

Lincoln County

Form 3106-11
(June 1988)

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

Serial No.

N-53085

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 Hixon Development Company
Street P.O. Box 2810
City, State, Zip Code Farmington, N.M. 87499

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-05-90-142

*Sale Date (m/d/y): 5 / 8 / 90

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

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

Amount retained: Filing fee \$ 75.00

Rental fee \$ 472.50

Total acres applied for 314.77
Total \$ 547.50

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

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

T. 07 N., R. 64 E., MDM, Nevada
sec. 18, lots 1-4, E1/4.
Lincoln County, Nevada 314.77 Acres

Total acres in lease _____
Rental retained \$ 314.77
472.50

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 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 (ten years)

Competitive lease (five years)

Other _____

THE UNITED STATES OF AMERICA

by Joseph Hoodin

(Signing Officer)

Chief, Minerals Section

JUN 29 1990

(Title)

(Date)

EFFECTIVE DATE OF LEASE JUL 1 - 1990

(Continued on reverse)

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Doc

Lincoln County

(5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec 20a(2)(A) of the Mineral Leasing Act... (b) Underwriter agrees that signature to this offer constitutes acceptance of this lease...

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...

Duly executed this 9th day of May 1990 Betty Biaggi, Agent (Signature of Lessor or Attorney-in-Fact)

Hixon Development Company

LEASE TERMS

Sec. 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 signed.

If this lease or a portion thereof is contained in an approved cooperative or unit plan which includes a well capable of producing leased resources...

Failure to pay annual rental, if due, on or before the anniversary date of this lease for next official working day of office in closed shall automatically terminate this lease by operation of law.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations on production removed or sold.

- (a) Noncompetitive lease, 12 1/2%.
(b) Competitive lease, 12 3/4%.
(c) Other, see attachment, or as specified in regulations at the time this lease is signed.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable maximum values on products after giving lessee notice and an opportunity to be heard.

Minimum royalty in lieu of rental of not 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 paying quantities.

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).

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

Sec. 4. Drilling, rate of development, unitization, and drainage—Lessor shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources.

Sec. 5. Documents, evidence, and inspection—Lessor 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 production.

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.

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—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.

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.

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.

Sec. 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.

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, 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.

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 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 productive 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 commuted to an approved cooperative or unit plan or communication agreement which contains a well capable of production of unitized substances in paying quantities.

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.

Lincoln County

State of Nevada)
)SS.
County of Washoe)

Before me, the undersigned authority, on this 16th day of July, 1990 personally appeared Betty Briggs, Agent of Hixon Development Company, a Texas Corporation, who is known to me to be the person who, being by me duly sworn, did say that she executed the foregoing instrument on May 9th, 1990 and who acknowledged to me that she executed the same as her free act and deed for all of the purposes therein stated.

My commission expires
11/26/92

Beverly B. Brown
Notary Public



SPECIAL STIPULATIONS FOR OIL AND GAS LEASING WITHIN THE ELY DISTRICT

The Lessee shall comply with the following special conditions and stipulations unless they are modified by mutual agreement of the lessee, and the authorized officer:

1. No drilling or storage facilities will be allowed within 500 feet of any pond, reservoir, canal, spring or stream. Other buffer zones and areas near water may be restricted to protect riparian habitat. This distance may be modified when specifically approved in writing by the Ely District Manager, BLM. Restricted surface occupancy may be required in other buffer zones to protect other resource values, including threatened or endangered flora and fauna.

2. To secure specific compliance with the stipulations under Sec. 6, paragraph (2) of the oil and gas lease form, the lessee shall, prior to operations, furnish to the authorized officer, a certified statement that either no archaeological values exist or that they may exist on the leased lands to the best of the lessee's knowledge and belief and that they might be impaired by oil and gas operations. Such certified statement must be completed by a qualified archaeologist acceptable to the authorized officer.

If the lessee furnishes a statement that archaeological values may exist where the land is to be disturbed or occupied, the lessee will engage a qualified archaeologist, acceptable to the authorized officer, to survey and salvage, in advance of any operations, such archaeological values on the lands involved. The responsibility for the cost for the certificate, survey and salvage will be borne by the lessee, and such salvaged property shall remain the property of the lessor or the surface owner.

3. The use of wide or balloon tired vehicles and/or helicopters may be required for any activities in off-road areas where deemed necessary to protect the soil and other resources.

4. Springs and water developments on Federal lands may be used only with the prior written approval of the authorized officer.

5. The lease area may contain critical habitat for wild and free roaming horses and burros. Therefore, prior to entry onto the lands within the described areas the lessee (operator) will discuss the proposed activities with the surface management agency's authorized officer who may require additional measures for the protection of the horses and burros.

Such measures may include:

- a. The fencing of mud pits on drill sites.
 - b. The protection of springs and water developments.
 - c. The rehabilitation of areas of surface disturbance to reestablish the vegetative cover.
6. To maintain aesthetic values, all semipermanent and permanent facilities will be painted or camouflaged to blend with the natural surroundings. The paint selection or method of camouflage will be subject to approval by the Bureau of Land Management's authorized officer.
7. In order to minimize watershed damage during muddy and/or wet periods, the Bureau of Land Management's authorized officer, may prohibit exploration, drilling or other development. This limitation does not apply to maintenance and operations of producing wells.


Description of Lands

PARCEL NV-05-90-016	ALL LANDS.
PARCEL NV-05-90-017	ALL LANDS.
PARCEL NV-05-90-018	ALL LANDS.
PARCEL NV-05-90-021	ALL LANDS.
PARCEL NV-05-90-022	ALL LANDS.
PARCEL NV-05-90-023	ALL LANDS.
PARCEL NV-05-90-024	ALL LANDS.
PARCEL NV-05-90-025	ALL LANDS.
PARCEL NV-05-90-026	ALL LANDS.
PARCEL NV-05-90-027	ALL LANDS.
PARCEL NV-05-90-028	ALL LANDS.
PARCEL NV-05-90-029	ALL LANDS.
PARCEL NV-05-90-030	ALL LANDS.
PARCEL NV-05-90-036	ALL LANDS.
PARCEL NV-05-90-037	ALL LANDS.
PARCEL NV-05-90-038	ALL LANDS.
PARCEL NV-05-90-039	ALL LANDS.
PARCEL NV-05-90-040	ALL LANDS.
PARCEL NV-05-90-046	ALL LANDS.
PARCEL NV-05-90-047	ALL LANDS.
PARCEL NV-05-90-048	ALL LANDS.
PARCEL NV-05-90-049	ALL LANDS.
PARCEL NV-05-90-052	ALL LANDS.
PARCEL NV-05-90-053	ALL LANDS.
PARCEL NV-05-90-055	ALL LANDS.
PARCEL NV-05-90-056	ALL LANDS.
PARCEL NV-05-90-057	ALL LANDS.

Lincoln County

PARCEL NV-05-90-121 ALL LANDS.
 PARCEL NV-05-90-122 ALL LANDS.
 PARCEL NV-05-90-123 ALL LANDS.
 PARCEL NV-05-90-124 ALL LANDS.
 PARCEL NV-05-90-125 ALL LANDS.
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 PARCEL NV-05-90-167 ALL LANDS.
 PARCEL NV-05-90-168 ALL LANDS.
 PARCEL NV-05-90-169 ALL LANDS.

No. **094640**
 FILED AND RECORDED AT REQUEST OF
 HIXON DEVELOPMENT CO.
 26 July 1990
 AT 10 MINUTES PAST 9 O'CLOCK
 A.M. IN BOOK 91 OF OFFICIAL
 RECORDS, PAGE 483 LINCOLN
 COUNTY, NEVADA


 COUNTY RECORDER
 FRANK C. HULSE