

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

Serial No.

N-51264

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. 41), or the

**READ INSTRUCTIONS BEFORE COMPLETING**

1. Name                    Douglas J. Isern  
Street                    P.O. Box 276  
City, State, Zip Code    Golden, CO 80402

**137515**

2. This application/offer/lease is for:  PUBLIC DOMAIN LANDS       ACQUIRED LANDS (percent U.S. interest \_\_\_\_\_)  
Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project: \_\_\_\_\_ 5 9 69

Legal description of land requested:

\*Parcel No.: NV-05-69-071

\*Sale Date (m/d/y): 7 / 1 /

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

T.

R.

Meridian

State

County

Amount remitted: Filing fee \$ \_\_\_\_\_

Rental fee \$ \_\_\_\_\_

Total acres applied for \_\_\_\_\_

Total \$ \_\_\_\_\_

**DO NOT WRITE BELOW THIS LINE**

3. Land included in lease:

T.

R.

Meridian

State

County

T. 16 N., R. 51 E., NV, Nevada (Pro. Dia. No. 116)  
sec. 04, lots 1-4, S1NS, SW;  
sec. 09, all;  
sec. 16, all.

Eureka County, Nevada

2004.28

Total acres in lease 3007.50

Rental retained \$ \_\_\_\_\_

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:

THE UNITED STATES OF AMERICA

Noncompetitive lease (ten years)

*Wayne M. Freeman*  
Acting Director, Office of Minerals  
(and Minerals Operations) MAY 19 1989

Competitive lease (five years)

(Title)

(Date)

Other \_\_\_\_\_

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EFFECTIVE DATE OF LEASE

JUN 1 - 1989

(Continued on reverse)

4. (a) Undersigned certifies that (1) offeree 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 43 CFR 3100 and the leasing authorities; (3) offeree's changeable interests, direct and indirect in either public domain or acquired lands do not exceed 236,050 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 200,000 acres in options in either leasing District in Alaska; (4) offeree is not considered a minor under the laws of the State in which the lands covered by this offer are located; (5) offeree is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 21(a)(2)(A) of the Mineral Leasing Act; (6) offeree is in compliance with reclamation requirements for all Federal oil and gas lease holdings as required by sec. 11(g) of the Mineral Leasing Act; and (7) offeree is not in violation of sec. 41 of the Act.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, subject to all terms, conditions, and stipulations of which offeree 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 offeree 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 offeree 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 willfully 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 26<sup>th</sup> day of May, 1989

(Signature of Lessee or Attorney-in-fact)

See. 1. **Rentals** - Rentals shall be paid to 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.

Fault 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.

See. 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) 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 head. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production is carried. 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. 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 lessor.

Minimum royalty in lieu of rental or net lease is the rental which otherwise would be required for that lease year shall be payable at the calendar lease year beginning 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 my lease if the Secretary determines that such action is necessary to encourage the earliest and most efficient recovery of the leased resources, or is otherwise justified.

An interest charge shall be assessed on late rentals or payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (16 U.S.C. 1791). Lessee shall be liable for royalty payments on oil and gas sold or wasted from a lease site when such loss or waste arises to negligence on the part of the operator or, due to the failure to comply with any rule, regulation, order, or contract issued under 16 U.S.C. 1791A or the leasing authority.

See. 3. **Bonds** - A bond shall be filed and maintained for lease operations as required under regulation.

See. 4. **Diligence, rate of development, utilization, 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 lessor to subscribe to an approved cooperative or unit plan, within 30 days of notice for proper development and protection of area, field, or pool, embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from damage by pay compensation rates for drainage, in amount determined by lessor.

See. 5. **Documentation, evidence, and inspection** - Lessee shall file with proper office of lessor, not later than 30 days after effective date of this offer, a copy of evidence of other arrangements for sale or disposal of production. At such time as lessor so requires, lessor may inspect lessor's books and financial detailed statements showing amounts and ratios of all products removed and sold, proceeds therefrom, and amount due for production charges of nonpayable lost. Lessee shall be required to provide plots and schedules showing development, work, and improvements, and reports with respect to parcels to which it owns title, and depreciation costs. In the form prescribed by lessor, lessor shall keep and record drilling records, logs, installations on well surveys and tests, and a record of all surfaces over the lands and fixtures erected to lessor when required. Lessee shall keep open an easement for access to any restricted by any authorized officer of lessor, the leased premises and wells, so as to permit access, machinery, and fixtures thereto, and all books, accounts, maps, and records used for topographic surveys, or investigations, or in connection with the leased lands. Lessee shall maintain copies of contracts, sales agreements, accounting records, and documentation such as bills, invoices, or similar documentation that supports

**LEASE TERMS**

costs claimed as manufacture, 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 6 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 disclosed to the public in accordance with the Freedom of Information Act (5 U.S.C. 552). See. 6. **Conduct of operations** - Lessor shall conduct operations in a manner that minimizes adverse impacts to the land, air, 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, modification to timing or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing, and to authorize future use upon the leased lands, including the approval of easements or rights of way, which 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, lessor shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessor may be required to complete minor 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 hazards are observed, lessor shall immediately contact lessor. Lessor shall cease any operations that would result in the destruction of such species or objects.

See. 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.

See. 8. **Extraction of helium** - Lessor reserves the option of extracting or buying extracted helium from gas production in a manner specified and by means provided by lessor at no expense of lessor to lessor or owner of the gas. Lessor shall include in any contract of sale of gas the provisions of this section.

See. 9. **Damages to property** - Lessor shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

See. 10. **Protection of diverse interests and equal opportunity** - Lessor shall pay when due all taxes lawfully assessed and levied under laws of the State or the United States, accord 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 standard industry practices, and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to charge that production is sold at reasonable prices and to prevent monopoly. If lessor operates a pipeline, or owns a controlling interest in a pipeline or a company operating a pipe line, which may be operated according to oil derived from these leased lands, lessor shall comply with section 28 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 lessor's subcontractors shall maintain segregated facilities.

See. 11. **Transfer of lease, assignment, 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 on 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 to satisfy to prior accrued rentals and royalties.

See. 12. **Release of property** - At such time as all or portions of this lease are returned to lessor, lessor shall place affected well(s) 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.

See. 13. **Proceedings in case of default** - If lessor 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 non-delivery orders or until it is held in contempt of a court of competent jurisdiction in paying judgment. 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 suit or arbitration for the same default occurring at any other time. Lessor shall be subject to applicable provisions and practices of 16 U.S.C. 1791.

See. 14. **Honor and successions on interest** - The 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.

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ORIGINAL RECORDS  
RECORDED AT THE REQUEST OF  
**Trans-Western**  
**'91 AUG 28 A11:09**  
**Petroleum, Inc.**  
EUREKA COUNTY, NEVADA  
M.N. REALEAU REC'D FOR  
FILE NO. FEL 5700

**137515**

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