

Form 3105-10
Date 1980

126349

Rev'd No.

NEVADA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
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 to lease pursuant to the Mineral Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (40 U.S.C. 351-359), the Attorney General's Order of April 2, 1941 (40 CFR Part 41), or the

ROAD INSTRUCTIONS DATED 10/10/80 (COMPLETING)

1. Name 75% MARK F. PREDDY 25% GEORGE S. HAYMAN, III
Street 3020 KNIGHT STREET, SUITE 115 P. O. BOX 518
City, State, Zip Code SHREVEPORT LA 71105 NATCHEZ, MS 39121

2. This application/offer is for: Land with Oil & Gas PUBLIC DOMAIN LANDS

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

Legal description of land requested: Parcel No. RTO 2-89-143 Sale Date (if any): _____

*SEE ITEM 3 IN INSTRUCTIONS BELOW DATED 10/10/80 (COMPLETING) PARCEL NUMBER AND SALE DATE.

T. 24 R. 52 E. Meridian: MEX State: NEVADA County: EUREKA

Section 26, SE_{1/4} SEC.

Amount received: Filing fee \$ 25.00 Rental fee \$ 60.00

Total acres applied for 40
Total \$ 135.00

DID NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. 24 N., R. 52 E., Meridian: Mount Diablo State: Nevada County: Eureka

sec. 26, SE_{1/4} SEC.

Total acres in lease 40.00
Rental received \$ 60.00

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 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.

NOTE: This lease is issued to the high bidder pursuant to bid/offer duly executed bid or nomination form submitted under 43 CFR 3820 and is subject to the provisions of the bid/offer or nomination and those specified on this form.

Type and primary term of lease:

Noncompetitive lease (ten years)

Competitive lease (five years)

Other _____

THE UNITED STATES OF AMERICA

by *Marta A. Brink*
Chair, Branch of Lands (Signing Officer)
G. Mineral Operations

MAR 10 1980

(Title) (Date)

EFFECTIVE DATE OF LEASE APR 1 - 1980

REGO 3
Marta A. Brink
Chair, Branch of Lands
G. Mineral Operations
Mar 10 1980
EFFECTIVE DATE OF LEASE APR 1 - 1980

(Continued on reverse)

4. (a) Offeror certifies that (1) offeror is a citizen of the United States, an association of such citizens, a municipality, or a corporation organized under the laws of the United States or of any State or Territory thereof, (2) all partners holding an interest in the offer are in compliance with 8 CFR 1101 and the leasing authorities, (3) offeror's chargeable interests, direct and indirect in either public domain or acquired lands do not exceed 260,000 acres in Federal oil and gas leases in the same State, of which no more than 200,000 acres are held under option, or 300,000 acres in leases and 210,000 acres in systems in either leasing District or Alaska, (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located, (5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 2101(2)(A) of the Mineral Leasing Act, (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 17(g) of the Mineral Leasing Act, and (7) offeror is not in violation of sec. 41 of the Act.

(b) Offeror 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 any amendment thereto.

This offer will be rejected and will afford offeror 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. 10 U.S.C. Sec. 1011 authorizes a offer for any purpose lawfully and safely to make to any Department or agency of the United States or its bureaus, offices, or representations or to any number which he justifies.

Duly executed this 22nd day of February, 1989.

Mark F. Preddy
MARK F. PREDDY (Signature of Lessee or Lessee's Attorney-in-Fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessee in advance of each lease year. Annual rental rates per acre or fraction thereof are:

- (a) Noncooperative lease, \$1.50 for the first 5 years; thereafter \$2.00;
- (b) Cooperative lease, \$1.50, for primary term, thereafter \$2.00;
- (c) Other, see attachment, or as specified at the time this lease is issued.

If this lease or a portion thereof is dedicated to an approved cooperative or 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), or (c) for three years not within a participating area.

Failure to pay annual rental, if any, as of before the anniversary date of this lease (or 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 lessee. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

- (a) Noncooperative lease, 12½%;
- (b) Cooperative lease, 12½%;
- (c) Other, see attachment, or as specified at the time this lease is issued.

Lessee receives 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 lessee 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 lessee, in merchandise condition on the premises where produced without cost to lessee. Lessee 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 lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of one less than the rental which otherwise would be required for this lease year shall be payable at the end of each lease year beginning on or after a discovery in paying quantities. 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 (FOGRMA) (30 U.S.C. 1701). Lessee 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 FOGRMA or the leasing authority.

Sec. 3. Bonds—A bond shall be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, reuse of development, maintenance, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessee reserves right to specify rates of development and production in the public interest and to require lessee 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 leases from drainage or pay compensatory royalty for drainage in amount determined by lessee.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessee, 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 lessee 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 unavoidably lost. Lessee may be required to provide plans and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the form prescribed by lessee, lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessee when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessee, 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

GEORGE S. HAYMAN, N.I.
cost claimed as necessary for, preparation, and transportation. All such records shall be maintained in lessee's accounting office for future audit by lessee. Lessee shall maintain required records for 6 years after they are generated or, if no such, commencement of ownership, until released of the obligation to maintain such records by lessee.

During existence of this lease, information obtained under this section shall be shown to the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Creation of operations—Lessee shall conduct operations to ensure that maximum efforts are made to develop, cultivate, and utilize resources, and to imports to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures designed necessary by lessee 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 in using or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessee reserves the right to reclaim existing uses and to characterize future uses open or in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conducted so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessee to be apprised of procedures to be followed and modifications or reclamations necessary that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete certain activities or obtain some special studies under guidelines provided by lessee. If in the event of operations, threatened or endangered species, objects of historic or scientific interest, or significant environmental effects are observed, lessee shall immediately contact lessee. Lessee shall cease any operations that could result in the destruction of such species or objects.

Sec. 7. Mining operations—To the extent that imports from mining operations would be substantially different or greater than those associated with normal drilling operations, lessee reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessee reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessee at its expense or lessee to recover the cost of the gas. Lessee shall deduct to any extent of its of gas the provisions of this section.

Sec. 9. Damages to property—Lessee shall pay lessee for damage to lessee's improvements, and shall save and hold lessee harmless from all claims for damage or losses to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall pay when the all taxes legally assessed and levied under laws of the State or the United States, accord of employees complete freedom of purchase, pay all wages at least twice such amounts in lawful money of the United States, maintains a safe working environment 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 monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, such may be operated accessible to oil derived from these leased lands. Lessee shall comply with section 28 of the Mineral Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11246 of September 26, 1965, 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 leases—As required by regulations, lessee shall file with lessee any assignment or other transfer of an interest in this lease. Lessee 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 obligations of the lessee and to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are returned to lessee, lessee shall place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessee and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessee for preservation of producible wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the non-compliance continues for 30 days after written notice thereof, the lease shall be subject to cancellation unless or until the leasehold contains a well capable of production of oil or gas in paying quantities, or the lease is converted to an approved cooperative or unit plan or communication agreement which contains a well capable of producing of methane substances in paying quantities. This provision shall not be construed to prevent the exercise by lessee of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time. Lessee shall be subject to applicable provisions and penalties of FOGRMA.

Sec. 14. Heirs and successors in interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, beneficiaries, or assigns of the respective parties hereto.

RECORDED AT THE REQUEST OF
BOOK 196 PAGE 056
Mark J. Priddy
89 APR 10 A849

OFFICIAL RECORDS
EUREKA COUNTY, NEVADA
M.M. REFALE, CLERK-RECORDER
FILE NO. 125349 FEE \$ 7.00

125349

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