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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0008
Expires January 31, 1986

Serial No.

11-46112

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (reverse) offers to lease all or any of the lands in area 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 Op. Atty. Gen. 41), or the ~~Mineral Leasing Act of 1920~~ with qualifications concerning Federal ~~land~~ ^{land} ~~holdings~~ ^{holdings} provided in Sec. 2(a)(2)(A) of the ~~Act~~ ^{Act}. ~~Read Instructions Before Completing~~

1. Name Cabrina F. Ross
Street 115 Sage Road, P.O. Box 4190
City, State, Zip Code Hatch, ID 83401

2. This offer/lease is for: (Check Only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (percent U.S. interest _____)

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

Legal description of land requested:

T. 17 N. R. 50 E. Meridian Fourth 61210 State Nevada County Fernan

SEC. 20, Lots 1, 2, 3, 4, S1/4, S2/4, S3/4, S4/4
SEC. 31, Lots 1, 2, 3, 4, S1/4, S2/4, S3/4, S4/4

Total acres applied for 700
Total 700

Amount received: Filing fee \$ 75.00

Round fee \$ 700.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:
T. _____ R. _____ Meridian _____ State _____ County _____

SAVE AS ITEM 2

NOT IN A FROWN
BIOLOGICAL STRUCTURE

Total acres in lease 700
Round retained \$ 700.00

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) on the lands described in item 3 together with the right to build and maintain necessary improvements 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 explanation of this lease, the Secretary of the Interior's regulations and federal 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.

Type and primary term of lease:

- Simultaneous noncompetitive lease (ten years)
- Regular noncompetitive lease (ten years)
- Competitive lease (five years)
- Other _____

THE UNITED STATES OF AMERICA

by Maria S. Paul (Signing Officer)
Chief, Bureau of Land Management
and Minerals Operations (Title) MAR 26 1987 (Date)

EFFECTIVE DATE OF LEASE APR 01 1987

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

NV-5636-mm

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4. (a) Underneath certifies that this offer is a claim of the United States, as provided in Section 1001 of the Federal Land Policy and Management Act of 1976, and that the operations thereunder shall be conducted in accordance with the laws of the United States of any State or Territory thereof. (b) The parties hereto are in full agreement that the offer is made in accordance with the laws of the United States, and that the operations thereunder shall be conducted in accordance with the laws of the United States of any State or Territory thereof. (c) The parties hereto are in full agreement that the offer is made in accordance with the laws of the United States, and that the operations thereunder shall be conducted in accordance with the laws of the United States of any State or Territory thereof. (d) The parties hereto are in full agreement that the offer is made in accordance with the laws of the United States, and that the operations thereunder shall be conducted in accordance with the laws of the United States of any State or Territory thereof.

This offer will be rejected and will afford offeror no benefit if it is not properly completed and returned to the Bureau of Land Management, or if it is not accompanied by the required payment. 19 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make or attempt to make any statement or representation which is false, fraudulent or misleading.

Signature certifies compliance with qualifications concerning Federal and lease holdings provided in Section 3 (b) (1)(A) of the Mineral Leasing Act. Duly executed this 24 day of February 1987. [Signature]

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 of fraction thereof are:

- (a) Regular 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 noncompetitive leasehold is determined to be within a known geologic structure or a favorable petroleum geologic prospect, 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 determined to be an approved component of a 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 the lease. However, annual rentals shall continue to be due at the rate specified in (a), (b), (c) or (d) for these lands not within a paying area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease for each official working day of office is deemed 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) Seasonal non-competitive lease, 12 1/2%;
(b) Regular non-competitive lease, 12 1/2%;
(c) Competitive lease, see attachment;
(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 maximum values on products when giving lease value 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 haul 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 depletion of oil royalty or of 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 no dry production aggregate in excess of \$100 per acre. Lessor shall pay such difference at end of each lease year. This minimum royalty may be waived, suspended or reduced, and the above royalty rate 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 to increase production.

An interest charge shall be assessed on late royalty payments of underpayment in accordance with the Federal Oil and Gas Royalty Management Act of 1981 (FROGMA) (50 Stat. 2475). Lessor shall be liable for royalty payment on oil and gas lost or wasted from a lease site which 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 direction issued under FROGMA or the leasing authority.

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

Sec. 4. Diligence, rate of development, reclamation, 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 oil and gas plan, within 90 days of notice, if deemed necessary for proper development and operation of an area, field, or pool embracing these leased lands. Lessor shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage at amount determined by lessee.

Sec. 5. Documents, evidence, and inspection - Lessor shall file with proper office of lessor, not 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, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavailability fund. Lessee may be required to provide plans and a schematic diagram showing development wells and improvements, and reports with respect to patterns in interest, expenditures, and depreciation costs in the form prescribed by lessor. Lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a report 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. Lessor shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that

appertain to the leased lands, operations thereunder, and in transportation units. All such records shall be maintained in accordance with the regulations. They shall be made available to lessor, lessor shall furnish the original records to the proper office of lessor, or shall cause the same to be made available to the proper office of lessor, or shall cause the same to be made available to the proper office of lessor.

Lessee, however, may be required to provide a copy of such records to the proper office of lessor, or shall cause the same to be made available to the proper office of lessor, or shall cause the same to be made available to the proper office of lessor. Lessee shall be liable for the cost of such records, or shall cause the same to be made available to the proper office of lessor, or shall cause the same to be made available to the proper office of lessor.

When determining the amount of the annual rental, lessor shall conduct lease to the approval of production and the lessee shall be required to install and maintain such lease for the recovery of the leased resources. The lessee shall be required to install and maintain the same in accordance with the regulations. The lessee shall be required to install and maintain the same in accordance with the regulations.

Sec. 7. Mining operations - If the extent that benefits from mining operations would be substantially different if greater than those associated with normal drilling operations, lessor reserves the right to shut down or suspend such operations.

Sec. 8. If a tract of land is leased, it reserves the option of extracting or having extracted therefrom the mineral resources, and the same shall be determined by the Secretary. Lessor shall include in any contract of sale of the production of this lease.

Sec. 9. Damages to property - Lessor shall be liable for damage to leased improvements and all leasehold improvements, and shall be liable for damage to leasehold improvements or property of the lessee or other persons.

Sec. 10. Extension of lease, interests and equal opportunities - Lessor shall pay when due all taxes, locally assessed and not otherwise paid, of any State of the United States, assessed on the leased lands, and shall be liable for the same. Lessor shall pay all ways of land owned each month in lawfully of the United States, and shall be liable for the same. Lessor shall be liable for the same.

Sec. 11. Lessor reserves the right to require that production be sold at reasonable prices and to receive royalties. If lessee operates a pipeline to transport production from a pipeline to a company operating a pipeline, which is not owned or controlled by or derived from these leased lands, lessor shall comply with regulations of the Mineral Leasing Act of 1920.

Sec. 12. Lessor shall comply with regulations of the Secretary of the Interior, as amended, and shall be liable for the same. Lessor shall be liable for the same.

Sec. 13. Transfer of lease, interests and relinquishment of lease - As required by regulations, lessor shall file with Bureau of Land Management a notice of transfer of an interest in this lease. Lessor shall be liable for the same. Lessor shall be liable for the same.

Sec. 14. Lessor shall be liable for the same. Lessor shall be liable for the same. Lessor shall be liable for the same.

Sec. 15. Proceedings in case of default - If lessor fails to comply with any provision of this lease, and the non-compliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation. Lessor shall be liable for the same. Lessor shall be liable for the same.

Sec. 16. Hours and succession of operations - WHEN PRODUCED, DELEGATE RETURN TO THE BUREAU OF LAND MANAGEMENT, DENVER, COLORADO 80202.

RECORDED AT THE REQUEST OF
Amschutz Corp.
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OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
N.M. REBALEATI, RECORDER
FILE NO 117497
FEE \$ 7.00

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