

115903

NO 35345

Form 3140-119
March 1980UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTPHONE APPROVED
OMB No. 1804-0009
Expires January 31, 1986

Serial No.

H-47192

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (offeror) 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 Order of April 2, 1941 (40 CFR, App. Gen. 41, 41 CFR 359.2). Signatory certifies compliance with qualifications concerning Federal and State laws and regulations provided in Sec. 2(a)(2)(A) of SLM.

1. Name **Meridian 21 Inc.**Street **P. O. Box 1855**City, State, Zip Code **Billings, MT 59103**2. This offer/lease is for: PUBLIC DOMAIN LANDS ACQUIRED LANDS (former U.S. mineral)

Surface managing agency if other than BLM _____

Unit/Project _____

Legal description of land requested:

T.	R.	Section	Mountain	State	Nevada	County	Eureka
(Pro. Plat. No. 166)							
sec. 20, A11;		sec. 20, A11;					
sec. 21, A11;		sec. 21, A11;					
sec. 22, A11;		sec. 22, A11;					
sec. 23, A11;		sec. 23, A11;					
sec. 24, A11;		sec. 24, A11;					
sec. 25, A11;		sec. 25, A11;					
sec. 26, A11;		sec. 26, A11;					
sec. 27, A11;		sec. 27, A11;					
sec. 28, A11;		sec. 28, A11;					
Amount requested: Filing fee \$	75.00	Rental fee \$	8150.00	Total acres applied for	5160.00		
				Total \$	5225.00		

3. Land included in lease:

T.	R.	Mountain	State	County
SAME AS ITEM 2				

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9:00 A.M. DEC 07 1987

NEVADA STATE OFFICE
RENO, NEVADA

NOT IN A KNOWN
GEOLOGICAL STRUCTURE

Total acres to lease **5160.00**
Rental required **\$ 8150.00**

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 structures thereon for the term indicated below, subject to renewal or extension in accordance with the appropriate issuing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached requirements of this lease; the Secretary of the Interior's regulations and formal orders in effect at time 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 (one year)
- Regular noncompetitive lease (two years)
- Competitive lease (five years)
- Other _____

(Formerly 3140-1, 2, 3, 3140-3, 7, 3140-4, 8, and 7)

THE UNITED STATES OF AMERICA
Marta B. Boe
 by Chief, Branch of Lands and Minerals Operations JAN 08 1988
(Signature) (Title) (Date)

EFFECTIVE DATE OF LEASE **FEB 01 1988**

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4. (a) Undersigned certifies that (i) offer 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; (ii) all parties holding an interest in the offer are in compliance with all OMB Rule and the leasing authorities; (iii) offer is a geologic interest, interest and extract, in either public domain or acquired lands do not exceed 200,000 acres oil and gas rights or 100,000 acres surface and leases in the same place, or 300,000 acres oil and 200,000 acres in option or other leasing issues in Alaska; and (iv) offer is not considered a lease under the laws of the State in which the lands covered by the offer are located.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions, and requirements which offer has been given above, and any amendment or separate lease that may include any land described in this offer, upon leasing at the time this offer was filed and reported to be ready for lease from this date. The offer further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawer is advised to the BLM State Office before that 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 withdrawer.

This offer will be reported 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 payment. 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and故意ly 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. Signatory certifies compliance with requirements concerning interest and

lease holdings provided in Section 114(d)(2) of the Mineral Leasing Act.

Duly executed this 25th day of November 1987

MERTLAND OIL INC.

Division of Lease & Recovery of Rent

By *BD Fuchs*

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 non-competitive lease, \$1.00 for the first 3 years, thereafter, \$1.00;
- (b) Regular non-competitive lease, \$1.00;
- (c) Competitive lease, \$1.00;
- (d) Other, see attachment.

If all or part of a participating 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 is sold otherwise or subject to a rent 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 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 or the next official working day, offer or claim shall automatically terminate that lease, except as to oil and gas rights 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 lessee. Royalties shall be computed in accordance with regulations no products 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, or
- (d) Other, see attachment.

Lessee reserves the right to specify where royalties is to be paid in value or kind, and the right to establish reasonable methods via lease products after giving lessor notice and an opportunity to be heard. When paid in kind, royalties shall be due and payable on the last day of the month following the month in which products were received. When paid in kind, production shall be delivered, where otherwise agreed to by lessee, in marketable condition on the premises where produced without cost to lessee. 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 lessee.

Minimum royalties shall be due for an lease year after the year in which royalty payments aggregate less than \$100 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 shall be reduced, for all or portions of this lease if the Secretary determines that such actions are 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 of underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (P.L. No. 97-248). Lessee shall be liable for royalty payments on oil and gas held or wasted from a lease site when such waste is used to negotiate the part of the lease necessary to use the lease to comply with any rule, regulation, or statute issued under available or the leasing authority.

Sec. 3. Bonds - Lessee shall file and maintain any bond required under regulations.

Sec. 4. Drilling, rate of development, utilization, and drainage - Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to lands or waste of leased resources. Lessee reserves right to pay rates of development and production in the public interest and to require lessee to submit to the appropriate unit plan, within 30 days of notice of demand necessary, for further development and operation of area, field, or project embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensation, royalty or damages as determined by lessee.

Sec. 5. Documentation, evidence, and inspection - Lessee shall file with proper office of lessee, no later than 30 days after effective date thereof, any contracts evidencing of other arrangements for use or disposal of products. As such bonds and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, products theretofore, and amounts used for production purposes or unmarketable oil. Lessee may be required to provide plans and schedules, diagrams showing development work and improvements, and reports with respect to portions of interest, expenditures, and depreciation costs. In the form prescribed by lessee, lessee shall keep a daily drilling record, a log, information, well history and test, 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 lessee, all leased premises and oil wells, storage tanks, oil batteries, and fixtures thereon, and all books, documents, maps and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, lease agreements, accounting ledger or, and documentation such as budgets, invoices, or similar documents that

support costs claimed as deductible, depreciation, and/or transportation costs. All such records shall be maintained in a manner which is consistent with the nature and use of lessee. Lessee shall maintain required records for 6 years after they are generated or, if no audit or investigation is under way, until released of the obligation to maintain such records by order.

During existence of this lease, information obtained under this section shall be used to determine the liability of lessee under the provisions of Information Act 5 U.S.C. 552.

Sec. 6. Operations - Lessee shall conduct operations in a manner that minimizes adverse effects to the lands and waters in the vicinity, technological, visual, and other resources and to other land users. Lessee shall take reasonable measures necessary by lease or agreement with the operator of the lease. In the event consistent with lease rights granted, such measures may include, but not be limited to, restrictions on waste, design of facilities, timing of operations, and avoidance of sensitive areas and final reclamation measures. Lessee reserves the right to remove existing leasehold structures before lease is given up on the leased lands, including the approval of consequences of right of way. Such acts shall be conditioned so as to prevent damage to or unreasonable interference with rights of others.

Prior to commencing the work of the leased lands, lessee shall contact lessee to be apprised of gas pipelines or other leases and obtain permission therefrom that may be necessary.

After so informed, lessee may request information or special studies to determine the effects of impacts to other resources. Lessee may be required to complete minor surveys or short term special studies under guidance given by lessee or by lessor. If in the conduct of operations, threatened or ongoing, and specific, expected damage to sensitive areas, or substantial human-caused environmental effects are predicted, 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 that are consistent with impacts from mining operations would be substantially different or greater than those associated with normal drilling operations. Lessee reserves the right to determine appropriate such operations.

Sec. 8. Irrigation - Irrigation of lands determines the option of extracting or having removed certain free gas production in a manner specified and to be borne provided by lessee at the expense or time of lease or service of the gas, lessor shall include in any contract or use of gas the percentage of the gas.

Sec. 9. Damages - Property - Lessee shall pay lessee the damage to lessee's improvements and shall have available to sue for damages from all claims for damage or harm to persons or property as a result of its operations.

Sec. 10. Pollution - Pollution - Lessee shall pay when for all legally accrued and valid debts of the State of the United States, accrued all expenses, including the cost of purchase, plus all reasonable interest each month on federal taxes of the United States, incurred in any action, enforcement or otherwise, in accordance with standard industry practices, and any other expenses necessary to protect the health and safety of the public.

Lessee reserves the right to lease, that production is sold at reasonable prices and to prevent monopolies. If lessee's operations produce oil or gas resulting therefrom in a popular or a company operating a pipeline, which is or is operated according to oil derived from the leased lands, lessor may charge with severance oil the Minerals Leasing Act of 1920.

Sec. 11. Lease cancellation - Lessee may cancel this lease or any interest in an interest in this lease. Lessee may require cancellation of lease or any interest in an interest in this lease by filing a proper notice of intent to cancel the lease, which notice shall be effective as of the date of filing, subject to the minimum duration of the lease, and subject to pay all accrued rentals and penalties.

Sec. 12. Delivery of pictures - As much time as all or portions of this lease are retained to lease, or for that place affected by lease or in violation for suspension or abandonment, reduces the use as specified by lessor and within a reasonable period of time, remove equipment and improvements and deemed necessary by lessor for protection of probable wells.

Sec. 13. Proceedings in court - Lessee - If lessor fails to comply with any provisions of this lease, and the lessor obtains judgment less than 30 days after notice under threat, this lessor shall be subject to cancellation. Lessee shall also be subject to applicable provisions and procedures of the NIMSA or Stat. 431. However, if the lessor violates land laws to conduct a lawful deposit of leased resources, it may be relieved only by just cause proceedings. This procedure shall not be construed to prevent the lessor by lease or any other legal and equitable remedy, including evictions or default, such timely or reason shall prevent lessor from canceling the same default occurring at any other time.

Sec. 14. Holes and recessions or crevices - Each depression of this lease shall extend to and be binding upon, and every new interest shall have to the lessor, successors, assignees, heirs, executors, beneficiaries, or assigns of the respective parties hereto.

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NOTICE TO LESSEE

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 201(a)(2)(A), requires that any entity that holds and has held a Federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by coal lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease with respect to compliance by the initial lessee with qualifications concerning Federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if: (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A) or (2) because of a denial or disapproval by a State Office of a pending coal action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

Information regarding assignor or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

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9:00 A.M. DEC 07 1987

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RENO, NEVADA

RECORDED AT THE REQUEST OF
Meridian Oil
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OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
MINERAL TITLE DEPARTMENT
FILE NO. 115903
FEE \$ 7.00

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