceed therefrom, and amount used for production purposes or unreasonably lost. Lessor may be required to provide plans and schematic diagrams showing de-employment work, and in the form prescribed by lessor. Lessor 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. Lessor shall keep open 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 relating to operations, surveys, or investigations on or in the leased lands. Lessor shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billsings, invoices, or similar documentation the

supporting documents as furnished during the preparation and negotiation of this lease. All such records shall be maintained in lessor's accounting offices for future audit by lesser. Lessor shall retain, transmitted by electronic mail, as soon as they are generated, if an audit or investigation is under way, and forward to the Secretary to obtain such records by lesser.

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

Sec. 6. Conservation of lease - Lessor shall conduct operations in a manner that minimizes surface impact to the land and shall take measures to minimize damage necessary by lessor to accomplish its intended purpose. In the event of a violation of lease rights granted such measures, including, but not limited to, reworking, plowing, or dredging of the surface, timing of operations, and specific areas of activity, and shall require timely remediation. Lessor reserves the right to prohibit specific activities, and shall require timely remediation of such activities. Such acts shall be conducted so as to prevent unnecessary damage to the surface and to reduce costs.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of actions required to follow. Lessor may require certain rehabilitation measures that lessor feels are necessary. A copy of the documents, including results of special studies to determine the extent of any impact to other resources, required shall be required to complete surface development or short term special studies, including, but not limited to, soil testing, if in the conduct of operations there is a change in the composition of soil, location of scientific, cultural, or historical significance or environmental effects are observed. If lessor shall find any unauthorized contact, lessor shall cause appropriate action to be taken to correct the problem, or to mitigate the effects.

Sec. 7. Mining operations - Lessor shall require that impacts from mining operations would be substantially different in nature than those areas used with normal drilling operations. Lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of gases - Lessor reserves the option of extracting or having extracted from gas in leasehold interest a percentage of gas produced and to be leased provided by lessor after extraction of gas from leasehold interest in the gas. Lessor shall include in its contract or lease of gas the percentage of gas reserved.

Sec. 9. Damage to property - Lessor shall pay for damage to lessor's improvements and structures and for damages to lessor's property for damage or harm to persons or property or a violation of lease.

Sec. 10. Protection of minerals and equal opportunity - Lessor shall pay when due all taxes legally assessable and levied under laws of the State or the United States, except as otherwise required by law, for oil and gas production, at least one month in advance of the end of the month of the taxable period, and shall make a reasonable effort to cooperate with standard industry practices, and take other reasonable measures to prevent the health and safety of the public.

Lessor reserves the right to market the production as oil at reasonable prices and to prevent monopoly. If a co-operation pipeline or other company holding interest in a pipeline or a company operating a pipeline or unit is unable to obtain access to or delivery from the leased lands, lessor shall contact the Secretary of the Mineral Leasing Act, or MIA.

Lessor shall contact the Secretary of the MIA, either No. 1124 or September 24, 1986, as amended, and shall advise him/her of any changes in the Secretary of Labor issued parts thereto. Neither lessor nor lessee shall be liable for any failure of the Secretary of Labor issued regulations.

Sec. 11. Transfer of lease interests and relinquishment of lease - As required by regulations, lessor shall file a written notice with the other transferor of an interest in this lease. Lessor may transfer all or a portion of his interest in this lease by filing in the proper office a written relinquishment affidavit, which affidavit may be filed in the name of lessee, subject to the continued obligation of the interest holder to fulfill all obligations and liabilities.

Sec. 12. Delivery of production - Lessor shall file a written notice of his lease to return to lessor, lessor shall place notice, with a copy of a signed instrument relinquishing the lease, and as specified by lessor, as well as a written relinquishment affidavit, removing equipment and improvements and any other property of lessor for consideration of producible wells.

Sec. 13. Proceedings in case of default - It is lessor's duty 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. Lessor shall also be subject to applicable penalties and penalties of the Mineral Leasing Act. However, if this lease includes land or water to obtain valuable oil or gas, and lessor is unable to pay in cash or in kind, or by means of proceedings, this provision regarding a failed lease may be waived only by mutual proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedies including recovery of the amount due, or if no remedy is available, lessor shall not prevent lessor's cancellation of the lease.

WHEN RECORDED, PLEASE RETURN TO THE ANSCHUTZ CORPORATION
2400 ANACONDA TOWER
DENVER, COLORADO 80202 9423

RECORDED AT THE REQUEST OF
The Cinechutty Corporation
BOOK 70 PAGE 008

87 DEC 10 P1:39

OFFICIAL RECORDS OF
EUREKA COUNTY, NEVADA
M.M. READER 11491A
FILE NO. 7001
FEE \$.75

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