

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
110952

DATE APPROVED
OMB No. 1605-0009
Expires January 31, 1980

Serial No.

N-44077

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 for Acquired Lands (30 U.S.C. 151-159), the Attorney General's Opinion of April 2, 1941 (40 OP Att'y Gen. 41), or the

Read Instructions Before Completing

1. Name **Donald E. Krohn**

Street **P.O. Box 110898**

City, State, Zip Code **Anchorage, AK. 99511-0898**

2. The offer is for: (Check Only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (prior to U.S. entry)

Surface managing agency if other than BLM: _____ Unit Project: _____

Legal description of land requested:

T	R	Section	Section Number	Range	Merchandise	Minerals	State	County	City
		27 N.,	52 E.,		Mt. Diablo	SW 1/4	Nevada		Eureka
		sec. 3, lots 5 thru 12, S 1/4; sec. 11, lots 1, E 1/4;							
		sec. 14, lots 1, 3, 4, 5, 8 thru 12, SE 1/4 NW 1/4;							
		NE 1/4 SW 1/4, NW 1/4 SE 1/4;							
		sec. 23, lots 1, 2, 3, 4, SW 1/4 NW 1/4, NW 1/4 SW 1/4,							
		WS 1/4 SE 1/4;							
		sec. 27, E 1/4;							
		sec. 34, E 1/4.							

Amount remitted: Filing fee \$ **75.00** Total acres applied for **2326.93**

Rental fee \$ **2,327.00**

Term \$ **2,402.00**

3. Land included in lease:

T	R	Section	Section Number	Range	Merchandise	State	County	City

SAME AS ITEM 2

Record Posted	Date	By
MT Plat	2-23-86	REC
OO Plat		
USE Plat		
HI Plat		

NOT IN A KNOWN GEOLOGIC
STRUCTURE.

Total acres in lease **2326.93**
Rental remitted \$ **2327.00**

Accordance with the above offer, 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 herein) 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 to effect as oil lease manager, and to regulations and formal orders hereafter promulgated when in conflict with lease rights granted or specific provisions of this lease.

Type and primary term of lease:

Simultaneous non-competitive lease (no years)

Regular non-competitive lease (no years)

Competitive lease (five years)

Other

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THE UNITED STATES OF AMERICA

Chief, Branch of Lands
& Minerals - Operations

SEP 10 1986

EFFECTIVE DATE OF LEASE **OCT 01 1986**

Health claims of acquired lands do not exceed 200,000 acres in oil and gas reserves or 240,000 acres in minerals and leases in the same State, or 480,000 acres in lands or leases in two States and 240,000 acres in an entire leasing district in Alaska, and otherwise is not considered a mineral interest under the laws of the State or Alaska if the lands covered by this offer are leased.

I, the undersigned, agree the signature to this offer constitutes acceptance of the lease, including its terms, conditions, and stipulations of which offer has been given notice, and any amendment or separate lease that may include any land described in this offer upon its execution at the time this offer was made, but omitted by me are released from this lease. The offer, further agrees that the offer can be withdrawn, either in whole or part unless the withdrawal is received by the H.J.W. State Office before this lease, or an amendment to this lease, or a separate lease, which does not cover the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford no presents 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 make to any Department or agency of the United States any false, fictitious or fraudulent statement or representations as to any matter within its jurisdiction.

Date created the CI day of September 19 20 2008 by PC-001 Administrator in Windows XP Pro

LEASE TERMS

Sec. 7. Rentals - Rentals shall be paid to proper office of lease in advance of each lease year
Amount. rental rates per acre or fraction thereof are:

10. Simultaneous non-competitive lease, \$1 (D) for the first 3 years, thereafter, \$3 (D).
 10. Regular non-competitive lease, \$1 (D).
 10. Competitive lease, \$2 (D). or
 10. Other, see attachment.

(d) Other areas and rates
If all or part of a noncompete 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 renewal for 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 plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of royalties, 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) if these lands not within a participating area.

Failure to pay annual rental, or to be at the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rental may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid in proper office of lease. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are

- (a) Simultaneous non-competitive lease, 12%*
 - (b) Regular non-competitive lease, 12%*
 - (c) Competitive lease, see attachment, us
 - (d) Other, see attachment

(d) Other tax attachment.

Lewis 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 Lewis 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 two occurrences, if he has paid in kind, production shall be delivered, unless otherwise agreed to by us, in most favorable conditions in the premises where produced, without cost to us. Lewis shall be required to hold such production in storage beyond the last day of the month following the month in which production occurred, or we shall require him to hold liable free of depreciation of royalty and other products in storage until such time as we shall direct.

in storage from leases beyond the reasonable control date. Minimum royalty shall be due for any lease year after discovery in which royalty payments aggregate less than \$1.00 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 may be reduced, for all or portions of the lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise prudent.

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, (FOMRA), 46 Stat. 2447-1. Lessee shall be liable for royalty payments on oil and gas lost or leaked from a lease site where the loss of lease 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 FOMRA or the zoning authority.

See 1. **Double-click** each shell file and maximize any **DNA** containing windows produced.

Sec. 5 - Birds-Lessee shall not kill and maintain any wild fowl required under regulation.

Sec. 6 - Diligence, rate of development, utilization and drainage-Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to leases or waste of leased resources. Lessee reserves right to specify rates of development and production in the public interest and to require lessee to contribute to a cooperative oil unit plan within 30 days of lease, if deemed necessary, for proper development and operation of area field, or pool establishing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensation royalties for drainage or encroach-

Section 3. Documentation, evidence, and inspection. - Lessee shall file with proper office of lessor, at least 10 days after effective date thereof, any contract or evidence of other arrangements for the sale of Japanese production. At such time and in such form as lessor may prescribe, lessor shall receive detailed statements showing amounts and quality of oil products recovered and sold, processes, transportation, and equipment used for production, performance or unavailability of lessor, lessor may be required to provide plans and schematic diagrams showing development wells and unproductive wells, reports with respect to partners in interest, expenditures, and production, lease in the form prescribed by lessor; lessor shall keep a daily drilling record, a log of operations with surveys and tests, and a record of surface investigations and bottom logs given to lessor or required. Lessee shall keep open at all reasonable hours for inspection by any authorized representative, the leased premises and all wells, improvements, machinery, fixtures, structures, and all leasehold maps, and records relative to operations, surveys, investigations, and all rights in the leased lands. Lessee shall maintain copies of all contracts, lease agreements, accounting records, and the information such as drilling, surveys, or similar documents that

support costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessor's accounting offices for future audit by lessee. Lessor 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 lessee.

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 lands used or owned by lessee. Lessor shall take reasonable measures deemed necessary by lessee to accomplish the purpose of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification or timing or design of facilities, timing of operations, and specification of criteria and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of amendments of rights-of-way. Such uses shall be conditioned so as to prevent unauthorized or unreasonable operations with rights-of-lease.

Procedure for addressing surface disturbances. Lease 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 impacts to other resources. Lessor may be required to complete minor site restorations or short-term special studies under guidelines provided by lessor. If in the conduct of operations; threatened or endangered species, objects of scientific interest, or substances which could cause environmental effects are observed, leasee shall immediately contact lessor. Lessor shall assess any

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, lesser reserves the right to deny approval of such operations.

Sec. B - Extraction of helium - Lessee reserves the right of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense to lessor or owner of the gas. Lessee shall include in any contract or sale of

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 prop-

Sec. 10. Protection of diverse interests and equal opportunity--Lessee shall pay when due all taxes legally assessed and levied under laws of the State or the United States, accrued all 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 standards

history of the United States, mandate safe working environments in accordance with standard industry practices, and take measures necessary to protect the health and safety of the public.

Lessee reserves the right to ensure that production is sold at reasonable prices and to prevent monopolies. If Lessee operates a pipeline, or owns controlling interest in a pipeline or company operating a pipeline, which may be operated accessible to oil derived from these leased lands, Lessee will comply with section 14 of the Montreal Convention, Act C-18.1.

Lessee shall comply with section 28 of the Mineral Leasing Act of 1920.
Lessee shall comply with Executive Order No. 11340 of September 24, 1963, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11 Transfer of lease interests and relinquishment of lease.—As required by regulation, lessors shall file with lessee any assignment or other transfer of an interest in this lease. Lessees may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continuing obligation

Sec. 12 Delivery of premises - At such time as all or portions of this lease are returned to lessor

Sec. 13. Proceedings in Case of Default.—If lessor fails to comply with any provision of this lease, or if the non-observance of any provision continues after written notice thereof, this lease shall terminate at the earliest date specified in such notice, and lessor shall be liable for all damages sustained by lessee as a result of such non-observance.

lease, and the non-compete continues for 40 days after written notice thereof that lease is subject to cancellation. Lessee shall also be subject to applicable provisions and penalties of FINRA/NASD Rule 2447. However, if this lease includes land known to contain valuable deposits of leased resources, it may be converted by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy.

Sec. 14. Ideas and materials in research - Each application of this lease shall extend to and include all ideas and materials in research - Each application of this lease shall extend to and include all ideas and materials in research.

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UNITED STATES
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BUREAU OF LAND MANAGEMENT

OCT 28 1987

(Date)

TO WHOM IT MAY CONCERN:

I HEREBY CERTIFY that the attached reproduction(s) is a copy of documents
on file in this office.

IN TESTIMONY WHEREOF I have hereunto subscribed my name and caused the
seal of this office to be affixed on the above day and year.

Connie L Brown
(Authorized Signature)

RENO, NEVADA
(Office Location)
SEAL
Affixed

RECORDED AT THE REQUEST OF
Exceland Corporation
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'88 FEB -5 P1:44

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.N. REBATE # **115952**
FILE NO. _____
FEE \$ **7.00**

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NV 1270-13
(January 1986)