

Form 3100-11
June 1980

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

128504

Serial No.

N-49298

The undersigned offeror 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. Att'y. Gen. 41), or the

READ INSTRUCTIONS BEFORE COMPLETING

00 AUG 12 10:11

1. Name **Laurence D GILMORE**
Street **2 ADAMS ST. #1409**
City, State, Zip Code **DENVER CO. 80206**

NEVADA STATE

2. This application/offer/lease is for: PUBLIC DOMAIN LANDS

ACQUIRED LANDS (percent U.S. interest _____)

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

Legal description of land requested: _____ Parcel No. _____ Sale Date (m/d/y): _____ / _____ / _____

*SEE ITEM 2 IN INSTRUCTIONS BELOW PRIOR TO COMPLETING PARCEL NUMBER AND SALE DATE.

T. R. Meridian State County

PARCEL #162

SALE DATE AUGUST 11, 1988

Amount remitted/ Filing fee \$ 75.00

Rental fee \$ 2400

Total acres applied for 1600
Total \$ 2475

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. 26 N., R. 54 E., Meridian Mt. Diablo State Nevada County Eureka

sec. 23, W $\frac{1}{2}$;
sec. 26, W $\frac{1}{2}$;
sec. 34, all;
sec. 35, W $\frac{1}{2}$.

1600.00
Total acres in lease 1600.00
Rental retained \$ 0.00

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 his/her duly executed bid or nomination form submitted under 43 CFR 3120 and is subject to the provisions of that bid or nomination and those specified on this form.

Type and primary term of lease:

Noncompetitive lease (two years)

THE UNITED STATES OF AMERICA

Markus B. Bodell
Chief, Branch of (Senior Officer)

Competitive lease (five years)

Lands and Minerals Operations SEP 13 1988

Other _____

(Title)
EFFECTIVE DATE 0001 09 1988 1, 1988

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(Continued on reverse)

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 41 CFR 101-116, and the lessee agrees to observe and comply therewith; direct and indirect interests in either public domain or acquired lands do not exceed 206,000 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 other leasing District in 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. 2(a) & (A) of the Mineral Leasing Act; (6) offeror is in compliance with all 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) 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 any amendment or separate lease that may include any land described in this offer open to 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 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 payment. 10 U.S.C. Sec. 1001 makes it a crime for any person lawfully and officially to make to any Department or agency of the United States any false, fictitious or fraudulent statement or representation as to any matter within his jurisdiction.

Duly executed this 12 day of August, 1988. Maurice D. Miller
(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rents shall be paid in proper office of lessor 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 attachment; or

as specified in regulations at the time this lease is issued.

If this lease or a portion thereof is converted 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. Rents 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 lessor. Royalties shall be computed in accordance with regulations on products removed or sold. Royalty rates are:

- (a) Noncompetitive lease, 12½%;
- (b) Competitive lease, 12½%;
- (c) Other, see attachment; or

as specified in regulations at the time this lease is issued.

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 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 by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessor shall not be required to hold such production to 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 royalty oil or other products in storage from causes beyond the reasonable control of lessor.

Minimum royalty in lieu of rental of no less than 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 a paying quantity. 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). Lessor 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, rate of development, reclamation, and drainage—Lessor shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, lessor's or a user 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 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. Lessor shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee 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 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 paid proceeds therefrom, and amounts used for production purposes, or unavoidably lost. Lessor may be required to provide plots and schematic diagrams showing development work and improvements, and reports with respect to parties' 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 rights, 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 supports

claims to manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessor's accounting offices for future audit by lessor. Lessor shall maintain required records for 5 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

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. Condition 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 land uses or users. Lessor shall take reasonable measures deemed necessary by lessor 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 to timing or design of decisions, timing of operations, and specification of interim 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 easements or rights-of-way. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessor.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications in reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts on other resources. Lessor may be required to complete certain inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessor shall immediately contact lessor. Lessor shall cease any 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, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessor receives the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessor or owner of the gas. Lessor shall include in any contract of sale of gas the provisions of this section.

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

Sec. 10. Protection of diverse interests and equal opportunity—Lessor shall pay when due all taxes legally assessed and levied under laws of the State or the United States; reward all employees complete freedom of purchase, pay all wages at least twice each month in lawful currency 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.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessor operates a pipeline, or owns or controls interest in a pipeline or a company operating a pipeline, which may be operated exclusively to oil derived from leased leased lands, lessor shall comply with section 28 of the Mineral Leasing Act of 1920.

Lessor shall comply with Executive Order No. 11265 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessor nor lessor's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interests 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 obligations of the lessor and subject to pay all accrued rents and royalties.

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

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, the lessor shall be subject to cancellation unless or until the leasehold contains a well capable of production of oil and/or gas in paying quantities, or the lease is converted to an approved cooperative or unit production or communication agreement which contains a well capable of production of oil and/or gas in paying quantities. 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 later cancellation for the same default occurring at any other time. Lessor shall be subject to applicable provisions and penalties of FOGRMA (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 accrue to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

RECORDED AT THE REQUEST OF
BOOK 199 PAGE 468
Lawrence D Gilmore
89 JIL 24 P322

OFFICIAL REC'D BY
EUREKA COUNTY, NEVADA
MINERAL BAIL RECORDS
FILE NO. FILE'S 700

128507

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