

178475

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Nevada State Office
1340 Financial Boulevard
Reno, Nevada 89502

I HEREBY declare under penalty of perjury that the attached reproduction is a copy of documents on file in this office of which I am the official custodian.

IN TESTIMONY WHEREOF I have hereunto subscribed my name and caused the seal of this office to be affixed on this 6th day of August, 2002, Reno, Nevada.

Josephine Leane
(Authorized Signature)

SEAL
Affixed

BOOK 349 PAGE 064

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial No.

OFFER TO LEASE AND LEASE FOR OIL AND GAS

N-75934

The undersigned (reverse) offers to lease all or any of the land 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 1920, 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 Lacy Properties, D., A Texas Limited Partnership
Street 222 East Tyler Street
City, State, Zip Code Longview, TX 756

2. This application/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: _____

*Parcel No.: NV-02-06-0002*Sale Date (m/d/y): 06 / 11 / 2002

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

T. _____ R. _____ Meridian _____ State _____ County _____

Amount remitted: Filing fee \$ 75.00Rental fee \$ 3834.00Total acres applied for 2555.16
Total \$ 3909.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. 26 N. R. 50 E. Meridian MD State NV County Eureka

sec. 03, lots 1- S2N2, S2;
sec. 04, lots 1- S2N2, S2;
sec. 09, all;
sec. 10, all.

Record Posted	Date	By
MT Plat	<u>6/24/02</u>	<u>MS</u>
OG Plat	_____	_____
USE Plat	_____	_____
HI Plat	_____	_____
CDI Filing	_____	_____

Total acres in lease 2555.16
Rental retained \$ 3834.00

This lease is issued granting the exclusive right to drill for, 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 rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to 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)☒ Competitive lease (ten years)☐ Other _____by Wayne M. Brown
(Signing Officer)

Minerals Adjudication Team Leader June 18, 2002

(Title) (Date)

EFFECTIVE DATE OF LEASE July 01, 2002

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(Continued on reverse)

territory thereof; (2) all parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing authorities; (3) offeror's chargeable interests, direct and indirect, in each domain and acquired lands separately in the section do not exceed 246,080 acres in oil and gas leases (of which up to 200,000 acres may be in oil and gas options), or 300,000 acres in each leasing District in Alaska of which up to 200 acres may be in options; (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)(2)(A) of the Mineral Leasing Act; (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings covered 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 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 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 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 anyone 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 _____ day of _____, 19 _____

(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office prior 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; after \$2.00;
- (b) Competitive lease, \$1.50; for the first 5 years; 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 committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, the plan contains a provision for allocation of production, royalties shall be paid on the portion 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 Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office prior. Royalties shall be computed in accordance with regulations on production removed. Royalty rates are:

- (a) Noncompetitive lease, 12 1/2 %;
- (b) Competitive lease, 12 1/2 %;
- (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 paid in value or in kind, and the right to establish reasonable minimum values on production giving lessee notice and an opportunity to be heard. When paid in value, royalties are due and payable on the last day of the month following the month in which production occurs. 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. 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 oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of not less than the rental 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 a 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 1980 (FOGRMA) (30 U.S.C. 1701). Lessee shall be liable for royalty payments on oil and gas produced 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 to secure operations as required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee 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 rate of development and production in the public interest and to require lessee to subscribe to cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development 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 amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall, with proper office of lessor, not later than 30 days after effective date thereof, any contract evidence of other arrangement for sale or disposal of production. At such times and in such manner as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quantities of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats 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 lessor, lessee shall keep a 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 books, accounts, maps, and records relative to leases, 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 other documentation that supports

costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee 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 closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct 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 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 siting or design of facilities, 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 lessee.

Prior to disturbing the surface of the leased lands, lessee 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. Lessee 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 effects are observed, lessee shall immediately contact lessor. Lessee 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 reserves 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 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 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.

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; 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 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. 11246 of September 24, 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 lessor 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 obligation of the lessee and surety 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 lessor, lessee 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 producible wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance 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 unitized substances 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. Lessee 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 inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

COMPETITIVE OIL AND GAS OR
GEOTHERMAL RESOURCE LEASE BID
30 U.S.C. 181 et seq.; 30 U.S.C. 351-359;
30 U.S.C. 1001-1025; 43 U.S.C. 6508

FORM APPROVED
OMB NO. 1004-0074
Expires: May 31, 2000

State
NEVADA

Date of sale
06/11/2002

PARCEL NUMBER

AMOUNT OF BID (See Instructions below)

TOTAL BID

PAYMENT SUBMITTED
WITH BID

THE BID IS FOR (Check one):

☒ Oil and Gas Parcel Number NV-1-06-0002

\$ 5112.00

\$ 5112.00

☐ Geothermal Parcel Number _____

Name of Known Geothermal Resource Area (KGRA) _____

The appropriate regulations applicable to bid are: (1) for oil and gas leases—43 CFR 3120; (2) for National Petroleum Reserve-Alaska (NPR-A) leases—43 CFR 3132; and (3) for Geothermal resources leases—43 CFR 3220. (See details concerning lease qualifications on reverse.)

I CERTIFY THAT I have read and am in compliance with, and not in violation of, the lessee qualification requirements under the applicable regulations for this bid.

I CERTIFY THAT this bid is not in violation of 18 U.S.C. 1860 which prohibits unlawful combination or intimidation of bidders. I further certify that this bid was arrived at independently and entered without collusion with any other bidder for the purpose of restricting competition.

IMPORTANT NOTICE: Execution of this form, where the offer is the high bid, constitutes a binding lease offer, including all applicable terms and conditions. Failure to comply with the applicable laws and regulations under which this bid is made shall result in rejection of the bid and forfeiture of all monies submitted.

LACY PROPERTIES, LTD., A TKS LIMITED PARTNERSHIP

Print or Type Name of Lessee

Signature of Lessee or Bidder

222 EAST TYLER ST.

Address of Lessee

LONGVIEW

City

TX

State

75606

Zip Code

INSTRUCTIONS

INSTRUCTIONS FOR OIL AND GAS BID
(Except NPR-A)

INSTRUCTIONS FOR GEOTHERMAL OR
NPR-A OIL AND GAS BID

1. Separate bid for each parcel is required. Identify parcel by the parcel number assigned in the *Notice of Competitive Lease Sale*.
2. Bid **must** be accompanied by the minimum acceptable bid, the first year's rental and the administrative fee. The remittance **must** be in the form specified in 43 CFR 3104.1. The remainder of the bonus bid, if any, **must** be submitted to the proper BLM office within 10 working days after the last day of oral auction. **Failure to submit the remainder of the bonus bid within 10 working days will result in rejection of the bid offer and forfeiture of all monies paid.**
3. If bidder is **not** the sole party in interest in the lease for which the bid is submitted, all other parties in interest **must** be required to furnish evidence of their qualifications upon written request by the authorized officer.
4. This bid may be executed (*signed*) before oral auction. If signed before the oral auction, this form cannot be modified without being executed again.
5. In view of the above requirement (4), bidder may wish to leave AMOUNT OF BID section blank so that bid amount may be either completed by the bidder or the Bureau of Land Management at the oral auction.

1. Separate bid for each parcel is required. Identify parcel by the number assigned to a tract.
2. Bid **must** be accompanied by one-fifth of the total amount of bid. The remittance **must** be in the form specified in 43 CFR 3220.4 for a Geothermal Resources bid and 3132.2 for a NPR-A lease bid.
3. Mark envelope Bid for Geothermal Resources Lease in (*Name of KGRA*) or Bid for NPR-A Lease, as appropriate. Be sure correct parcel number of tract on which bid is submitted and date of bid opening are noted plainly on envelope. No bid may be modified or withdrawn unless such modification or withdrawal is received prior to time fixed for opening of bids.
4. Mail or deliver bid to the proper BLM office or place indicated in the *Notice of Competitive Lease Sale*.
5. If bidder is **not** the sole party in interest in the lease for which bid is submitted, all other parties in interest **must** be required to furnish evidence of their qualifications upon written request by the authorized officer.

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Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make 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.

(Continued on reverse)

Form 3000-2 (July 1997)

QUALIFICATIONS

For leases that may be issued as a result of this sale under the Mineral Leasing Act (The Act) of 1920, as amended, the bidder must: (1) Be a citizen of the United States; an association including partnerships and trusts of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) Be in compliance with acreage limitation requirements wherein the bidder's interests, direct and indirect, in oil and gases in the State identified do not exceed 246,080 acres each in public lands or acquired lands including acreage covered by this bid, of which not more than 200,000 acres are under options. If this bid is submitted for lands in Alaska, the bidder's holdings in each of the Alaska lag districts do not exceed 300,000 acres, of which no more than 200,000 acres are under options in each district; (3) Be in compliance with Federal coal lease holdings as provided in sec. 2(a)(2)(A) of the Act; (4) Be in compliance with reclamation requirements for all Federal oil and gas holdings as required by sec. 17 of the Act; (5) Not be in violation of sec. 41 of the Act; and (6) Certify that all parties in interest in this bid are in compliance with 43 CFR Groups 3000 and 3100 and leasing authorities cited herein.

For leases that may be issued as a result of this sale under the Geothermal Steam Act of 1970, as amended, the bidder must: (1) Be 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; and (2) Be in compliance with acreage limitation requirements wherein the bidder's interests, direct and indirect, do not exceed 51,200 acres; and (3) Certify that all parties in interest in this bid are in compliance with 43 CFR Group 3200 and the leasing authority cited herein.

For leases that may be issued as a result of this sale under the Department of the Interior Appropriations Act of 1981, the bidder must: (1) Be a citizen or national of the United States; an alien lawfully admitted for permanent residence; a private, public or municipal corporation organized under the laws of the United States or of any State or Territory thereof; an association of such citizens, nationals, resident aliens or private, public or municipal corporations, and (2) Certify that all parties in interest in this bid are in compliance with 43 CFR Part 3130 and the leasing authorities cited herein.

NOTICE

The Privacy Act of 1974 and the regulation 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this bid for a Competitive Oil and Gas or Geothermal Resources Lease.

AUTHORITY: 30 U.S.C. 181 et seq.; 30 U.S.C. 351-359; 30 U.S.C. 1001-1025; 42 U.S.C. 6508

PRINCIPAL PURPOSE: The information will be used to process your bid.

ROUTINE USES: (1) The adjudication of the bidder's right to the resources for which this bid is made. (2) Documentation for public information. (3) Transfer to appropriate Federal agencies when comment or concurrence is required prior to granting a right in public lands or resources. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION: Disclosure of the information is voluntary. If all the information is not provided, your bid may be rejected.

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) requires us to inform you that:

This information is being collected in accordance with 43 CFR 3120, 43 CFR 3130, or 43 CFR 3220.

This information will be used to determine bidder submitting the highest bid.

Response to this request is required to obtain benefit.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 2 hours per response including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, Bureau Clearance Officer (WOC) 1620 L Street, Washington, D.C. 20036 and the Office of Management and Budget, Desk Officer for the Interior Department, Office of Regulatory Affairs (1004-4), Washington, D.C. 20503.

NOTICE TO LESSEE

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 201(a)(2)(A), requires that any entity that holds and has held a Federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease with respect to compliance by the initial lessee with qualifications concerning Federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if: (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A) or (2) because of a denial or disapproval by a State Office of a pending coal lease, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or transferor is no longer in compliance with Section 2(a)(2)(A). The assignee or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

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OFFICIAL RECORDS
RECORDED AT THE REQUEST OF
Roger E. Hach
02 AUG 13 AM 10:47

EUREKA COUNTY NEVADA
M.N. REBALEATI, RECORDER
FILE NO. FEES \$19.00

178475

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