

Form 3106-11
(June 1988)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial No. 1176

OFFER TO LEASE AND LEASE FOR OIL AND GAS

N. 62952

The undersigned (hereby) 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. 413), or the

READ INSTRUCTIONS BEFORE COMPLETING

1. Name **Giant Exploration & Production Co.**
Street **P.O. Box 2910**
City, State, Zip Code **Farmincton, New Mexico 87400-2810**

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-90-11-0429** *Sale Date (m/d/y): **11, 06, 90**

*SEE ITEM 3 IN INSTRUCTIONS BELOW PRIOR TO COMPLETING PARCEL NUMBER AND SALE DATE.

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

Amount retained: Filing fee \$ **75.00** Rental fee \$ **3,840.00** Total acres applied for **2,560.00**
Total \$ **3,915.00**

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. **05 N., R. 63 E., NDM, Nevada** Meridian _____ State _____ County _____

sec. 13, all;
sec. 14, all;
sec. 23, all;
sec. 24, all.
Lincoln County, Nevada

Total acres in lease **2,560.00**
Rental retained \$ **3,840.00**

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 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 Mark B. Bell DEC 5 - 1990
(Signing Officer)

Chief, Branch of Lands and Minerals Operations
(Title) (Date)

EFFECTIVE DATE OF LEASE **11/1 1991**

This offer is subject to the approval of the Bureau of Land Management... and the Secretary of the Interior... in compliance with 43 CFR 160.100...

This offer will be rejected and will afford no priority if it is not properly completed and executed in accordance with the regulations...

Done executed this 12th day of December 1990 by Aldrich L. Kuchera, President of Giant Exploration & Production 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 of fraction thereof are:

- (a) Noncompetitive lease, \$1.90 for the first 5 years, thereafter \$2.00.
(b) Competitive lease, \$1.50 for primary term, thereafter \$2.00.

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

This lease is subject to the terms and conditions of an approved reclamation plan which includes cover, capable of producing lessor royalties, and the plan is a prerequisite for allocation of production in royalties...

Failure to pay annual rental at due time or before the anniversary date of this lease or rent default working well... shall be deemed to be a termination of 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 received or sold. Royalty rates are:

- (a) Noncompetitive lease, 12 1/2 %.
(b) Competitive lease, 12 1/8 %.

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

Lessor reserves the option to split another royalty 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 when paid in value. Royalties shall be due and payable on the last day of the month following the month in which production occurred.

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 royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (EOGRLMA) (30 U.S.C. 171).

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

Sec. 4. Drilling, development, reclamation, and drainage - Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources.

Sec. 5. Documentation, evidence, and inspection - Lessee shall file with proper office of lessor, not later than 30 days after discovery of oil or gas, a copy of all surface and subsurface maps...

costs claimed as manufacturing, preparation, and transportation costs. All such records shall be maintained in lessee's accounting records 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 - Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water... and shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section.

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 lessor or owner of the gas.

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 - Lessor shall, pay when due all taxes legally assessed and levied under laws of the State or the United States, except all taxes complete freedom of purchase, pay no wages at least twice each month in lawful money of the United States.

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.

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. Proceeding in case of default - If lessor fails to comply with any provisions of this lease, and the lessor 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.

Sec. 14. Heirs and successors in title - Each provision of this lease shall extend to and be binding upon, and every benefit hereof shall run to the heirs, executors, administrators, successors, beneficiaries, and assigns of the respective parties hereto.

Lincoln County

State of New Mexico)
)SS.
County of San Juan)

Before me, the undersigned authority, on this 12th day of December, 1990 personally appeared Aldrich L. Kuchera, President of Giant Exploration & Production Company, a Texas Corporation, who is known to me to be the person who executed the foregoing instrument and who acknowledged to me that he executed the same as his free act and deed on behalf of the corporation for all of the purposes therein stated.

Subscribed and sworn to me this 12th day December, 1990.

My commission expires
October 4, 1994

Patricia Lee Chick
Patricia Lee Chick, Notary Public



UNSTABLE SOILS SPECIAL STIPULATION

The following described lands contain unstable/highly erodible soils. Therefore, prior to entry onto the lands within the described area, the lessee (operator) will discuss the proposed activities with the appropriate Bureau of Land Management's authorized officer. Additional measures for the protection of soils may be required. Such measures may include:

- a. Restriction on surface entry during periods of excessive runoff.
- b. No surface occupancy of selected areas.
- c. Special reclamation techniques.

Description of Lands

PARCEL NV-90-11-0340	ALL LANDS.
PARCEL NV-90-11-0341	T. 03 N., R. 58 E., MDM, Nevada sec. 17, all; sec. 18, lots 1-4, EK, EXWK; sec. 20, all.
PARCEL NV-90-11-0345	ALL LANDS.
PARCEL NV-90-11-0347	T. 17 N., R. 58 E., MDM, Nevada sec. 18, lots 1-4, EK, EXWK.
PARCEL NV-90-11-0386	T. 05 N., R. 59 E., MDM, Nevada sec. 06, all.
PARCEL NV-90-11-0396	ALL LANDS.
PARCEL NV-90-11-0409	ALL LANDS.
PARCEL NV-90-11-0410	ALL LANDS.
PARCEL NV-90-11-0411	ALL LANDS.
PARCEL NV-90-11-0423	T. 05 N., R. 61 E., MDM Nevada sec. 23, all; sec. 25, NWK; sec. 26, NWK.
PARCEL NV-90-11-0427	ALL LANDS.
PARCEL NV-90-11-0428	ALL LANDS.
PARCEL NV-90-11-0429	ALL LANDS.

Lincoln County

PARCEL NV-90-11-0430 T. 06 N., R. 63 E., MDM, Nevada
sec. 15, all;
sec. 22, all.

PARCEL NV-90-11-0431 T. 06 N., 4. 63 E., MDM, Nevada
sec. 25, all;
sec. 26, all.

PARCEL NV-90-11-0432 T. 06 N., R. 63 E., MDM, Nevada
sec. 27, all.

PARCEL NV-90-11-0469 ALL LANDS.
PARCEL NV-90-11-0518 ALL LANDS.
PARCEL NV-90-11-0519 ALL LANDS.
PARCEL NV-90-11-0520 ALL LANDS.
PARCEL NV-90-11-0521 ALL LANDS.
PARCEL NV-90-11-0522 ALL LANDS.

PARCEL NV-90-11-0523 T. 12 N., R. 70 E., MDM, Nevada
sec. 34, lots 1,2,3, S&NE, SW.

PARCEL NV-90-11-0528 T. 13 N., R. 70 E., MDM, Nevada
sec. 29, NW.

PARCEL NV-90-11-0529 ALL LANDS.

PARCEL NV-90-11-0530 T. 13 N., R. 70 E., MDM, Nevada
sec. 26, all.

PARCEL NV-90-11-0531 ALL LANDS.
PARCEL NV-90-11-0532 ALL LANDS.

PARCEL NV-90-11-0534 T. 14 N., R. 70 E., MDM, Nevada
sec. 20, lots 1-11, SE&.

PARCEL NV-90-11-0536 T. 14 N., R. 70 E., MDM, Nevada
sec. 10, all;
sec. 15, all.

PARCEL NV-90-11-0537 ALL LANDS.

PARCEL NV-90-11-0538 T. 14 N., R. 70 E., MDM, Nevada
sec. 29, lots 1-12, SE&.

PARCEL NV-90-11-0539 ALL LANDS.
PARCEL NV-90-11-0540 ALL LANDS.
PARCEL NV-90-11-0541 ALL LANDS.
PARCEL NV-90-11-0542 ALL LANDS.

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 Bureau of Land Management's 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 lesser 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 semi-permanent 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 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-90-11-0190	ALL LANDS.
PARCEL NV-90-11-0191	ALL LANDS.
PARCEL NV-90-11-0192	ALL LANDS.
PARCEL NV-90-11-0193	ALL LANDS.
PARCEL NV-90-11-0194	ALL LANDS.
PARCEL NV-90-11-0195	ALL LANDS.
PARCEL NV-90-11-0196	ALL LANDS.
PARCEL NV-90-11-0197	ALL LANDS.
PARCEL NV-90-11-0198	ALL LANDS.
PARCEL NV-90-11-0199	ALL LANDS.
PARCEL NV-90-11-0200	ALL LANDS.
PARCEL NV-90-11-0201	ALL LANDS.

Lincoln County

PARCEL NV-90-11-0202 ALL LANDS.
PARCEL NV-90-11-0203 ALL LANDS.
PARCEL NV-90-11-0204 ALL LANDS.
PARCEL NV-90-11-0205 ALL LANDS.
PARCEL NV-90-11-0206 ALL LANDS.
PARCEL NV-90-11-0207 ALL LANDS.
PARCEL NV-90-11-0208 ALL LANDS.
PARCEL NV-90-11-0209 ALL LANDS.
PARCEL NV-90-11-0210 ALL LANDS.
PARCEL NV-90-11-0211 ALL LANDS.
PARCEL NV-90-11-0212 ALL LANDS.
PARCEL NV-90-11-0300 ALL LANDS.
PARCEL NV-90-11-0301 ALL LANDS.
PARCEL NV-90-11-0302 ALL LANDS.
PARCEL NV-90-11-0303 ALL LANDS.
PARCEL NV-90-11-0305 ALL LANDS.
PARCEL NV-90-11-0306 ALL LANDS.
PARCEL NV-90-11-0307 ALL LANDS.
PARCEL NV-90-11-0340 ALL LANDS.
PARCEL NV-90-11-0341 ALL LANDS.
PARCEL NV-90-11-0342 ALL LANDS.
PARCEL NV-90-11-0343 ALL LANDS.
PARCEL NV-90-11-0344 ALL LANDS.
PARCEL NV-90-11-0345 ALL LANDS.
PARCEL NV-90-11-0346 ALL LANDS.
PARCEL NV-90-11-0347 ALL LANDS.
PARCEL NV-90-11-0348 ALL LANDS.
PARCEL NV-90-11-0349 ALL LANDS.
PARCEL NV-90-11-0350 ALL LANDS.
PARCEL NV-90-11-0384 ALL LANDS.
PARCEL NV-90-11-0385 ALL LANDS.
PARCEL NV-90-11-0386 ALL LANDS.
PARCEL NV-90-11-0387 ALL LANDS.
PARCEL NV-90-11-0388 ALL LANDS.
PARCEL NV-90-11-0389 ALL LANDS.
PARCEL NV-90-11-0390 ALL LANDS.
PARCEL NV-90-11-0391 ALL LANDS.
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PARCEL NV-90-11-0395 ALL LANDS.
PARCEL NV-90-11-0396 ALL LANDS.
PARCEL NV-90-11-0397 ALL LANDS.
PARCEL NV-90-11-0398 ALL LANDS.
PARCEL NV-90-11-0402 ALL LANDS.
PARCEL NV-90-11-0403 ALL LANDS.

Lincoln County

PARCEL NV-90-11-0404 ALL LANDS.
PARCEL NV-90-11-0405 ALL LANDS.
PARCEL NV-90-11-0406 ALL LANDS.
PARCEL NV-90-11-0407 ALL LANDS.
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PARCEL NV-90-11-0436 ALL LANDS.
PARCEL NV-90-11-0437 ALL LANDS.
PARCEL NV-90-11-0441 ALL LANDS.
PARCEL NV-90-11-0442 ALL LANDS.
PARCEL NV-90-11-0443 ALL LANDS.
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PARCEL NV-90-11-0445 ALL LANDS.
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PARCEL NV-90-11-0470 ALL LANDS.
PARCEL NV-90-11-0471 ALL LANDS.
PARCEL NV-90-11-0490 ALL LANDS.
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PARCEL NV-90-11-0496 ALL LANDS.
PARCEL NV-90-11-0497 ALL LANDS.

Lincoln County

PARCEL NV-90-11-0498 ALL LANDS.
PARCEL NV-90-11-0499 ALL LANDS.
PARCEL NV-90-11-0500 ALL LANDS.
PARCEL NV-90-11-0501 ALL LANDS.
PARCEL NV-90-11-0502 ALL LANDS.
PARCEL NV-90-11-0503 ALL LANDS.
PARCEL NV-90-11-0504 ALL LANDS.
PARCEL NV-90-11-0505 ALL LANDS.
PARCEL NV-90-11-0506 ALL LANDS.
PARCEL NV-90-11-0507 ALL LANDS.
PARCEL NV-90-11-0509 ALL LANDS.
PARCEL NV-90-11-0510 ALL LANDS.
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PARCEL NV-90-11-0540 ALL LANDS.
PARCEL NV-90-11-0541 ALL LANDS.
PARCEL NV-90-11-0542 ALL LANDS.
PARCEL NV-90-11-0543 ALL LANDS.
PARCEL NV-90-11-0544 ALL LANDS.

No. **095569**
FILED AND RECORDED AT REQUEST OF
Giant Exploration
27 December 1990
AS 05 MONTHS FROM 9 OCTOBER
APPROXIMATELY 94 OF OFFICIAL
RECORDS WERE 39 LINCOLN
COUNTY, NEVADA.
Frank C. Hulse
FRANK C. HULSE COUNTY RECORDER