

115903

NO 35345

Form 3100-11*
04 March 1980

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0002
Expires January 31, 1986

Serial No.

OFFER TO LEASE AND LEASE FOR OIL AND GAS

N-47192

The undersigned (reverses) 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, 1961 (40 O.P. Am. Gen. 41), and the Secretary certifies compliance with qualifications concerning Federal and State land holdings provided in Sec. 2(a)(2)(A) of M.L.A.

1. Name Meridian Oil Inc.
Street P. O. Box 1855
City, State, Zip Code Billings, MT 59103

2. This offer/lease is for: (Check Only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (pursuant U.S. interest _____)
Surface managing agency if other than BLM _____ Unit/Project _____

Legal description of land requested:
T. 22 N. R. 53 E. Meridian Mount Diablo Sec Nevada County Eureka
(Pro. Pla. No. 166)
sec. 20, All;
sec. 21, All;
sec. 22, All;
sec. 23, All;
sec. 24, All;
sec. 25, All;
sec. 26, All;
sec. 27, All;
sec. 28, All;
sec. 29, All;
sec. 30, All;
sec. 31, All;
sec. 32, All;
Amount received: Filing fee \$ 75.00 Rental fee \$ 8150.00 Total acres applied for 2150.00
Total \$ 8225.00

3. Land included in lease: **DO NOT WRITE BELOW THIS LINE**
T. _____ R. _____ Meridian Sec Nevada County

SAME AS ITEM 2

RECEIVED
Bureau of Land Management
NEVADA LAND OFFICE
9:00 A.M. DEC 07 1987
NEVADA STATE OFFICE
RENO, NEVADA

NOT IN A KNOWN
GEOLOGICAL STRUCTURE

Total acres in lease 2150.00
Rental received \$ 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 3 together with the right to build and maintain necessary engineering structures thereupon 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; a of lease interests; 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 (see page)
 Regular noncompetitive lease (ten years)
 Competitive lease (five years)
 Other _____

THE UNITED STATES OF AMERICA
by Marla B. Bode
Chief, Branch of Lands and Minerals Operations (Signing Officer)
JAN 08 1988 (Date)
EFFECTIVE DATE OF LEASE FEB 01 1988 (Date)

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

4. (a) Underground centers that are offered as a lease in the United States, an association of such centers, a municipality, or a corporation organized under the laws of the United States or of any State or Territory thereof, and all parties holding an interest in the offer are in compliance with 27 U.S.C. 2333 and the leasing with areas of offshore oil and gas interests, except and unless, in other public domain or acquired lands do not exceed 200,000 acres and gas operations of the 200 acre in permits and leases in the same State or Territory area in lease and 200,000 acres in gas operations in other leasing interests in Alaska; and (b) offer is not considered a grant under the laws of the State or Territory in which the lands covered by this offer are located.

(b) Underground centers that are offered as a lease in the United States, an association of such centers, a municipality, or a corporation organized under the laws of the United States or of any State or Territory thereof, and all parties holding an interest in the offer are in compliance with 27 U.S.C. 2333 and the leasing with areas of offshore oil and gas interests, except and unless, in other public domain or acquired lands do not exceed 200,000 acres and gas operations of the 200 acre in permits and leases in the same State or Territory area in lease and 200,000 acres in gas operations in other leasing interests in Alaska; and (b) offer is not considered a grant under the laws of the State or Territory in which the lands covered by this offer are located.

This offer will be rejected and will afford no priority if it is not properly completed and returned 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 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. Registrars certify compliance with qualifications and procedures for lease holdings provided in Section 2(a)(1) of the Mineral Leasing Act.

Done this 25th day of November, 1987, at **MERTIDIAN OIL, INC.**
By **B.B. Rush**, Vice President
Agent of Lease or Attorney-in-Fact

Sec. 1. **Rentals**—Rentals shall be paid to proper office of leasee 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, \$1.00.
(b) Regular noncompetitive lease, \$1.00.
(c) Competitive lease, \$2.00.
(d) Other, see attachment.

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 increase \$2.00 beginning with the lease year following notice of such determination. However, a lease that is not otherwise in 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 assigned to an approved cooperative or similar plan, it includes a well capable of producing oil and gas, and the plan contains a provision for allocation of production, rentals shall be paid on the production allocated to the lease. However, annual rentals shall continue to be due at the rate specified in the lease for lands not within a participating area.

Failure to pay annual rental, in full, on or before the anniversary date of this lease or the next official working day if the lease is not automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a willfully showing by leasee.

Sec. 2. **Royalties**—Royalties shall be paid to proper office of leasee. 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.
(d) Other, see attachment.

Leasee reserves the right to specify what the royalty is to be paid in value or in kind, and the right to establish reasonable maximum value on products after giving leasee notice of its opportunity to be heard. When paid in kind, the royalty 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 leasee, in marketable condition on the premises where produced without cost to leasee. Leasee shall not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, and shall remain liable for loss or destruction of removed oil and gas or other products in storage from causes beyond the reasonable control of leasee.
Minimum royalties shall be due for any lease area after discovery in which royalty payments aggregate less than \$100 per acre. Leasee shall pay such difference at end of each year. This minimum royalty may be waived, suspended, reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such reduction is necessary to encourage the greatest ultimate recovery of the leased resources or to otherwise justify.
An interest charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Coal and Gas Royalty Management Act of 1982 (Pub. Law No. 97-247). Leasee shall be liable for royalty payments on oil and gas held in storage from a lease site when such oil and gas is due for shipment on the part of the operator, or due to the leasee in compliance with any rule, regulation, order, or other issued under F.R.E.I.B.A. of the leasing authority.

Sec. 3. **Books**—Leasee shall file and maintain any books required under regulations.

Sec. 4. **Diligence, rate of development, utilization, and drainage**—Leasee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary drainage to, loss of, or waste of leased resources. Leasee reserves the right to specify rates of development and production in the public interest and to require leasee to submit to the Department of the Interior, within 30 days of notice if deemed necessary, his proper development and operation of area, field, or plant embracing these leased lands. Leasee shall drill and produce well necessary to prevent material losses from drainage of pay components; royalty for drainage amount determined by leasee.

Sec. 5. **Discussions, evidence, and inspection**—Leasee shall file with proper office of leasee, not later than 30 days after effective date thereof, any contract or evidence of any arrangements for sale or disposal of production. As such terms and in such form as leasee may prescribe, leasee shall furnish detailed statements showing amount and quality of all products removed and sold, proceeds therefrom, and amounts used for production purposes or unavailability. Leasee may be required to provide plans and reports, diagrams showing development work and improvements, and reports with respect to production, expenditures, and depletion costs in the form prescribed by leasee. Leasee shall keep a daily drilling record, a log, information on well surveys and logs, and a record of subsurface investigations and furnish copies to leasee when requested. Leasee shall keep logs of all reasonable times for inspection by any substantial office of leasee, the Federal presence and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Leasee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as business invoices, or similar documents that

relate to this lease, including a copy of all correspondence and communications with the Bureau of Land Management, and shall make such records available for inspection by the Bureau of Land Management. All such records shall be maintained in a readily accessible form and shall be made available to the Bureau of Land Management upon request. Leasee shall make such records available for inspection by the Bureau of Land Management upon request. Leasee shall make such records available for inspection by the Bureau of Land Management upon request.

Nothing in this lease shall be construed to require leasee to conduct operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 6. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 7. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 8. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 9. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 10. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 11. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 12. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 13. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

Sec. 14. **Drilling operations**—Leasee shall not conduct drilling operations in a manner that constitutes adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public. Leasee shall take such steps as may be necessary to prevent such adverse effect to the land, air, and water resources, or to the health, safety, and welfare of the public.

NV-35345

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.

RECEIVED
Bur. of Land Management
NEVADA LAND OFFICE

9:00
A.M. DEC 07 1987

NEVADA STATE OFFICE
RENO, NEVADA

RECORDED AT THE REQUEST OF
Melvin O.
BOOK 172 PAGE 042

'88 JAN 26 AM 55

OFFICIAL RECORDS
SUTTER COUNTY, NEVADA
M.M. REHARZ, CLERK
FILE NO. 115903
FEE \$ 7.00

BOOK 172 PAGE 044