

115945

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Form 110-11
(August 1981)

Serial No.

E-47628

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (hereinafter referred to as "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 Opinion of April 2, 1963 (40 FR 17, Atts. Item 4). Signatory certifies compliance with qualifications concerning Federal coal leaseholdings provided in Sec. 208(2)(A) of the Mineral Leasing Act.

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: PUBLIC DOMAIN LANDS ACQUIRED LANDS (prior to U.S. mineral

Surface managing agency if other than BLM _____ Unit Project _____

Legal description of land required:

T 21 N. R 57 E. Section Mount Diablo Sub. Previous County Eureka
(Pro. Dia. No. 166)
Sec. 12, All;
Sec. 13, All;
Sec. 10, All;
Sec. 11, All.

Amount remitted - Filing fee \$ 75.00 Total acres applied for 2554.00
Total B. 2554.00
Total remitted \$

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

Section Member State County

SAME AS ITEM 2

NOT IN A KNOWN GEOLOGICAL STRUCTURE

Total acres in lease 2554.00
Total B. 2554.00
Total remitted \$

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 non-exclusive right to conduct oil and gas production, exploration, and the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas except minerals 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 removal or extraction 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.

THE UNITED STATES OF AMERICA
Mark B. Bol
by Chief Branch of Lands
and Minerals Operations JAN 13 1988
Signed Officer Date
FEB 01 1988
EFFECTIVE DATE OF LEASE

Information 310-1, 2, 3, 3120-1, 2, 3130-4, 5, and 7b

A. I, undersigned, certify that: (1) I/We/It am a citizen of the United States, an association or such entity, or a corporation organized under the laws of the United States or any State or Territory thereof; (2) no parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offer's acreage interests direct and indirect, in either public domain or acquired lands do not exceed 200,000 acres in oil and gas rights or 240,000 acres in options and have in the same State, 100,000 acres in leases and 200,000 acres in options in either leasing District or Alaska; and (4) offer 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 this lease, including all terms, conditions, and stipulations of which offer has been given notice, and any amendment or separate lease that may include any and describe in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that the offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before this lease, or 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 offeror no remedy 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 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.

Duly executed this 28th day of December 1987

Lillian J. Lentz ASST. VICE PRESIDENT
Lillian J. Lentz
Signature of Lessee or Attorney-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, \$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 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 not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease for next official working day, if 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 noncompetitive lease, 12 1/2%;
- (b) Regular noncompetitive lease, 12 1/2%;
- (c) Competitive lease, see attachment;
- (d) Other, see attachment.

Lessee 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 lessor 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, in merchantable condition on 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, 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 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 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 (FURIMA) (96 Stat. 2443). 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 FURIMA or the leasing authority.

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

Sec. 4. Diligence, care 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 lessee to subscribe to a cooperative unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from drainage of gas, compensatory royalty for drainage or amount determined by lessor.

Sec. 5. Documents, evidence, and inspection - Lessor shall file with proper office of lessor, no later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessor shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amounts used for production purposes of unmarketed less. Lessor may be required to provide plots and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the manner prescribed by lessor, lessor shall keep a daily drilling record, a log, information on well services and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee 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, lease agreements, accounting records, and documentation such as billings, invoices, or similar documentation that

supports costs claimed as transportation, preparation, and/or transportation costs. All such records shall be maintained in lessor's accounting offices for future audit by lessor. Lessor shall maintain required records for 6 years after they are generated or, if an audit or investigation is undertaken, until completion 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. Conduct of operations - 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 users or users. Lessor 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, modifications to siting or design of facilities, timing of operations, and specification of intervals and time limitation measures. Lessor reserves the right to continue existing uses and to authorize future operations in the leased lands, including the approval of amendments or rights-of-way. 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 remediation measures that may be necessary. Areas to be disturbed may require environmental or special studies to determine the extent of impacts to other resources. Lessor may be required to complete major overhauls 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 substantial unique species environmental effects are observed, lessor shall immediately contact lessor. Lessor 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 disapprove of such operations.

Sec. 8. Extraction of helium - Lessor reserves the option of extracting or buying extracted helium from gas production in a manner specified and by means provided by lessor at no expense to lessor to serve customer 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 save 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 taxes legally assessed and levied under laws of the State or the United States, accord all employees complete freedom of passage, 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 monopoly. If lessor operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessor shall comply with section 20 of the Mineral Leasing Act of 1920.

Lessor shall comply with Executive Order No. 11746 of September 24, 1965, as amended, and regulations and related 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 lessor any assignments or other transfers of an interest in this lease. Lessor may relinquish this lease or any legal subdivisions by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continuing obligations of the lessor and surety to pay all accrued rentals and avances.

Sec. 12. Delivery of premises - As soon time as all or portions of this lease are returned to lessor, lessor shall place affected wells in continuous suspension or abandonment, retain the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements and restore, if necessary. By lessee but prior to delivery of producible wells.

Sec. 13. Proceedings in case of default - If lessor fails to comply with any provision of this lease, and the non-compliance continues for 60 days after written notice thereof, this lease shall be subject to cancellation. Lessor shall also be subject to applicable process and penalties of FURIMA (96 Stat. 2443). However, if this lease includes land bearing to certain valuable deposits of leased resources, it may be canceled 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 lessor from retaining the same default occurring at any other time.

Sec. 14. Hours and successors in interest - Each obligation of this lease shall extend to and be binding upon, and each party shall have the right to assign, transfer, or otherwise dispose of this lease, notwithstanding the objection of the respective parties thereto.

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RECORDED AT THE REQUEST OF
The Anschutz Corporation
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