

123049

Form 1100-11
June 1939

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OFFER TO LEASE AND LEASE FOR OIL AND GAS

Revised No.

NEVADA

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, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 81), or any other applicable law.

READ INSTRUCTIONS BEFORE COMPLETING

1. Name: 75% MARK F. PREDDY, 3020 KNIGHT STREET, SUITE 115, SHREVEPORT LA 71105
25% GEORGE S. HAYMANS, III, P. O. BOX 518, WATCHEZ, MS 39121

2. This application/offer/lease is for: (Check one) PUBLIC DOMAIN LANDS ACQUIRED LANDS (specify U.S. interest)

Surface managing agency if other than BLM

Unit/Project

Legal description of land requested:

Parcel No. 2-89-143

Sale Date (m/d/y):

SEE ITEM 3 IN INSTRUCTIONS BELOW FOR TO COMPLETING PARCELS NUMBERED AND SALE DATE.

T. 24 N.

R. 52 E.

Meridian MDN

State NEVADA

County EUREKA

Section 26, SH:SE4

BUR OF LAND MANAGEMENT
 NEVADA STATE OFFICE
 89 FEB 22 A9 38

Amount received; Filing fee \$ 75.00

Rental fee \$ 60.00

Total acres applied for 40
Total \$ 135.00

DO 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, SH:SE4.

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 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 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 his/her duly executed bid or application form submitted under 43 CFR 3120 and is subject to the provisions of the lease and conditions 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 *Mark A. Brice*
Chief, Branch of Lands (Signing Officer)
& Minerals Operations

MAR 10 1939

(Title)

APR 1 - 1939 (Date)

EFFECTIVE DATE OF LEASE

(Continued on reverse)

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4. (a) Undersigned 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 parties holding an interest in the offer are in compliance with 31 CFR 1180 and the leasing authorities, (3) offeror's chargeable interests, direct and indirect in either public domain or acquired lands do not exceed 264,000 acres in Federal oil and gas leases in the same State of which not more than 200,000 acres are held under option, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska, (4) offeror is not considered a mining lease 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 oil lease holdings provided in section 17(g) of the Mineral Leasing Act, and (7) offeror is not in violation of section 41 of the Act.

(b) Undersigned agrees that signature on this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offeror has been given notice, and any amendments or separate lease that may include any land described in this offer upon its leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the proper BLM State Office before this lease, 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 registered and will confer priority if it is not properly accepted and executed to conform with the regulations, or if it is not accompanied by the required payments, 30 U.S.C. Sec. 1701 and 1702, or if it is not accompanied by any other information or representations as to any matter within its jurisdiction.

Duly executed this 22nd day of February, 1989

MARK F. PREDDY (Signature of Lessee or Lessee-in-Trust)

MARK F. PREDDY

GEORGE S. HAYMANS, III

LEASE TERMS

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

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

If this lease or a portion thereof is encumbered 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 those lands not within a participating area.

Failure to pay annual rental, if due, on or 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 lease. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

- (a) Noncompetitive lease, 12 1/2 %;
- (b) Competitive lease, 12 1/2 %;
- (c) Other, see conditions, or as specified in regulations at the time this lease is issued.

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 other than gas. Lessee may, at its option, elect to be paid in kind. When paid in kind, production shall be delivered within 60 days after the date of production, in merchantable condition on the premises where produced without cost to lessee. Lessee shall not be required to hold such production in storage beyond the 60-day period following the date of production. Lessee shall 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 on less than 100 acres shall be the rental which otherwise would be required for that 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 (FROGMA) (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 statute issued under FROGMA or the leasing authority.

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

Sec. 4. **Diligence, rate 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 leased lands 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 lease, 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 plots 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 lease, 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

costs claimed in maintenance, preparation, and transportation costs. All such records shall be maintained in lessee's operating offices for future audit by lessee. Lessee shall maintain required records for 6 years after they are generated or, if no such investigation is underway, until release 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. **Character of operations**—Lessee 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 uses or users. Lessee shall take reasonable measures deemed necessary by lessee to accomplish the intent of this section. To the extent consistent with these rights, practices, and measures may include, but are not limited to, modification to design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessee reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall ensure that the application of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require investigations or special studies to determine the extent of impacts to other resources. Lessee may be required to complete certain investigations or other special studies under guidelines provided by lessee. If in the conduct of operations, disturbed or endangered species, objects of historic or scientific interest, or substantial environmental effects are observed, lessee shall immediately suspend operations. Lessee shall ensure 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, 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 no expense or loss to lessee or owner of the gas. Lessee shall include in any contract of sale 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 loss to persons or property as a result of lease operations.

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, except 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 established 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, which 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. 11226 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 lease**—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 continued obligations of the lessee and users 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, this 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 committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unworked 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 FROGMA (30 U.S.C. 1701).

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 assignees of the respective parties herein.

RECORDED AT THE REQUEST OF

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Mark J. Priddy

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CLERK OF DISTRICT COURT
FILE NO. 700

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