

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FIRM APPROVED
OMB No. 1604-0008
Expires January 31, 1986

Serial No.

H-46122

117496

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (lessee) 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. 151-359), the Attorney General's Order of April 2, 1941 (40 OP. Att. Gen. 411, 3100-11), and Executive Order 11514, with qualifications concerning Federal coal lease holdings provided in Sec. 2(a)(2)(A) of FCLA. Read Instructions Before Completing.

1. Name **Sabrina F. Ross**

Street **115 Sage Road, P.O. Box 4102**

City, State, Zip Code **Ketchum ID 83340**

2. The offer is for: (Check Only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (pursue U.S. interest _____)

Section managing agency if other than BLM: _____

Use/Project _____

Legal description of land requested:

T. **15 N.** R. **53 E.** Section **Mount Diablo** State **Nevada** County **Eureka**
sec. 6, A11.

Amount enclosed: Filing fee \$ **75.00** Rental fee \$ **640.00** Total acres applied for **640.00**
Total \$ **715.00**

3. Land included in lease:

T. **15 N.** R. **53 E.** Section **Mount Diablo** State **Nevada** County **Eureka**

SAME AS ITEM 2

**NOT IN A KNOWN
GEOLOGICAL STRUCTURE**

Total acres in lease **640.00**
Rental retained \$ **640.00**

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 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 at the time issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights or specific provisions of this lease.

Type and primary term of lease:

simultaneous noncompetitive lease (one year)

Regular noncompetitive lease (ten years)

Competitive lease (five years)

other _____

THE UNITED STATES OF AMERICA

by *Maryland Lusk*
Chief, Branch of Lands
and Minerals Operations

Deputy
Deputy
Deputy

MAR 26 1987

(Date)

NV-5636-PPP

EFFECTIVE DATE OF LEASE

APR 01 1987

²(Formerly 3100-1, 2, 3, 3120-1, 7, 3130-4, 5, and 7)

For

BOOK 175 PAGE 105

6. (a) Undersigned certifies that (1) offer is a citizen of the United States, an corporation or such entity, a minor, jointly, or a corporation organized 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 1100 and the leasing subchapter; (3) offer is a transferable interest; (4) offer is public; (5) all public domain or acquired lands do not exceed 20,000 acres in oil and gas options or 240,000 acres in options and leases in the same State, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska; and (6) 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 offeror has been given notice, and pay amount due or separate lease that may include any land described in this offer open to leasing at the time that offer was filed and entered for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before that lease, an amendment to this lease, or a separate lease, whichever comes first.

This offer will be rejected and will afford no priority 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 statements or representations as to any matter within its jurisdiction.

Duly executed this 24 day of February, 198 John L. Parsons
Signature certifies compliance with qualifications concerning Payment and
Item 6(b)(5) required in Section 3(a) (7)(A) of the Mineral Leasing Act
Chairman of Board of Directors, BLM

LEASE TERMS

Sec. 1. Rentals—Rental 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 3 years, thereafter, \$3.00;
- (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 geologic 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 conducted in an approved cooperative or joint 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 set at the rate specified in (a), (b), (c), or (d) for those lands not within a participating area.

Failure to pay annual rental, if any, or to set the anniversary date of the lease for the next official working day (if there is none) 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, 12.5%;
- (b) Regular non-competitive lease, 12.5%;
- (c) Competitive lease, see attachment; or
- (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 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 a reasonable container on the premises where produced or held by lessor. Lessee shall not be required to hold such production or 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 royalties and/or other products in storage from causes beyond the reasonable control of lessor.

Minimum royalty that he 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 that can still be asserted in late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (90 Stat. 2447). Lessor shall be liable for royalty payments on oil and gas lost or wasted from a lease 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 FOGRMA or the leasing authority.

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

Sec. 4. Delays, care of development, utilization, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to lessor or to leased resources. Lessee reserves right to specify rates of development and production in the public interest and to require lessor to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensation royalty for drainage if 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 arrangements for sale or disposal of products. 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 amount used for production purposes or unaccountably lost. Lessor may be required to provide plots and schematics, diagrams showing development work and improvements, and reports with respect to parties to interest, expenditures, and depreciation costs. 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. Lessee shall keep open at 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 relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that

supports a claim as to ownership, preparation, and transportation costs. All such records shall be maintained in lessor's accounting offices for three years by lessor. Lessee shall make all requests for records within one year after they are generated or, if no audit or investigation is under way, until reduced to the satisfaction of lessor in maximum term records by lessor.

During existence of this lease, information obtained under this section shall be subject to inspection by the gov't in accordance with the provisions of Information Act (5 U.S.C. 552). (a) Conduct of operations—Lessee shall conduct operations in a manner that minimizes adverse impacts on the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessor shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. (b) The owner's consent with lease rights granted such measures may be required, but are not limited to, aerial, sonic or seismic, or physical methods, optical or electronic equipment, or methods and tools recommended by lessor. Lessor reserves the right to conduct energy and/or enhance future use of or on the leased lands, including the approval of technologies or regimes of ways. Such uses shall be conducted so as to prevent unnecessary or unnecessary interference with rights of lease.

Prior to disturbing the surface on the leased lands, lessor shall contact lessor to be apprised of procedures to be followed and modifications in reclamation measures that may be necessary. Actions to be initiated may require surveys or special studies to determine the extent of an impact to other resources. Lessor shall be required to complete major inventories or short-term special studies under guidelines provided by lessor. (c) In the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or cultural objects, special environmental effects are arrived. Lessor shall immediately contact lessor. A lessor shall cease any operations that would result in a destruction of such species or objects.

Sec. 6. Mining operations—To the extent that impacts from mining operations would be substantially different, or not those associated with normal cutting operations, lessor reserves the right to deem appropriate such operations.

Sec. 7. Extraction of helium—Lessor reserves the option 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 to owner. The gas, lessor shall include in any contract or sale of gas the payments of the helium.

Sec. 8. Damages to property—Lessee shall pay lessor for damage to lessor's improvements and structures and lessor shall have the right to deduct the cost of damage or harm to persons or property as a result of these operations.

Sec. 9. Protection of diverse interests and equal opportunity—Lessor shall pay when due all debts legally assessed and levied under laws of the State or the United States, accord all employees, complete freedom of conscience, pay all wages at least twice each month in lawful money. (d) 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 cause that production is sold at reasonable prices and to prevent monopolies. If lessor operates a pipeline, or owns or controls interest in a pipeline or company operating a pipeline, which is not operated according to oil derived from these leased lands, lessor shall comply with section 26 of the Mineral Leasing Act of 1920.

Lessor shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessor nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease, interest, and relinquishment of lease—As required by regulations, lessor shall file with lessor any assignment or other transfer of an interest in this lease. Lessor 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 continued obligation of the lessor and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are released to lessor, lessor shall place affected wells in condition for suspension or abandonment, or turn the land as specified by lessor and within a reasonable period of time, remove equipment and improvements and return necessary to lessor the preservation of premises free well.

Sec. 13. Proceedings in case of default—if lessor fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation. Lessor shall also be subject to applicable provisions and penalties of FOGRMA (90 Stat. 2447). However, if this lease includes land known to contain 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 claiming the same default occurring at any other time.

Sec. 14. Heirs and successors—increase—Lessee shall pay to BLM the amount of the increase in binding upon, and every benefit heretofore or hereafter arising in the lease, including all rents, dividends, bonuses, or damages in the event of a change in title to the leased lands.

RECORDED AT THE REQUEST OF
The Anschutz Corp.
BOOK 175 PAGE 105

88 MAR 30 A11:16

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.L. REBAL ATL RECORDER
FILE NO 112496
FEE \$ 7.00

BOOK 175 PAGE 107