

Form 3170-11  
(October 1992)

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

Serial No.  
158781

The undersigned (hereinafter) 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 Winn Exploration Co., Inc.  
Street P.O. DRAWER 2429  
City, State, Zip Code Eagle Pass, Texas 78853

2. This application/offer/lease is for: (Check only One)  PUBLIC DOMAIN LANDS  ACQUIRED LANDS (perman U.S. interest \_\_\_\_\_)

Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project \_\_\_\_\_  
Legal description of land requested: \*Parcel No. NV-93-08-0272 \*Sale Date (m/d/y): 8 / 10 / 93

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

T. 01 S., R. 64 E. Meridian MDM State NV County LINCOLN

sec. 25, all;  
sec. 26, all;  
sec. 35, all;  
sec. 36, all.

Amount returned: Filing fee \$ 75.00 Rental fee \$ 3840.00 Total acres applied for 2560.00  
Total \$ 3915.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. R. Meridian State County

T. 1 S., R. 64 E., MDM, Nevada

sec. 25, all;  
sec. 26, all;  
sec. 35, all;  
sec. 36, all.

Lincoln County

Total acres in lease 2560.00  
Rental returned \$ 3840.00

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 as accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and special stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect at 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 (ten years)

Other \_\_\_\_\_

THE UNITED STATES OF AMERICA

by Sally Mae Kramer  
(Signing Officer)

Chief, Lands and Mineral Leasing Section JAN 31 1994  
(Title) (Date)

EFFECTIVE DATE OF LEASE FEB 01 1994

4. (a) Undersigned certifies that (1) offeror is a citizen of the United States; (2) offeror is not in violation of sec. 41 of the Act; (3) offeror's emergent interests, direct and indirect, in each State or Territory thereof; (4) offeror is not in violation of sec. 41 of the Act; (5) offeror is in compliance with qualifications concerning Federal coal lease royalties provided in sec. 17(g) of the Mineral Leasing Act; and (7) offeror is not in violation of sec. 41 of the Act.

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. 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make in any Department or agency of the United States any false, fraudulent or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this 3 day of JAN 19 94 [Signature]

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 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, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease.

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.

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. 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 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 this lease year shall be payable at the end of each lease year beginning on or after a discovery of 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. 170).

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

Sec. 4. Drilling, rate of development, unmined, 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. Encumbrances, evidence, and information—Lessee shall file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangements 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.

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.

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.

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.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall, to the extent that all leases require, assess and avoid under laws of the State or the United States, record its operations.

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, lessee shall place affected wells in condition for suspension or abandonment.

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.

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 assigns of the respective parties hereto.

THE FOLLOWING NOTICE WILL BE ATTACHED TO ALL  
ISSUED LEASES

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 coal 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 action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as 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).

Information regarding assignor or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

NO. 104373

Filed and recorded at the request  
of Hunt Oil Company of Nevada on  
December 18, 1995 at 10 minutes  
past 1 o'clock in Book 116,  
Page 261, Official Records.  
Lincoln County Nevada.

Yuriko Setzer, Recorder

BY Lellie Boucher, deputy  
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