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DEPT. OF INTERIOR
UNITED STATES BUREAU OF LAND MANAGEMENT
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Land Office and Serial Number

RENEWAL OIL AND GAS LEASE OCT 13 AM 10 00
(COMPETITIVE PUBLIC DOMAIN LANDS)

Sacramento 019272(b)

THIS IDENTURE OF LEASE, entered into, as of **November 1, 1971** by and between
the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called the lessor, and



**Shell Oil Company, 1008 West Sixth Street, Los Angeles, California 90054, and
Harry H. Magee and Jerome Magee, 4163 Piedmont Avenue, Oakland, California 94611**

hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the Act of February 25, 1920, (41 Stat. 437), as amended. (30 U.S.C. Sec. 181 *et seq.*) hereinafter referred to as the Act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force when not inconsistent with any express and specific provisions herein, which are made a part hereof.

WITNESSETH:

Sec. 1. *Rights of lessee.* That the lessor, in consideration of rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits, except helium gas, in or under the following-described tracts of land situated in the **Mt. Poso** field:

Kern County

**T. 27 S., R. 28 E., MD Mar., California
sec. 10, S&T.**

17620

Subject to stipulations entitled "Surface Management Requirements" attached to and made a part of this lease.

*** successive periods of ten years, upon such reasonable terms and conditions as may be prescribed by lessor, unless otherwise provided by law at expiration of such periods.**

containing **100** acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of ~~10~~ **10** years, ~~subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this lease occur, **with preferential right in lessee to renew this lease for ***~~

Sec. 2. In consideration of the foregoing, the lessee agrees: which plan shall adequately protect the rights of all parties in interest, including the United States.

(a) *Bonds* (1) To maintain any bond furnished by the lessee as a condition for the issuance of this lease.

(2) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$10,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted, or unless a bond has been filed under 43 CFR 3126.1 applicable to this lease.

(b) *Cooperative or unit plan.* Within thirty (30) days of demand, or, if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within thirty (30) days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable,

(c) *Wells.* (1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor, in full, each month for the estimated loss of royalty through drainage in the amount determined by said Director.

(2) At the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior.

(3) Promptly after due notice, in writing, to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practice.

Handwritten initials and signatures, including 'H.H. Magee' and 'J. Magee'.

(d) *Rentals and royalties.* (1) To pay rentals and royalties in amount or value of production removed or sold from the leased lands as set forth in the rental and royalty schedule attached to and made a part hereof.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the month next following the month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the month next following the month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended, or reduced; and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(e) *Payments.* Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management at the places mentioned in the regulation 43 CFR 3102.2. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper Land Office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(f) *Contracts for disposal of products.* To file with the Oil and Gas Supervisor of the Geological Survey not later than thirty (30) days after the effective date thereof any contract, or evidence of other arrangement for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land: *Provided, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas waste, taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.*

(g) *Statements, plats, and reports.* At such times and in such form as the lessor may prescribe, to furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plat showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation, and costs.

(h) *Well records.* To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the leased lands,

and an acceptable record of all subsurface investigations affecting said lands, and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph, upon the request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) *Inspection.* To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessee, shall not be open to inspection by the public until the expiration of the lease.

(j) *Diligence, prevention of waste, health and safety of workmen.* To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations in accordance with approved methods and practices as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to coal measures or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease was predicated before abandoning the same; to carry out at expense of the lessee all reasonable orders of the lessor relative to the matters in this paragraph, and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessee's cost: *Provided, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.*

(k) *Taxes and wages, freedom of purchase.* To pay when due, all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil and gas produced from the lands hereunder, or other rights, property or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(l) *Equal Opportunity clause.* During the performance of this contract the lessee agrees as follows:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by

the agency contracting officer, advising the labor union or workers' representative of the lessee's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the nondiscrimination clauses of this contract or with any such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: *Provided, however*, that in the event the lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the lessee may request the United States to enter into such litigation to protect the interests of the United States.

(m) *Assignment of oil and gas lease or interest therein.* As required by applicable law, to file for approval by the lessor any instrument of transfer made of this lease or any interest therein, including assignments of record title, operating agreements and subleases, working or royalty interests, within ninety (90) days from the date of final execution thereof.

(n) *Pipelines to purchase or convey at reasonable rates and without discrimination.* If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating the same which may be operated accessible to the oil or gas derived from lands under this lease, to accept and convey and, if a purchaser of such products, to purchase at reasonable rates and without discrimination the oil or gas of the Government or of any citizen or company not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the Act, or under the provisions of the Act of August 7, 1947 (61 Stat. 913; 30 U.S.C. 351).

(o) *Lands patented with oil and gas deposits reserved to the United States.* To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) *Reserved or segregated lands.* If any of the land included in this lease is embraced in a reservation

or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(q) *Protection of surface natural resources and improvements.* The lessee agrees to take such reasonable steps as may be needed to prevent operations on the leased lands from unnecessarily: (1) causing or contributing to soil erosion or damaging crops, including forage, and timber growth thereon on Federal or non-Federal lands in the vicinity; (2) polluting air and water; (3) damaging improvements owned by the United States or other parties; or (4) destroying, damaging or removing fossils, historic or prehistoric ruins, or artifacts; and upon any partial or total relinquishment or the cancellation or expiration of this lease, or at any other time thereto when required and to the extent deemed necessary by the lessor to fill any pits, ditches and other excavations, remove or cover all debris, and so far as reasonably possible, restore the surface of the leased land and access roads to their former condition, including the removal of structures as and if required. The lessor may prescribe the steps to be taken and restoration to be made with respect to the leased lands and improvements thereon whether or not owned by the United States.

(r) *Overriding royalties.* Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) *Deliver premises in case of forfeiture.* To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. The lessor reserves:

(a) *Easements and rights-of-way.* The right to permit for joint or several use easements or rights-of-way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the Act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) *Disposition of surface.* The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) *Monopoly and fair prices.* Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) *Helium.* The ownership of helium and the right to extract or have extracted from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the lessor elects to take the helium, the lessee shall deliver all or any portion of gas containing the same to the lessor, in the manner required by the lessor, at any point on the leased premises, or, if the area is served at the time of production by a gas-gathering system owned or operated by the lessee, at any point in that system specified by the lessor, for extraction of the helium by such means as the lessor may provide. The residue shall be returned to the lessee, with no substantial delay in the delivery of the gas produced from the well to the owner or purchaser thereof. Save for the value of the helium extracted, the lessee shall not suffer a diminution of the value of the gas produced from the well, or loss otherwise, including any expense caused solely by the requirement of the delivery of the

gas to permit the extraction of helium, for which he is not reasonably compensated. The lessor reserves the right to erect, maintain and operate any and all reduction works necessary for extraction of helium on the leased premises. The lessee further agrees to include in any contract of sale of gas from the lands subject to this lease provisions setting forth that the lessor owns, and reserves the right to extract or have extracted, any helium in the gas sold, and that the lessor may take the gas from a pipeline carrier or any other gas-gathering system and extract the helium and return the gas to the owner thereof, without delay other than that caused by the extraction process; save for the value of the helium, the owner shall not suffer any diminution of the value of the gas from which helium has been extracted, or any other loss arising from the extraction of helium, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. It is further agreed that any rights reserved vested in the lessor under this paragraph shall also run to any agent or assignee of the lessor or any purchaser of the rights of the lessor.

(e) *Taking of royalties.* All rights pursuant to Sec. 36 of the Act, to take royalties in amount or in value of production.

(f) *Casing.* All rights pursuant to Sec. 40 of the Act to purchase casing, and lease or operate valuable water wells.

Sec. 4. *Drilling and producing restrictions.* It is agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal and State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both. After unitization, the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the unit plan, may alter or modify, from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

Sec. 5. *Surrender and termination of lease.* The lessee may surrender this lease or any legal subdivision thereof by filing in the proper Land Office, a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and regulations.

Sec. 6. *Purchase of materials, etc., on termination of lease.* Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding

section, the lessee shall have the privilege at any time within a period of ninety (90) days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided, which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period: *Provided That* the lessee shall remove any or all such property where so directed by the lessor.

Sec. 7. *Proceedings in case of default.* If the lessee shall not comply with any of the provisions of the Act or the regulations thereunder or of the lease, or make default in the performance or observance of any of the terms hereof (except that of payment of annual rental which results in the automatic termination of the lease) and such default shall continue for a period of thirty (30) days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with Sec. 31 of the Act, except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in Sec. 31 of the Act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

Sec. 8. *Heirs and successors in interest.* It is further agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. *Unlawful interest.* It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 3741 of the Revised Statutes of the United States, (41 U.S.C. Sec. 22) as amended, and Secs. 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

SHELL OIL COMPANY

By *R. S. Karshner*
Its Attorney-in-Fact

ION

[Signature]
(Signature of Lessee)
Harry D. Meyer
(Signature of Lessee)

THE UNITED STATES OF AMERICA

By *Gene H. Johnson*
(Signing Officer)
ACTING Chief, Branch of
Lands & Minerals Operations
(Title)

OCT 28 1971

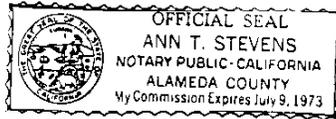
(Date)

CALIFORNIA

STATE OF California }
COUNTY OF Alameda } ss.

On this 7th day of October, 1971, before me
Ann T. Stevens, a Notary Public in and for said County and State,
residing therein, duly commissioned and sworn, personally appeared Jerome Magee
and Harry H. Magee
personally known to me to be the persons whose names are subscribed to the within
instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office
in said County and State, the day and year in this certificate first above written.



Ann T. Stevens
Ann T. Stevens
Name (Typed or Printed)
Notary Public in and for said County and State
My Commission expires July 9, 1973

STATE OF _____ }
COUNTY OF _____ } ss.

On this _____ day of _____, 19____, before me,
_____, a Notary Public in and for said County and State,
residing therein, duly commissioned and sworn, personally appeared _____
and _____
known to me to be the _____ President and the _____ Secretary,
respectively, of _____

the corporation described in and that executed the within instrument, and also known to me to be the
persons who executed it on behalf of the corporation therein named, and they acknowledged to me that
such corporation executed the same and acknowledged to me that such corporation executed the within
instrument pursuant to its bylaws or a resolution of its Board of Directors.

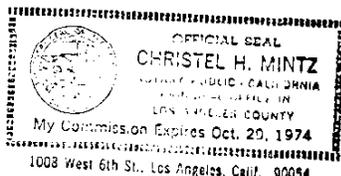
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office
in said County and State, the day and year in this certificate first above written.

Name (Typed or Printed)
Notary Public in and for said County and State
My Commission expires _____

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.

On this 8th day of October, 1971, before me
CHRISTEL H. MINTZ, a Notary Public in and for said County and State,
residing therein, duly commissioned and sworn, personally appeared R. F. KARSHNER, known to
me to be the person whose name is subscribed to the within instrument as the Attorney In Fact of Shell
Oil Company, and acknowledged to me that he subscribed the name of Shell Oil Company thereto as
principal, and his own name as Attorney In Fact.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office,
in said County and State, the day and year in this certificate first above written.



Christel H. Mintz
CHRISTEL H. MINTZ
Name (Typed or Printed)
Notary Public in and for said County and State
My Commission expires _____

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
STATE OFFICE
E-2841 Federal Office Building
2800 Cottage Way
Sacramento, California 95825

SURFACE MANAGEMENT REQUIREMENTS

Prior to disturbance of the surface of any public domain land for the purposes contemplated by the lease terms, the lessee shall contact the District Manager of the Bureau of Land Management having surface management responsibility for the area to determine the steps necessary for the protection of the surface, the natural resources, improvements and restoration to be made to the lands and improvements thereon as contemplated by section 2(q) of the lease terms.

The District Manager's address is:

U. S. Department of the Interior
Bureau of Land Management
800 Truxtun Avenue, Room 311
Bakersfield, California 93301

[Handwritten signature]
[Handwritten initials]
[Handwritten mark]

(Renewal or exchange of a lease bearing a royalty rate other than 5%)

SCHEDULE "D"

RENTAL AND ROYALTIES

Rentals.--To pay the lessor in advance an annual rental of \$1 per acre prior to a discovery of oil or gas on the leased lands.

Minimum royalty.--To pay the lessor in lieu of rental at the expiration of each lease year after discovery a minimum royalty of \$1 per acre or, if there is production, the difference between the actual royalty paid during the year and the prescribed minimum royalty of \$1 per acre, provided that on unitized leases, the minimum royalty shall be payable only on the participating acreage.

Royalty on production.--To pay the lessor the following royalty on production removed or sold from the leased lands:

(1) A royalty of 12-1/2 percent on the production removed or sold from--

- (a) Land determined by the Director, Geological Survey, not to be within the productive limits of any oil or gas deposit on August 8, 1946;
- (b) An oil or gas deposit which was discovered after May 27, 1941, by a well or wells drilled on the leased land and which is determined by the Director, Geological Survey, to be a new deposit; or
- (c) Allocated to the lease pursuant to an approved unit or cooperative agreement from an oil or gas deposit which was discovered on unitized land after May 27, 1941, and determined by the Director, Geological Survey, to be a new deposit, but only if at the time of discovery the lease was committed to the agreement or was included in a duly executed and filed application for approval of the agreement.

(2) On production of oil removed or sold from lands not subject to subsection (1) hereof

For all oil produced of 30° Baume or over:

| | |
|--|---------|
| On that portion of the average production per well not exceeding 20 barrels per day for the calendar month . . . | 12-1/2% |
| On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month | 16-2/3% |
| On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month | 20 % |
| On that portion of the average production per well of more than 100 barrels and not more than 200 barrels per day for the calendar month | 25 % |
| On that portion of the average production per well of more than 200 barrels per day for the calendar month | 33-1/3% |

JDM
JLL asst

For all oil produced less than 30° Baume:

| | |
|--|---------|
| On that portion of the average production per well not exceeding 20 barrels per day for the calendar month . . . | 12-1/2% |
| On that portion of the average production per well of more than 20 barrels and not more than 50 barrels per day for the calendar month | 14-2/7% |
| On that portion of the average production per well of more than 50 barrels and not more than 100 barrels per day for the calendar month | 16-2/3% |
| On that portion of the average production per well of more than 100 barrels and not more than 200 barrels per day for the calendar month | 20 % |
| On that portion of the average production per well of more than 200 barrels per day for the calendar month | 25 % |

Only wells which have a commercial production during at least part of the month shall be considered in ascertaining the average production above provided for; and the Secretary of the Interior shall determine what are commercially productive wells under this provision.

(3) On gas and casing-head gasoline:

On gas, whether same shall be gas from which the casing-head gasoline has been extracted or otherwise, 12½ percent of the value thereof in the field where produced where the average production per day for the calendar month from the land leased is less than 3,000,000 cubic feet, and 16-2/3 percent where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline, 16-2/3 percent of the value of the casing-head gasoline extracted from the gas produced and sold, computed on the basis provided for in the operating regulations.

The value in the field where produced, of gas and casing-head gasoline, for royalty purposes, unless such gas or casing-head gasoline is disposed of under an approved sales contract or other method as provided in subdivision (f) of this section, shall be as fixed by the Secretary of the Interior.

In cases where the gas produced and sold has a value both for casing-head gasoline content and as dry gas from which the casing-head gasoline has been extracted, then the royalties above provided shall be paid on both of such values.

W. H. H. H.
J. H. H. H.
at

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

| |
|----------------------|
| Office |
| Serial Number |
| Cash Bonus |
| Rental Rate |
| Minimum Royalty Rate |
| Royalty Rate |

This lease is made and effective as of _____ (hereinafter called the Effective Date) by and between the United States of America (hereinafter called the Lessor), by the _____, Bureau of Land Management, its authorized officer, and

(hereinafter called the Lessee). In consideration of the cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions and covenants contained herein, the parties hereto agree as follows:

Sec. 1. Statutes and Regulations. This lease is made pursuant to the Outer Continental Shelf Lands Act of August 7, 1953 (67 Stat. 467; 43 U.S.C. Secs. 1331, *et seq.*) (hereinafter called the Act). This lease is subject to all the provisions of the Act and to all the terms, conditions and requirements of the valid regulations promulgated by the Secretary of the Interior (hereinafter called the Secretary) thereunder in existence upon the effective date of this lease, all of which are incorporated herein and, by reference, made a part hereof. This lease shall also be subject to regulations hereafter issued by the Secretary pursuant to his authority under section 5(a)(1) of the Act to prescribe and amend at any time such rules and regulations as he may determine to be necessary and proper in order to provide for the prevention of waste and for the conservation of the natural resources of the Outer Continental Shelf, and for the protection of correlative rights therein, which regulations shall be deemed incorporated herein and, by reference, made a part hereof when promulgated.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, mine, extract, remove and dispose of oil and gas deposits, except helium gas, in or under the following-described area of the Outer Continental Shelf of the United States:

containing approximately _____ acres (hereinafter referred to as the leased area), together with:

- (a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;
- (b) the nonexclusive right to drill water wells within the leased area and to use water produced therefrom for operations pursuant to the Act free of cost, provided that such drilling is conducted in accordance with procedures approved by the Regional Oil and Gas Supervisor of the Geological Survey (hereinafter called the "Supervisor"); and
- (c) the right to construct or erect and to maintain within the leased area all artificial islands, platforms, fixed or floating structures, sea walls, docks, dredged channels and spaces, buildings, plants, telegraph or telephone lines and cables, pipelines, reservoirs, tanks, pumping stations, and other works and structures necessary to the full enjoyment of the rights granted by this lease, subject to compliance with applicable laws and regulations.

royalties as follows:

Rentals. With respect to each lease year commencing prior to a discovery of oil or gas on the leased area, to pay the Lessor on or before the first day of each such year, a rental of _____ per acre or fraction thereof.

Minimum royalty. To pay the Lessor at the expiration of each lease year commencing after discovery a minimum royalty of _____ per acre or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Royalty on production. To pay the Lessor a royalty of _____ percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium and gas used for purposes of production from and operations upon the leased area or unavoidably lost) is subject to royalty.

Sec. 3. Obligations of Lessee. The Lessee agrees:

- (a) *Rentals and royalties.* (1) To pay rentals and

(2) It is expressly agreed that the Secretary may establish minimum values for purposes of computing

quality on products obtained from this lease, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, or area, to the price received by the Lessee, to posted prices, and to other relevant matters. Each such determination shall be made only after due notice to the Lessee and a reasonable opportunity has been afforded the Lessee to be heard.

(3) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained. When paid in production, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty taken in kind in excess of tankage required when royalty is paid in value. When payments are made in production the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

(b) *Bonds.* To maintain at all times the bond required prior to the issuance of this lease and to furnish such additional security as may be required by the Lessor if, after operations or production have begun, the Lessor deems such additional security to be necessary.

(c) *Wells.* (1) To diligently drill and produce such wells as are necessary to protect the Lessor from loss by reason of production on other properties or, in lieu thereof, with the consent of the Supervisor, to pay a sum determined by the Supervisor as adequate to compensate the Lessor for failure to drill and produce any such well. In the event that this lease is not being maintained in force by other production of oil or gas in paying quantities or by other approved drilling or reworking operations, such payments shall be considered as the equivalent of production in paying quantities for all purposes of this lease.

(2) After due notice in writing, to diligently drill and produce such other wells as the Secretary may reasonably require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with good operating practice.

(3) At the election of the Lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the area, field, or pool in which the leased area or any part thereof is situated, which is authorized or sanctioned by applicable law or by the Secretary.

(d) *Payments.* To make all payments to the Lessor by check, bank draft or money order payable as indicated herein unless otherwise provided by regulations or by direction of the Secretary. Rental, royalties, and other payments shall be made payable to the United States Geological Survey and tendered to the Supervisor, except that filing charges, bonuses, and first year's rental shall be made payable to the Bureau of Land Management and remitted to the Manager of the appropriate field office of that Bureau.

(e) *Inspection.* To keep open at all reasonable times for the inspection of any duly authorized representative of the Lessor, the leased area and all wells, improvements, machinery and fixtures thereon and all books, accounts, and records relative to operations and surveys or investigations on or with regard to the leased area or under the lease.

(f) *Conduct of operations.* To conduct all operations under this lease in accordance with applicable law and regulations.

(g) *Indemnification.* To indemnify and save the Lessor harmless against and from any and all claims of any nature whatever, including without limitation claims for loss or damage to property or injury to persons, caused by, or resulting from, any operation on the leased area conducted by or on behalf of the Lessee, provided that the Lessee shall not be held responsible to the Lessor under this subsection for any loss, damage, or injury caused by, or resulting from: (1) any negligent action of the Lessor other than the exercise or performance of (or the failure to exercise or perform) a discretionary function or duty on the part of a Federal agency or an employee of such an agency, whether or not the discretion involved is abused; or (2) the Lessee's compliance with an order or directive of the Lessor against which an appeal by the Lessee under 30 CFR 250.81 is filed before the cause of action for such a claim arises and is pursued diligently thereafter.

(h) *Equal Opportunity Clause.* The Lessee agrees that, during the performance of this lease:

(1) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this Equal Opportunity clause.

(2) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(3) The Lessee will send to each labor union or representative of workers with which Lessee has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Lessor, advising the labor union or workers' representative of the Lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this lease or with any of said rules, regulations, or orders, this lease may be canceled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Federal government contracts or leases in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee will include the provisions of Paragraphs (1) through (7) of this subsection 3(h) in

every contract, subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor or vendor. The Lessee will take such action with respect to any contract, subcontract or purchase order as the Secretary may direct as a means of enforcing such provisions including sanctions for noncompliance; *provided, however*, that in the event the Lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor or vendor as a result of such direction by the Secretary, the Lessee may request the Lessor to enter into such litigation to protect the interests of the Lessor.

(i) *Certification of nonsegregated facilities.* By entering into this lease, the Lessee certifies that Lessee does not and will not maintain or provide for Lessee's employees any segregated facilities at any of Lessee's establishments, and that Lessee does not and will not permit Lessee's employees to perform their services at any location, under Lessee's control, where segregated facilities are maintained. The Lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause in this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Lessee further agrees that (except where Lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Lessee will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that Lessee will retain such certifications in Lessee's files, and that Lessee will forward the following notice to such proposed contractors and subcontractors (except where the proposed contractor or subcontractor has submitted identical certifications for specific time periods): Notice to prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

(j) *Assignment of lease.* To file for approval with the appropriate office of the Bureau of Land Management any instrument of transfer of this lease, or any interest therein, required to be filed under applicable regulations, within the time and in the manner prescribed by the applicable regulations.

Sec. 4. *Term.* This lease shall continue for a period of 5 years from the effective date of this lease and so long thereafter as oil or gas may be produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Secretary, are conducted thereon.

Sec. 5. *Cooperative or Unit Plan.* Lessee agrees that, within 30 days after demand by Lessor, Lessee will subscribe to and operate under such cooperative or unit plan for the development and operation of the area, field,

or pool, or part thereof, embracing lands subject to this lease as the Secretary may determine to be practicable and necessary or advisable in the interest of conservations. Where any provision of a cooperative or unit plan of development which has been approved by the Secretary, and which by its terms affects the leased area or any part thereof, is inconsistent with a provision of this lease, the provision of such cooperative or unit plan shall govern.

Sec. 6. *Reservations to Lessor.* All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, such reserved rights include:

(a) *Geological and geophysical exploration; rights-of-way.* The right to authorize the conduct of geological and geophysical exploration in the leased area which does not interfere with or endanger actual operations under this lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the United States, its Lessees or Permittees.

(b) *Leases of sulfur and other minerals.* The right to grant leases of any mineral other than oil and gas within the leased area or any part thereof. No lease of other mineral shall authorize or permit the Lessee thereunder unreasonably to interfere with or endanger operations under this lease.

(c) *Purchase of production.* In time of war, or when the President of the United States shall so prescribe, the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

(d) *Taking of royalties.* The right to determine whether royalty will be taken in the amount or the value of production.

(e) *Helium.* Pursuant to Section 12(f) of the Act, the ownership of and the right to extract helium from all gas produced under this lease.

(f) *Suspension of operations during war or national emergency.* Upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by the Congress or President of the United States after August 7, 1953, the authority of the Secretary to suspend any or all operations under this lease, as provided in Section 12(e) of the Act; *Provided*, That just compensation shall be paid by the Lessor to the Lessee.

(g) *Restriction of exploration and operations.* The right, as provided in Section 12(d) of the Act, to restrict from exploration and operations the leased area or any part thereof which may be designated by and through the Secretary of Defense, with the approval of the President, as, or as part of, an area of the Outer Continental Shelf needed for national defense; and so long as such designation remains in effect no exploration or operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense; and if operations or production under this lease within any such restricted area shall be suspended, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Consultation of the United States.

Sec. 7. *Directional Drilling.* A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of this lease as a well drilled from a surface location on the leased area. In such circumstances, drilling shall be considered to have

been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or shall be construed as granting to the Lessee any leasehold interests, licenses, easements, or other rights in or with respect to any such nearby land in addition to any such leasehold interests, licenses, easements, or other rights which the Lessee may have lawfully acquired under the Act or from the Lessor or others.

Sec. 8. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate office of the Bureau of Land Management a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or his surety of the obligation to make payment of all accrued rentals and royalties or to abandon all wells on the area to be surrendered in a manner satisfactory to the Supervisor.

Sec. 9. Removal of property on termination of lease. Upon the termination of this lease in whole or in part, or the surrender of the lease in whole or in part, as herein provided, the Lessee shall within a period of 1 year thereafter remove from the premises no longer subject to the lease all structures, machinery, equipment, tools, and materials in accordance with applicable regulations and orders of the Supervisor; *provided, however,* that the Lessee may continue to maintain any such property on the leased area for whatever longer period it may be needed, as determined by the Supervisor, for producing wells or for drilling or producing on other leases.

Sec. 10. Remedies in case of default. (a) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of the regulations issued under the Act and in force and effect on the effective date of this lease, the lease shall be subject to can-

cellation in accordance with the provisions of Section 5(b) of the Act; *provided, however,* that the 30-day notice provision applicable to non-producing leases under Section 5(b)(1) of the Act shall also apply as a prerequisite to the institution of any legal action by the Lessor to cancel this lease while it is in a producing status. Nothing in this subsection shall be construed to apply to, or require any notice with respect to, any legal action instituted by the Lessor other than an action to cancel the lease pursuant to Section 5(b) of the Act.

(b) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, the Lessor may exercise any legal or equitable remedy or remedies which the Lessor may have, including appropriate action under the penalty provisions of Section 5(a)(2) of the Act; *however,* the remedy of cancellation of the lease may be exercised only under the provisions of Section 5(b) and Section 8(1) of the Act.

(c) A waiver of any particular violation of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, shall not prevent the cancellation of this lease or the exercise of any other remedy or remedies under paragraphs (a) and (b) of this section by reason of any other such violation or for the same violation occurring at any other time.

Sec. 11. Heirs and successors in interest. Each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

Sec. 12. Unlawful interest. No member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes (41 U.S.C. Sec. 22), as amended, and Sections 431, 432, and 433 of Title 18 of the United States Code, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease so far as the same may be applicable.

THE UNITED STATES OF AMERICA

(Signature of Lessee)

By _____
(Authorized Officer)

(Signature of Lessee)

(Title)

(Signature of Lessee)

(Date)

(Signature of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal

P

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

| | |
|----------------------|--------------|
| Office | |
| Serial Number | |
| Cash Bonus | |
| Rental Rate | |
| Minimum Royalty Rate | Royalty Rate |

This lease is made and effective as of _____ (hereinafter called the Effective Date)
by and between the United States of America (hereinafter called the Lessor), by the
_____, Bureau of Land Management, its authorized officer, and

(hereinafter called the Lessee). In consideration of the cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions and covenants contained herein, the parties hereto agree as follows:
Sec. 1. Statutes and Regulations. This lease is made pursuant to the Outer Continental Shelf Lands Act of August 7, 1953 (67 Stat. 462; 43 U.S.C. Secs. 1331, *et seq.*) (hereinafter called the Act). This lease is subject to all the provisions of the Act and to all the terms, conditions and requirements of the valid regulations promulgated by the Secretary of the Interior (hereinafter called the Secretary) thereunder in existence upon the effective date of this lease, all of which are incorporated herein and, by reference, made a part hereof. This lease shall also be subject to regulations hereafter issued by the Secretary pursuant to his authority under section 5(a)(1) of the Act to prescribe and amend at any time such rules and regulations as he may determine to be necessary and proper in order to provide for the prevention of waste and for the conservation of the natural resources of the Outer Continental Shelf, and for the protection of correlative rights therein, which regulations shall be deemed incorporated herein and, by reference, made a part hereof when promulgated.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, mine, extract, remove and dispose of oil and gas deposits, except helium gas, in or under the following-described area of the Outer Continental Shelf of the United States:

containing approximately _____ acres (hereinafter referred to as the leased area), together with:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area and to use water produced therefrom for operations pursuant to the Act free of cost, provided that such drilling is conducted in accordance with procedures approved by the Regional Oil and Gas Supervisor of the Geological Survey (hereinafter called the "Supervisor"); and

(c) the right to construct or erect and to maintain within the leased area all artificial islands, platforms, fixed or floating structures, sea walls, docks, dredged channels and spaces, buildings, plants, telegraph or telephone lines and cables, pipelines, reservoirs, tanks, pumping stations, and other works and structures necessary to the full enjoyment of the rights granted by this lease, subject to compliance with applicable laws and regulations.

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Minimum royalty. To pay the Lessor at the expiration of each lease year commencing after discovery a minimum royalty of _____ per acre or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to each lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Royalty on production. To pay the Lessor a royalty of _____ percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) ~~and gas used for purposes of production from and operations upon the leased area~~ ~~and helium~~ is subject to royalty.

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(3) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained. When paid in production, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty taken in kind in excess of tankage required when royalty is paid in value. When payments are made in production the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

(b) *Bonds*. To maintain at all times the bond required prior to the issuance of this lease and to furnish such additional security as may be required by the Lessor if, after operations or production have begun, the Lessor deems such additional security to be necessary.

(c) *Wells*. (1) To diligently drill and produce such wells as are necessary to protect the Lessor from loss by reason of production on other properties or, in lieu thereof, with the consent of the Supervisor, to pay a sum determined by the Supervisor as adequate to compensate the Lessor for failure to drill and produce any such well. In the event that this lease is not being maintained in force by other production of oil or gas in paying quantities or by other approved drilling or reworking operations, such payments shall be considered as the equivalent of production in paying quantities for all purposes of this lease.

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(3) At the election of the Lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the area, field, or pool in which the leased area or any part thereof is situated, which is authorized or sanctioned by applicable law or by the Secretary.

(d) *Payments*. To make all payments to the Lessor by check, bank draft or money order payable as indicated herein unless otherwise provided by regulations or by direction of the Secretary. Rental, royalties, and other payments shall be made payable to the United States Geological Survey and tendered to the Supervisor, except that filing charges, bonuses, and first year's rental shall be made payable to the Bureau of Land Management and remitted to the Manager of the appropriate field office of that Bureau.

(e) *Inspection*. To keep open at all reasonable times for the inspection of any duly authorized representative of the Lessor, the leased area and all wells, improvements, machinery and fixtures thereon and all books, accounts, and records relative to operations and surveys or investigations on or with regard to the leased area or under the lease.

(f) *Conduct of operations*. To conduct all operations under this lease in accordance with applicable law and regulations.

(g) *Indemnification*. To indemnify and save the Lessor harmless against and from any and all claims of any nature whatever, including without limitation claims for loss or damage to property or injury to persons, caused by, or resulting from, any operation on the leased area conducted by or on behalf of the Lessee; provided that the Lessee shall not be held responsible to the Lessor under this subsection for any loss, damage, or injury caused by, or resulting from: (1) any negligent action of the Lessor other than the exercise or performance of (or the failure to exercise or perform) a discretionary function or duty on the part of a Federal agency or an employee of such an agency, whether or not the discretion involved is abused; or (2) the Lessee's compliance with an order or directive of the Lessor against which an appeal by the Lessee under 30 CFR 250.81 is filed before the cause of action for such a claim arises and is pursued diligently thereafter.

(h) *Equal Opportunity Clause*. The Lessee agrees that, during the performance of this lease:

(1) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this Equal Opportunity clause.

(2) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(3) The Lessee will send to each labor union or representative of workers with which Lessee has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Lessor, advising the labor union or workers' representative of the Lessee's commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this lease or with any of said rules, regulations, or orders, this lease may be canceled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Federal government contracts or leases in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee will include the provisions of Paragraphs (1) through (7) of this subsection 3(h) in

every contract, subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 203 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor or vendor. The Lessee will take such action with respect to any contract, subcontract or purchase order as the Secretary may direct as a means of enforcing such provisions including sanctions for noncompliance; *provided, however*, that in the event the Lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor or vendor as a result of such direction by the Secretary, the Lessee may request the Lessor to enter into such litigation to protect the interests of the Lessor.

(i) *Certification of nonsegregated facilities.* By entering into this lease, the Lessee certifies that Lessee does not and will not maintain or provide for Lessee's employees any segregated facilities at any of Lessee's establishments, and that Lessee does not and will not permit Lessee's employees to perform their services at any location, under Lessee's control, where segregated facilities are maintained. The Lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause in this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Lessee further agrees that (except where Lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Lessee will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that Lessee will retain such certifications in Lessee's files; and that Lessee will forward the following notice to such proposed contractors and subcontractors (except where the proposed contractor or subcontractor has submitted identical certifications for specific time periods). Notice to prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (17 FR 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

(j) *Assignment of lease.* To file for approval with the appropriate office of the Bureau of Land Management any instrument of transfer of this lease, or any interest therein, required to be filed under applicable regulations, within the time and in the manner prescribed by the applicable regulations.

Sec. 4. *Term.* This lease shall continue for a period of 5 years from the effective date of this lease and so long thereafter as oil or gas may be produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Secretary, are conducted thereon.

Sec. 5. *Cooperative or Unit Plan.* Lessee agrees that, within 30 days after demand by Lessor, Lessee will subscribe to and operate under such cooperative or unit plan for the development and operation of the area, field,

or pool, or part thereof, embracing lands subject to this lease as the Secretary may determine to be practicable and necessary or advisable in the interest of conservation. Where any provision of a cooperative or unit plan of development which has been approved by the Secretary, and which by its terms affects the leased area or any part thereof, is inconsistent with a provision of this lease, the provision of such cooperative or unit plan shall govern.

Sec. 6. *Reservations to Lessor.* All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, such reserved rights include:

(a) *Geological and geophysical exploration; rights-of-way.* The right to authorize the conduct of geological and geophysical exploration in the leased area which does not interfere with or endanger actual operations under this lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the United States, its Lessees or Permittees.

(b) *Leases of sulfur and other minerals.* The right to grant leases of any mineral other than oil and gas within the leased area or any part thereof. No lease of other mineral shall authorize or permit the Lessee thereunder unreasonably to interfere with or endanger operations under this lease.

(c) *Purchase of production.* In time of war, or when the President of the United States shall so prescribe, the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

(d) *Taking of royalties.* The right to determine whether royalty will be taken in the amount or the value of production.

(e) *Helium.* Pursuant to Section 12(t) of the Act, the ownership of and the right to extract helium from all gas produced under this lease.

(f) *Suspension of operations during war or national emergency.* Upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by the Congress or President of the United States after August 7, 1953, the authority of the Secretary to suspend any or all operations under this lease, as provided in Section 12(c) of the Act: *Provided*, That just compensation shall be paid by the Lessor to the Lessee.

(g) *Restriction of exploration and operations.* The right, as provided in Section 12(d) of the Act, to restrict from exploration and operations the leased area or any part thereof which may be designated by and through the Secretary of Defense, with the approval of the President, as, or as part of, an area of the Outer Continental Shelf needed for national defense; and so long as such designation remains in effect no exploration or operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense; and if operations or production under this lease within any such restricted area shall be suspended, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 7. *Directional Drilling.* A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of this lease as a well drilled from a surface location on the leased area. In such circumstances, drilling shall be considered to have

been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production in drilling or reworking operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or shall be construed as granting to the Lessee any leasehold interests, licenses, easements, or other rights in or with respect to any such nearby land in addition to any such leasehold interests, licenses, easements, or other rights which the Lessee may have lawfully acquired under the Act or from the Lessor or others.

Sec. 8. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate office of the Bureau of Land Management a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or his surety of the obligation to make payment of all accrued rentals and royalties or to abandon all wells on the area to be surrendered in a manner satisfactory to the Supervisor.

Sec. 9. Removal of property on termination of lease. Upon the termination of this lease in whole or in part, or the surrender of the lease in whole or in part, as herein provided, the Lessee shall within a period of 1 year thereafter remove from the premises no longer subject to the lease all structures, machinery, equipment, tools, and materials in accordance with applicable regulations and orders of the Supervisor, provided, however, that the Lessee may continue to maintain any such property on the leased area for whatever longer period it may be needed, as determined by the Supervisor, for producing wells or for drilling or producing on other leases.

Sec. 10. Remedies in case of default. (a) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of the regulations issued under the Act and in force and effect on the effective date of this lease, the lease shall be subject to can-

cellation in accordance with the provisions of Section 5(b) of the Act; provided, however, that the 30-day notice provision applicable to non-producing leases under Section 5(b)(1) of the Act shall also apply as a prerequisite to the institution of any legal action by the Lessor to cancel this lease while it is in a producing status. Nothing in this subsection shall be construed to apply to, or require any notice with respect to, any legal action instituted by the Lessor other than an action to cancel the lease pursuant to Section 5(b) of the Act.

(b) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, the Lessor may exercise any legal or equitable remedy or remedies which the Lessor may have, including appropriate action under the penalty provisions of Section 5(a)(2) of the Act; however, the remedy of cancellation of the lease may be exercised only under the provisions of Section 5(b) and Section 8(i) of the Act.

(c) A waiver of any particular violation of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act shall not prevent the cancellation of this lease or the exercise of any other remedy or remedies under paragraphs (a) and (b) of this section by reason of any other such violation or for the same violation occurring at any other time.

Sec. 11. Heirs and successors in interest. Each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

Sec. 12. Unlawful interest. No member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes (41 U.S.C. Sec. 22), as amended, and Sections 431, 432, and 433 of Title 18 of the United States Code, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease so far as the same may be applicable.

THE UNITED STATES OF AMERICA

(Signature of Lessee)

By _____
(Authorized Officer)

(Signature of Lessee)

(Title)

(Signature of Lessee)

(Date)

(Signature of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal

Q

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

| | |
|------------------------|--------------|
| Office | |
| New Orleans, Louisiana | |
| Serial Number | |
| OCS-G 3377 | |
| Cash Bonus | |
| \$24,190,000.00 | |
| Rental Rate | |
| \$3.00 per acre | |
| Minimum Royalty Rate | Royalty Rate |
| \$3.00 per acre | 1/6th |

This lease is made and effective as of JAN 1 1977 (hereinafter called the "Effective Date") by and between the United States of America (hereinafter called the "Lessor"), by the Manager, New Orleans Outer Continental Shelf Office, Bureau of Land Management, its authorized officer, and

| | |
|------------------------------|-----|
| Tenneco Oil Company | 90% |
| Samedan Offshore Corporation | 10% |

RECEIVED
DEC 15 2 50 PM '76
BUREAU OF LAND MANAGEMENT
OUTER CONTINENTAL SHELF OFFICE
NEW ORLEANS, LA.

(hereinafter called the "Lessee"). In consideration of the cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, the parties hereto agree as follows: Sec. 1. Statutes and Regulations. This lease is made pursuant to the Outer Continental Shelf Lands Act of August 7, 1953 (67 Stat. 462; 43 U.S.C. Secs. 1331-1343) (hereinafter called the "Act"). This lease is subject to all the provisions of the Act and to all the terms, conditions, and requirements of the valid regulations promulgated by the Secretary of the Interior (hereinafter called the "Secretary") thereunder in existence upon the effective date of this lease, all of which are incorporated herein and, by reference, made a part hereof. This lease shall also be subject to regulations hereafter issued by the Secretary pursuant to his authority under section 5(a)(1) of the Act to prescribe and amend at any time such rules and regulations as he may determine to be necessary and proper in order to provide for the prevention of waste and for the conservation of the natural resources of the Outer Continental Shelf, and for the protection of correlative rights therein, which regulations shall be deemed incorporated herein and, by reference, made a part hereof when promulgated.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of oil and gas deposits, except helium gas, in or under the following-described area of the Outer Continental Shelf of the United States:

All of Block A-281, High Island Area, East Addition, South Extension, as shown on OCS Official Leasing Map, Texas Map No. 7C

containing approximately 5760 acres (hereinafter referred to as the "leased area"), together with:

(a) the nonexclusive right to conduct within the leased area geophysical and geotechnical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area and to use water produced therefrom for operations pursuant to the Act (free of cost, provided that such drilling is conducted in accordance with procedures approved by the Regional Oil and Gas Supervisor of the Geological Survey (hereinafter called the "Supervisor"); and

(c) the right to construct or erect and to maintain within the leased area all artificial islands, platforms, fixed or floating structures, sea walls, docks, dredged channels and spaces, buildings, plants, telegraph or telephone lines and cables, pipelines, reservoirs, tanks, pumping stations, and other works and structures necessary to the full enjoyment of the rights granted by this lease, subject to compliance with applicable laws and regulations.

Sec. 3. Obligations of Lessee. The Lessee agrees:

(a) *Lease stipulations.* To comply with lease stipulation(s) number(s) 1 and 3 attached hereto, and made a part hereof.

(b) *Rentals and royalties.* (1) To pay rentals and royalties as follows:

Rentals. With respect to each lease year commencing prior to a discovery of oil or gas on the lease area, to pay the Lessor on or before the first day of each such year, a rental of \$3.00 per acre or fraction thereof

Minimum royalty. To pay the Lessor at the expiration of each lease year commencing after discovery, a minimum royalty of \$3.00 per acre or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Royalty on production. To pay the Lessor a royalty of 16 2/3 percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) is subject to royalty.

(2) It is expressly agreed that the Secretary may establish minimum values for purposes of computing royalty on products obtained from this lease, due consideration being given to the highest price paid for part or for a majority of production of like quality in the same field, or area, to the price received by the Lessee, to posted prices, and to other relevant matters. Such such determination shall be made only after due notice to the Lessee and a reasonable opportunity has been afforded the Lessee to be heard.

(3) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained. When paid in production, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either: (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be required to reimburse the Lessor for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty taken in kind in excess of tankage required when royalty is paid in value. When payments are made in production the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

(c) *Bonds.* To maintain at all times the bond required prior to the issuance of this lease and to furnish such additional security as may be required by the Lessor if, after operations or production have begun, the Lessor deems such additional security to be necessary.

(d) *Wells.* (1) To diligently drill and produce such wells as are necessary to protect the Lessor from loss by reason of production on other properties or, in lieu thereof, with the consent of the Supervisor, to pay a sum determined by the Supervisor as adequate to compensate the Lessor for failure to drill and produce any such well. In the event that this lease is not being maintained in force by other production of oil or gas in paying quantities or by other approved drilling or reworking operations, such payments shall be considered as the equivalent of production in paying quantities for all purposes of this lease.

(2) After due notice in writing, to diligently drill and produce such other wells as the Secretary may reasonably require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with good operating practice.

(3) At the election of the Lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the area, field, or pool in which the leased area or any part thereof is situated, which is authorized or sanctioned by applicable law or by the Secretary.

(e) *Payments.* To make all payments to the Lessor by check, bank draft, or money order payable as indicated herein unless otherwise provided by regulations or by direction of the Secretary. Rental, royalties, and other payments shall be made payable to the United States Geological Survey and tendered to the Supervisor, except that filing charges, bonuses, and first year's rental shall be made payable to the Bureau of Land Management and remitted to the Manager of the appropriate field office of that Bureau.

(f) *Inspection.* To keep open at all reasonable times for the inspection of any duly authorized representative of the Lessor, the leased area and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, and records relative to operation and surveys or investigations on or with regard to the leased area or under the lease.

(g) *Conduct of operations.* To conduct all operations under this lease in accordance with applicable law and regulations.

(h) *Indemnification.* To indemnify and save the Lessor harmless against and from any and all claims of any nature whatsoever, including without limitation claims for loss or damage to property or injury to persons, caused by, or resulting from, any operations on the leased area conducted by or on behalf of the Lessee; provided that the Lessee shall not be held responsible to the Lessor under this subsection for any loss, damage, or injury caused by, or resulting from: (1) any negligent action of the Lessor other than the exercise or performance of (or the failure to exercise or perform) a discretionary function or duty on the part of a Federal agency whether or not the discretion involved is abused; or (2) the Lessee's compliance with an order or directive of the Lessor against which an appeal by the Lessee under 30 CFR 250.81 is filed before the cause of action for such a claim arises and is pursued diligently thereafter.

(i) *Equal Opportunity Clause.* The Lessee agrees that, during the performance of this lease:

(1) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this Equal Opportunity Clause.

(2) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The Lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Lessor, advising the labor union or workers' representative of the Lessee's commitments

under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this contract or with any of the said rules, regulations, or orders, this lease may be cancelled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Government contracts or leases in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee will include the provisions of paragraphs (1) through (7) of this subsection (j) in every contract, subcontract, or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor, or vendor. The Lessee will take such action with respect to any contract, subcontract, or purchase order as the Secretary of the Interior may direct as a means of enforcing such provisions including sanctions for noncompliance. *Provided, however,* that in the event the Lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor, or vendor as a result of such direction by the Secretary of the Interior, the Lessee may request the United States to enter into such litigation to protect the interests of the United States.

(j) *Certification of nonsegregated facilities.* By entering into this lease, the Lessee certifies that Lessee does not and will not maintain or provide for Lessee's employees any segregated facilities at any of Lessee's establishments; and that Lessee does not and will not permit Lessee's employees to perform their services at any location, under Lessee's control, where segregated facilities are maintained. The Lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause in this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants, and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that (except where Lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Lessee will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that Lessee will retain such certifications in Lessee's files; and that Lessee will forward the following notice to such proposed contractors and subcontractors (except where proposed contractor or subcontractor has submitted identical certifications for specific time periods). Notice to prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A *Certification of Non-segregated Facilities*, as required by the May 9, 1967 order (32 F.R. 7439, May 19, 1967) on *Elimination of Segregated Facilities*, by the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000, which is not exempt from the provisions of the Equal Opportunity clause. Certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

(k) *Assignment of lease.* To file for approval with the appropriate office of the Bureau of Land Management any instrument of transfer of this lease, or any interest therein, required to be filed under applicable regulations, within the time and in the manner prescribed by the applicable regulations.

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(b) *Leases of other mineral interests.* The right to grant leases of any mineral other than oil and gas within the leased area or any part thereof. No lease of other mineral shall authorize or permit the Lessee thereunder unreasonably to interfere with or endanger operations under this lease.

(c) *Purchase of production.* In time of war, or when the President of the United States shall so prescribe, the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

(d) *Taking of royalties.* The right to determine whether royalty will be taken in the amount or the value of production.

(e) *Helium.* Pursuant to Section 12(f) of the Act, the ownership of and the right to extract helium from all gas produced under this lease.

(f) *Suspension of operations during war or national emergency.* Upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by the Congress or President of the United States after August 7, 1953, the authority of the Secretary to suspend any or all operations under this lease, as provided in Section 12(c) of the Act; *Provided,* That just compensation shall be paid by the Lessor to the Lessee.

(g) *Restriction of exploration and operations.* The right, as provided in Section 12(d) of the Act, to restrict from exploration and operations the leased area or any part thereof which may be designated by and through the Secretary of Defense, with the approval of the President, as, or as part of, an area of the Outer Continental Shelf needed for national defense; and so long as such designation remains in effect no exploration or operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense; and if operations or production under this lease within any such restricted area shall be suspended, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 7. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of this lease as a well drilled from a surface location on the leased area. In such circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or shall be construed as granting to the Lessee any leasehold interests, licenses, easements, or other rights in or with respect to any such nearby land in addition to any such leasehold interests, licenses, easements, or other rights which the Lessee may have lawfully acquired under the Act or from the Lessor or others.

Sec. 8. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate office of the Bureau of Land Management a written relinquishment, *in duplicate*, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or his surety of the obligation to make payment of all accrued rentals and royalties or to abandon all wells on the area to be surrendered in a manner satisfactory to the Supervisor.

Sec. 9. Removal of Property on Termination of Lease. Upon the termination of this lease in whole or in part, or the surrender of the lease in whole or in part, as herein provided, the Lessee shall within a period of 1 year thereafter remove from the premises no longer subject to the lease all structures, machinery, equipment, tools, and materials in accordance with applicable regulations and orders of the Supervisor; *Provided, however,* That the Lessee may continue to maintain any such property on the leased area for whatever longer period it may be needed, as determined by the Supervisor, for producing wells or for drilling or producing on other leases.

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(b) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, the Lessor may exercise any legal or equitable remedy or remedies which the Lessor may have, including appropriate action under the penalty provisions of Section 5(a)(2) of the Act; *however,* the remedy of cancellation of the lease may be exercised only under the provisions of Section 5(b) and Section 8(i) of the Act.

(c) A waiver of any particular violation of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, shall not prevent the cancellation of this lease or the exercise of any other remedy or remedies under paragraphs (a) and (b) of this section by reason of any other such violation or for the same violation occurring at any other time.

Sec. 11. Heirs and Successors in Interest. Each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

Sec. 12. Unlawful Interest. No member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes (41 U.S.C. Sec. 22), as amended, and Sections 431, 432, and 433 of Title 18 of the United States Code, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease so far as the same may be applicable.

THE UNITED STATES OF AMERICA

TERRACO OIL COMPANY

BY John A. Peterson
JOHN A. PETERSON (Signature of Lessee)
ATTORNEY-IN-FACT

BY Harold P. Livingston
(Authorized Officer)

Acting Manager
New Orleans Outer Continental Shelf Office
Bureau of Land Management

(Signature of Lessee)
SAMEDAN OFFSHORE CORPORATION

By: J. E. Taylor Vice-President
(Signature of Lessee)

ATTEST: Don C. Holt Secretary

(Signature of Lessee)
(Continued on reverse)

DEC 16 1976
(Date)

(Signature of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal.

R

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

| | | |
|----------------------|------------------------|--|
| Office | New Orleans, Louisiana | |
| Serial Number | OCS-G 3465 | |
| Cash Bonus | \$8,092,800.00 | |
| Rental Rate | \$3.00 per acre | |
| Minimum Royalty Rate | Royalty Rate | |
| \$3.00 per acre | 1/6th | |

This lease is made and effective as of **AUG 1 1977** (hereinafter called the "Effective Date") by and between the United States of America (hereinafter called the "Lessor"), by the **Manager,** New Orleans Outer Continental Shelf Office, Bureau of Land Management, its authorized officer, and **Cities Service Company 50%**
Getty Oil Company 50%

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 BUREAU OF LAND MANAGEMENT
 OFFICE OF THE REGIONAL
 MANAGER
 NEW ORLEANS, LOUISIANA

(hereinafter called the "Lessee"). In consideration of the cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, the parties hereto agree as follows:

Sec. 1. Statutes and Regulations. This lease is made pursuant to the Outer Continental Shelf Lands Act of August 7, 1953 (67 Stat. 462; 43 U.S.C. Secs. 1331-1343) (hereinafter called the "Act"). This lease is subject to all the provisions of the Act and to all the terms, conditions, and requirements of the valid regulations promulgated by the Secretary of the Interior (hereinafter called the "Secretary") thereunder in existence upon the effective date of this lease, all of which are incorporated herein and, by reference, made a part hereof. This lease shall also be subject to regulations hereafter issued by the Secretary pursuant to his authority under section 5(a)(1) of the Act to prescribe and amend at any time such rules and regulations as he may determine to be necessary and proper in order to provide for the prevention of waste and for the conservation of the natural resources of the Outer Continental Shelf, and for the protection of correlative rights therein, which regulations shall be deemed incorporated herein and, by reference, made a part hereof when promulgated.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of oil and gas deposits, except helium gas, in or under the following-described area of the Outer Continental Shelf of the United States:

All of Block 686, Matagorda Island Area, as shown on OCS Official Leasing Map, Texas Map No. 4

containing approximately 5760 acres (hereinafter referred to as the "leased area"), together with:

- (a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;
- (b) the nonexclusive right to drill water wells within the leased area and to use water produced therefrom for operations pursuant to the Act free of cost, provided that such drilling is conducted in accordance with procedures approved by the Regional Oil and Gas Supervisor of the Geological Survey (hereinafter called the "Supervisor"); and
- (c) the right to construct or erect and to maintain within the leased area all artificial islands, platforms, fixed or floating structures, sea walls, docks, dredged channels and spaces, buildings, plants, telegraph or telephone lines and cables, pipelines, reservoirs, tanks, pumping stations, and other works and structures necessary to the full enjoyment of the rights granted by this lease, subject to compliance with applicable laws and regulations.

Sec. 3. Obligations of Lessee. The Lessee agrees:
 (a) Lease stipulations. To comply with lease stipulation(s) number(s) 2 attached hereto, and made a part hereof.

(b) Rentals and royalties. (1) To pay rentals and royalties as follows:

Rentals. With respect to each lease year commencing prior to a discovery of oil or gas on the leased area, to pay the Lessor on or before the first day of each such year, a rental of \$3.00 per acre or fraction thereof.

Minimum royalty. To pay the Lessor at the expiration of each lease year commencing after discovery, a minimum royalty of \$3.00 per acre or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Royalty on production. To pay the Lessor a royalty of 16 2/3 percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) is subject to royalty.

(2) It is expressly agreed that the Secretary may establish minimum values for purposes of computing royalty on products obtained from this lease, due consideration being given to the highest price paid for part or for a majority of production of like quality in the same field, or area, to the price received by the Lessee, to posted prices, and to other relevant matters. Each such determination shall be made only after due notice to the Lessee and a reasonable opportunity has been afforded the Lessee to be heard.

(3) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained. When paid in production, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty taken in kind in excess of tonnage required when royalty is paid in value. When payments are made in production the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

(c) *Bonds.* To maintain at all times the bond required prior to the issuance of this lease and to furnish such additional security as may be required by the Lessor if, after operations or production have begun, the Lessor deems such additional security to be necessary.

(d) *Wells.* (1) To diligently drill and produce such wells as are necessary to protect the Lessor from loss by reason of production on other properties or, in lieu thereof, with the consent of the Supervisor, to pay a sum determined by the Supervisor as adequate to compensate the Lessor for failure to drill and produce any such well. In the event that this lease is not being maintained in force by other production of oil or gas in paying quantities or by other approved drilling or reworking operations, such payments shall be considered as the equivalent of production in paying quantities for all purposes of this lease.

(2) After due notice in writing, to diligently drill and produce such other wells as the Secretary may reasonably require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with good operating practice.

(3) At the election of the Lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the area, field, or pool in which the leased area or any part thereof is situated, which is authorized or sanctioned by applicable law or by the Secretary.

(e) *Payments.* To make all payments to the Lessor by check, bank draft, or money order payable as indicated herein unless otherwise provided by regulations or by direction of the Secretary. Rental, royalties, and other payments shall be made payable to the United States Geological Survey and tendered to the Supervisor, except that filing charges, bonuses, and first year's rental shall be made payable to the Bureau of Land Management and remitted to the Manager of the appropriate field office of that Bureau.

(f) *Inspection.* To keep open at all reasonable times for the inspection of any duly authorized representative of the Lessor, the leased area and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, and records relative to operations and surveys or investigations on or with regard to the leased area or under the lease.

(g) *Conduct of operations.* To conduct all operations under this lease in accordance with applicable law and regulations.

(h) *Indemnification.* To indemnify and save the Lessor harmless against and from any and all claims of any nature whatever, including without limitation claims for loss or damage to property or injury to persons, caused by, or resulting from, any operation on the leased area conducted by or on behalf of the Lessee; provided that the Lessee shall not be held responsible to the Lessor under this subsection for any loss, damage, or injury caused by, or resulting from: (1) any negligent action of the Lessor other than the exercise or performance of (or the failure to exercise or perform) a discretionary function or duty on the part of a Federal agency whether or not the discretion involved is abused; or (2) the Lessee's compliance with an order or directive of the Lessor against which an appeal by the Lessee under 30 CFR 250.01 is filed before the cause of action for such a claim arises and is pursued diligently thereafter.

(i) *Equal Opportunity Clause.* The Lessee agrees that, during the performance of this lease:

(1) The Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this Equal Opportunity clause.

(2) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The Lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Lessor, advising the labor union or workers' representative of the Lessee's commitments

under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of the Interior and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Lessee's noncompliance with the Equal Opportunity clause of this contract or with any of the said rules, regulations, or orders, this lease may be cancelled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Government contracts or leases in accordance with the procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Lessee will include the provisions of paragraphs (1) through (7) of this subsection 3(i) in every contract, subcontract, or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor, or vendor. The Lessee will take such action with respect to any contract, subcontract, or purchase order as the Secretary of the Interior may direct as a means of enforcing such provisions including sanctions for noncompliance: *Provided, however,* That in the event the Lessee becomes involved in, or is threatened with, litigation with a contractor, subcontractor, or vendor as a result of such direction by the Secretary of the Interior, the Lessee may request the United States to enter into such litigation to protect the interests of the United States.

(j) *Certification of nonsegregated facilities.* By entering into this lease, the Lessee certifies that Lessee does not and will not maintain or provide for Lessee's employees any segregated facilities at any of Lessee's establishments, and that Lessee does not and will not permit Lessee's employees to perform their services at any location, under Lessee's control, where segregated facilities are maintained. The Lessee agrees that a breach of this certification is a violation of the Equal Opportunity clause in this lease. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that (except where Lessee has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Lessee will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that Lessee will retain such certifications in Lessee's files; and that Lessee will forward the following notice to such proposed contractors and subcontractors (except where proposed contractor or subcontractor has submitted identical certifications for specific time periods). Notice to prospective contractors and subcontractors of requirement for certification of nonsegregated facilities. A *Certification of Nonsegregated Facilities*, as required by the May 9, 1967 order (32 F.R. 7439, May 19, 1967) on *Elimination of Segregated Facilities*, by the Secretary of Labor, must be submitted prior to the award of a contract or subcontract exceeding \$10,000, which is not exempt from the provisions of the Equal Opportunity clause. Certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

(k) *Assignment of lease.* To file for approval with the appropriate office of the Bureau of Land Management any instrument of transfer of this lease, or any interest therein, required to be filed under applicable regulations, within the time and in the manner prescribed by the applicable regulations.

Sec. 4. Term. This lease shall continue for a period of 5 years from the effective date of this lease and so long thereafter as oil or gas may be produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Secretary, are conducted thereon.

Sec. 5. Cooperative or Unit Plan. Lessee agrees that, within 30 days after demand by Lessor, Lessee will subscribe to and operate under such cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing lands subject to this lease as the Secretary may determine to be practicable and necessary or advisable in the interest of conservation, where any provision of a cooperative or unit plan of development which has been approved by the Secretary, and which by its terms affects the leased area or any part thereof, is inconsistent with a provision of this lease, the provision of such cooperative or unit plan shall govern.

Sec. 6. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, such reserved rights include:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Stipulations for Oil and Gas Lease Sale #47
Outer Continental Shelf
Louisiana & Texas

The area described in Section 2 of this instrument is subject to the following stipulations:

STIPULATION #2

OCS-G 3465

BLOCK NO. 686

If the Supervisor, having reason to believe that a site, structure or object of historical or archaeological significance hereinafter referred to as "cultural resource", may exist in the lease area, gives the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall upon receipt of such notice comply with the following requirements:

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including but not limited to, well drilling and pipeline and platform placement, hereinafter in this stipulation referred to as "operation," the lessee shall conduct remote sensing surveys to determine the potential existence of any cultural resource that may be affected by such operations. All data produced by such remote sensing surveys as well as other pertinent natural and cultural environmental data shall be examined by a qualified marine survey archaeologist to determine if indications are present suggesting the existence of a cultural resource that may be adversely affected by any lease operation. A report of this survey and assessment prepared by the marine survey archaeologist shall be submitted by the lessee to the Supervisor and to the Manager, Bureau of Land Management (BLM) Outer Continental Shelf (OCS) Office for review.

If such cultural resource indicators are present the lessee shall:
(1) locate the site of such operation so as not to adversely affect the identified location; or (2) establish, to the satisfaction of the Supervisor, on the basis of further archaeological investigation conducted by a qualified marine survey archaeologist or underwater archaeologist using such survey equipment and techniques as deemed necessary by the Supervisor, either that such operation will not adversely affect the location identified or that the potential cultural resource suggested by the occurrence of the indicators does not exist.

A report of this identification investigation prepared by the marine survey archaeologist or underwater archaeologist shall be submitted to the Supervisor and the Manager, BLM OCS office for their review. Should the Supervisor determine that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the Supervisor has given directions as to its disposition.

The lessee agrees that if any site, structure, or object of historical or archaeological significance should be discovered during the conduct of any operations on the leased area, he shall report immediately such findings to the Supervisor, and make every reasonable effort to preserve and protect the cultural resource from damage until the Supervisor has given directions as to its disposition.

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JUL 25 11 52 AM '77
BUREAU OF LAND MGMT.
OUTER CONTINENTAL
SHELF OFFICE
DALLAS, TEXAS

(a) *Geological and geophysical exploration: rights-of-way.* The right to authorize the conduct of geological and geophysical exploration in the leased area which does not interfere with or endanger actual operations under this lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the United States, its Lessees or Permittees.

(b) *Leases of sulfur and other minerals.* The right to grant leases of any mineral other than oil and gas within the leased area or any part thereof. No lease of other mineral shall authorize or permit the Lessee thereunder unreasonably to interfere with or endanger operations under this lease.

(c) *Purchase of production.* In time of war, or when the President of the United States shall so prescribe, the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

(d) *Taking of royalties.* The right to determine whether royalty will be taken in the amount or the value of production.

(e) *Helium.* Pursuant to Section 12(f) of the Act, the ownership of and the right to extract helium from all gas produced under this lease.

(f) *Suspension of operations during war or national emergency.* Upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by the Congress or President of the United States after August 7, 1953, the authority of the Secretary to suspend any or all operations under this lease, as provided in Section 12(c) of the Act: *Provided,* That just compensation shall be paid by the Lessor to the Lessee.

(g) *Restriction of exploration and operations.* The right, as provided in Section 12(d) of the Act, to restrict from exploration and operations the leased area or any part thereof which may be designated by and through the Secretary of Defense, with the approval of the President, as, or as part of, an area of the Outer Continental Shelf needed for national defense, and to have as such designation remain in effect no exploration or operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense; and if operations or production under this lease within any such restricted area shall be suspended, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 7. *Directional Drilling.* A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of this lease as a well drilled from a surface location on the leased area. In such circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production of drilling or reworking operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or shall be construed as granting to the Lessee any leasehold interests, licenses, easements, or other rights in or with respect to any such nearby land in addition to any such leasehold interests, licenses, easements, or other rights which the Lessee may have lawfully acquired under the Act or from the Lessor or others.

Sec. 8. *Surrender of Lease.* The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate office of the Bureau of Land Management a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or his surety of the obligation to make payment of all accrued rentals and royalties or to abandon all wells on the area to be surrendered in a manner satisfactory to the Supervisor.

Sec. 9. *Removal of Property on Termination of Lease.* Upon the termination of this lease in whole or in part, or the surrender of the lease in whole or in part, as herein provided, the Lessee shall within a period of 1 year thereafter remove from the premises no longer subject to the lease all structures, machinery, equipment, tools, and materials in accordance with applicable regulations and orders of the Supervisor: *Provided, however,* That the Lessee may continue to maintain any such property on the leased area for whatever longer period it may be needed, as determined by the Supervisor, for producing wells or for drilling or producing on other leases.

Sec. 10. *Remedies in Case of Default.* (a) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of the regulations issued under the Act and in force and effect on the effective date of this lease, the lease shall be subject to cancellation in accordance with the provisions of Section 5(b) of the Act: *Provided, however,* That the 30-day notice provision applicable to non-producing leases under Section 5(b)(1) of the Act shall also apply as a prerequisite to the institution of any legal action by the Lessor to cancel this lease while it is in a producing status. Nothing in this subsection shall be construed to apply to, or require any notice with respect to, any legal action instituted by the Lessor other than an action to cancel the lease pursuant to Section 5(b) of the Act.

(b) Whenever the Lessee fails to comply with any of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, the Lessor may exercise any legal or equitable remedy or remedies which the Lessor may have, including appropriate action under the penalty provisions of Section 5(a)(2) of the Act; *however,* the remedy of cancellation of the lease may be exercised only under the provisions of Section 5(b) and Section 8(l) of the Act.

(c) A waiver of any particular violation of the provisions of the Act, or of this lease, or of any regulations promulgated by the Secretary under the Act, shall not prevent the cancellation of this lease or the exercise of any other remedy or remedies under paragraphs (a) and (b) of this section by reason of any other such violation, unless the same violation occurring at any other time.

Sec. 11. *Heirs and Successors in Interest.* Each obligation hereunder shall extend to and binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns, of the respective parties hereto.

Sec. 12. *Unlawful Interest.* No member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified, and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes (41 U.S.C. Sec. 22), as amended, and Sections 431, 432, and 433 of Title 18 of the United States Code, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease so far as the same may be applicable.

THE UNITED STATES OF AMERICA

CITIES SERVICE COMPANY

By: Wiley C. Hill
WILEY C. HILL (Signature of Lessee) Attorney-in-Fact

ATTEST: W. A. Putnam
W. A. Putnam ASSISTANT SECRETARY

(Signature of Lessee)

GETTY OIL COMPANY

By: L. B. Lindahl AGENT
(Signature of Lessee)

ATTEST: W. A. Putnam

(Signature of Lessee)

(Continued on reverse)

By: John E. Clum
(Authorized Officer)

Manager
New Orleans Outer Continental Shelf Office
Bureau of Land Management

(Title)

JUL 25 1977

(Date)

(Signature of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal.

S

Form 3110-2
February 1977

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive Public Domain Lease)
Act of February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. 181-263)

Colleen Y. Pickett
P. O. Box 268
Phoenix, Arizona 85001

U-37355

(Serial Number)

Name
Street
City
State
Zip Code

Copy No. 1 Recorded at record of Phoenix, Arizona Fee Paid 10.00
Date Aug 21 1977 at Phoenix, Arizona Utah County Records
Page 251

This oil and gas lease is issued for a period of ten (10) years to the above-named lessee pursuant and subject to the provisions of the Mineral Leasing Act and subject to all rules and regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

Lands included in the lease: State: Utah County: Uintah
T. 10 S., R. 23 E., SLM
Secs. 8, 9, and 17, all.

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management
1200 State Office
University Club Building
10 E. 50. S. 1100
Salt Lake City, Utah

By [Signature] Date 8-21-77
Authorized Signature

Containing a total of 1,920 acres Annual Rental \$ 1,920

This lease is issued to the successful drawee pursuant to his "Simultaneous Oil and Gas Entry Card" application filed under 43 CFR 3123.9, and is subject to the provisions of that application and those specified on the reverse side hereof.

Effective date of lease: August 1, 1977

THE UNITED STATES OF AMERICA

By [Signature]
(Signature of Signing Officer)

Chief, Minerals Section
(Title)

Lands in these areas are not within a known geologic structure.

JUL 13 1977

Arizona Office
Phoenix, Arizona
U.S. Geological Survey

20 JUL 1977
(Date)

LEASE TERMS

1. The lessor hereby leases to the lessee... (Detailed text of the lease agreement, including terms of use, maintenance, and termination.)

2. The lessee shall be responsible for... (Detailed text of the lease agreement, including terms of use, maintenance, and termination.)

3. The lessee shall be responsible for... (Detailed text of the lease agreement, including terms of use, maintenance, and termination.)

4. The lessee shall be responsible for... (Detailed text of the lease agreement, including terms of use, maintenance, and termination.)

T

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number
U-438420

OIL AND GAS LEASE
(COMPETITIVE PUBLIC DOMAIN LANDS)

THIS INDENTURE OF LEASE, entered into, as of **DEC 1 1977**, by and between

the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called lessor, and
Enserch Exploration, Inc.
Suite 1322, Metrobank Building
475 17th Street
Denver, CO 80202

hereinafter called lessee, under, pursuant, and subject to the terms and provisions of the Act of February 25, 1920, (41 Stat. 437), as amended, (30 U.S.C. Sec. 181 *et seq.*), hereinafter referred to as the Act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force when not inconsistent with any express and specific provisions herein, which are made a part hereof.

WITNESSETH:

Book No. 161-2-1 Recorded at Record of Utah County on 12/1/77 at Utah County Records
Date 12/1/77 Deputy Book 153 Page 124

Sec. 1. *Rights of lessee* - That lessor, in consideration of rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, does hereby grant and lease to lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits, except helium gas, in or under the following-described tracts of land situated in the **Bitter Creek** field:

T. 10 S., R. 23 E., SLM, Utah
Sec. 7, all.

Utah County, Utah

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management
State Office
Intervenor Club Building
16 E. So. Temple
Salt Lake City, Utah

This instrument is a copy of the official record on
12/1/77
L. D. Barwick
Authorized Signature Date

containing **636.60** acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of five (5) years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this lease occur.

Sec. 2. In consideration of the foregoing, lessee agrees:

(a) *Bonds* - (1) To maintain any bond furnished by the lessee as a condition for the issuance of this lease.

(2) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by lessor a bond in the penal sum of \$10,000 with approved corporate surety, or with deposit of United States bonds as surety in lieu thereof, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted, or unless a bond has been filed under 43 CFR 3104 applicable to this lease.

(b) *Cooperative or unit plan* - Within thirty (30) days of demand, or, if the leased land is committed to an approved unit or cooperative plan, such plan is terminated prior to the expiration of this lease, within thirty (30) days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the well, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) *Wells* - (1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate lessor, in full, each month for the estimated loss of royalty through drainage in the amount determined by said Director.

(2) At the election of lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior.

(3) Promptly after due notice, in writing, to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practice.

(d) *Rentals and royalties* - To pay rentals and royalties in amount or value of production removed or sold from the leased lands as set forth in the rental and royalty schedule attached to and made a part hereof.

(1) It is expressly agreed that the Secretary of the Interior may establish reasonable maximum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the month next following the month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessee, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by lessee as reasonably may be required by lessor, but in no case shall lessee be required to hold such royalty oil or other products in storage beyond the last day of the month next following the month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(5) **Payments** - Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to lessor, to the order of the Bureau of Land Management at the place mentioned in the regulation 43 CFR 3103.1-2. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper BLM office to receive payment is closed, payment shall be received timely if made on the next official working day.

(6) **Contracts for disposal of products** - To file with the Oil and Gas Supervisor of the Geological Survey not later than thirty (30) days after the effective date thereof any contract or evidence of other arrangement for the sale or disposal of oil, gas, natural gasoline, and other products of the leased lands. Provided, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas wells, taking royalty in kind, and the method of computing royalties due so based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(g) **Statements, plots, and reports** - At such times and in such form as lessee may determine, to furnish detailed statements showing the amount and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plot showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation, and similar matters.

(h) **Well records** - To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by lessor of all wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, and to furnish them, or copies thereof, to lessor when required. All information obtained under this paragraph, upon request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) **Inspection** - To be open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(j) **Diligence, prevention of waste, health and safety or otherwise** - To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by lessor, to carry on all operations in accordance with approved methods and practices as prescribed in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to lands or formations containing oil, gas, or water or to other proceeds or other mineral deposits, for conservation of such energy, for the preservation and operation of the wells for the most productive operations and for the health and safety of workmen and employees, to plug

properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease was predicated before abandoning the same; to carry out at expense of lessee all reasonable orders of lessor relative to the matters in this paragraph, and that on failure of lessee so to do lessor shall have the right to enter on the property and to accomplish the purpose of such orders at lessee's cost. Provided, That lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(k) **Taxes and wages, fees or profits** - To pay when due, all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil and gas produced from the lands hereunder, or other rights, property or accounts of lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(l) **Equal Opportunity Clause** - The lessee agrees that, during the performance of this lease:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the lesser setting forth the provisions of this Equal Opportunity Clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(3) The lessee will send to each labor union or representative of workers with which lessee has a collective bargaining agreement or other contract or understanding, a notice, to be approved by the lesser, advising the labor union or workers' representative of the lessee's commitments under this Equal Opportunity Clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and general orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the Equal Opportunity Clause of this lease or with any of said rules, regulations, or orders, this lease may be canceled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Federal Government contracts or leases in accordance with the procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedial actions taken as provided in Executive Order No. 11246 of September 24, 1965, as amended, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of Paragraphs (1) through (6) of this subsection (l) in every contract, subcontract, or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 1 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor, or vendor. The lessee will take such action with respect to any contract, subcontract, or purchase order as the Secretary of the Interior may direct as a means of enforcing such provisions including compliance therewith or otherwise. Provided, however, that in the event the lessee is a contractor, subcontractor, or vendor as a result of such action by the Secretary of the Interior, the lessee may not be held liable for any damages or costs of litigation to the extent of the amount of the contract or purchase order with the United States.

(8) **Assignment of rights** - By entering into this lease, the lessee agrees that lessee does not and shall not assign, in whole or in part, to any person or persons, the rights of lessee's employees and subcontractors under this lease, and shall not permit lessee's employees or subcontractors to assign their rights under lessee's con-

reserves the right to erect, maintain, operate any and all reduction works necessary for extraction of helium on the leased premises. Lessee further agrees to include in any contract of sale of gas from the lands subject to this lease provisions setting forth that lessor owns, and reserves the right to extract or have extracted, any helium in the gas sold, and that lessee may take the gas from a pipeline carrier or any other gas-gathering system and extract the helium and return the gas to owner thereof, without delay other than that caused by the extraction process; save for the value of the helium owner shall not suffer any diminution of the value of the gas from which helium has been extracted, or any other loss arising from the extraction of helium, including any expense incurred solely by the requirements of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. It is further agreed that any rights reserved vested in lessor under this paragraph shall also run to any agent or assignee of lessor or any purchaser of the rights of lessor.

(e) **Taking of royalties** - All rights pursuant to Sec. 35 of the Act, to take royalties in amount or in value of production.

(f) **Casing** - All rights pursuant to Sec. 40 of the Act to purchase casing and lease or operate valuable water wells.

Sec. 4. Drilling and producing restrictions - It is agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal and State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both. After consultation, the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the same plan, may alter or modify, from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

Sec. 5. Surrender and termination of lease - Lessee may surrender this lease or any legal subdivision thereof by filing in the proper BLM office, a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and regulations.

Sec. 6. Purchase of materials, etc., on termination of lease - Upon expiration of the lease, or the earlier termination thereof pursuant to Sec. 5 above, lessee shall have the privilege at

any time within a period of ninety (90) days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed or producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided, which are allowed to remain on the leased lands shall become the property of lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period. *Provided, that lessee shall remove any or all such property where so directed by lessor.*

Sec. 7. Proceedings in case of default - If lessee shall not comply with any of the provisions of the Act or the regulations thereunder or of this lease, or shall make default in the performance or observance of any of the terms hereof this lease may be canceled or terminated in accordance with Sec. 31 of the Act. This provision shall not be construed to prevent the exercise by lessor of any legal or equitable remedy which lessor might otherwise have. Upon cancellation or termination of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of lessor. A waiver of any particular cause of cancellation or termination shall not prevent the cancellation or termination of this lease for any other cause of cancellation or termination, or for the same cause occurring at any other time.

Sec. 8. Heirs and successors in interest - It is further agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. Unlawful interest - It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 3761 of the Revised Statutes of the United States, (41 U.S.C. Sec. 22) as amended, and Secs. 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

Sec. 10. Stipulations - Stipulations are attached hereto and made a part hereof. The attached stipulations appear as consecutively numbered pages commencing with page 1 hereafter. Stipulations are not attached.

ENSERCH EXPLORATION, INC.



(Signature of Lessee)

D. W. Biegler
Vice-President of Land and Marketing

(Signature of Lessee)

THE UNITED STATES OF AMERICA

By



(Authorized Officer)

CHIEF, MINERALS SECTION
(Title)

NOV 8 1977

(Date)

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

| Office | Serial number |
|----------------------|-------------------|
| Cash bonus | Rental rate |
| Minimum royalty rate | Royalty rate |
| Work commitment | Profit share rate |

This lease is effective as of _____ (hereinafter called the "Effective Date") by and between the United States of America (hereinafter called the "Lessor"), by the Bureau of Land Management, its authorized officer, and

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered _____

attached hereto, the Lessee and Lessor agree as follows:

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462 as amended: 43 U.S.C. 1331 et. seq. (hereinafter called the "Act"). The lease is issued subject to the Act; Sections 302 and 303 of the Department of Energy Organization Act, 91 Stat. 578, 42 U.S.C. 7152 and 7153; all regulations issued pursuant to such statutes and in existence upon the effective date of this lease; all regulations issued pursuant to such statutes in the future which provide for the prevention of waste and the conservation of the natural resources of the Outer Continental Shelf, and the protection of correlative rights therein; and all other applicable statutes and regulations.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf described as follows:

containing approximately _____ acres or
These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the United States Geological Survey or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

Sec. 3. Term. This lease shall continue for an initial period of _____ years from the Effective Date of the lease and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon.

Sec. 4. Rentals. The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental of _____ per acre (_____ per hectare) or fraction thereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty of _____ per acre (_____ per hectare) or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Sec. 6. Royalty on Production. (a) The Lessee shall pay a fixed royalty of _____ percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) is subject to royalty. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated, will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty paid in amount in excess of tankage required when royalty is paid in value. When royalties are paid in amount, the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

Sec. 7. Payments. The Lessee shall make all payments to the Lessor by check, bank draft, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the United States Geological Survey and tendered to the Director, except that filing charges, bonuses, first year's rental, and other payments due upon lease issuance, shall be made payable to the Bureau of Land Management and remitted to the Manager of the appropriate field office of that Bureau.

Sec. 8. Bonds. The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

hectares (hereinafter referred to as the "leased area").

Sec. 9. Plans. The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans, and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sec. 10. Performance. The Lessee shall comply with all regulations and orders relating to exploration, development, and production. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

Sec. 11. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

Sec. 12. Safety Requirements. The Lessee shall (a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the leased area;

(b) maintain all operations within the leased area in compliance with regulations intended to protect persons, property, and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

Sec. 13. Suspension and Cancellation. (a) The Lessor may suspend or cancel this lease during the initial lease term or thereafter pursuant to Section 5 of the Act and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in Section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Sec. 15. Disposition of Production. (a) As provided in Section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16-2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price, or if no regulated price applies, at the fair market value at the well head of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) As provided in Section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal agency pursuant to Section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price, or if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in Section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war, or when the President of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

Sec. 14. *Unitization, Pooling, and Drilling Agreements.* Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

Sec. 17. *Equal Opportunity Clause.* During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations, which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. *Certification of Nonsegregated Facilities.* By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 50-1.5.

Sec. 19. *Reservations to Lessor.* All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights include:

(a) the right to authorize geological and geophysical exploration in the leased area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in Section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being with an area needed for national defense, and so long as such designation remains in effect no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within, any design-

ated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 20. *Transfer of Lease.* The Lessee shall file for approval with the appropriate field office of the Bureau of Land Management any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

Sec. 21. *Surrender of Lease.* The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Bureau of Land Management a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

Sec. 22. *Removal of Property on Termination of Lease.* Within a period of one year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

Sec. 23. *Remedies in Case of Default.* (a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of Section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of Section 24 of the Act. Furthermore, pursuant to Section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

Sec. 24. *Unlawful Interest.* No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified, and during the continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 7, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, from a part of this lease insofar as they may be applicable.

THE UNITED STATES OF AMERICA, Lessor

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Continued on reverse)

(Signature of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal.

V

Form MMS-2005
August 1982)
(formerly Form 3300-1)

UNITED STATES
DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

OIL AND GAS LEASE OF SUBMERGED LANDS
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

*This form does not constitute an information collection as defined by 44 U.S.C. 3502
and therefore does not require approval by the Office of Management and Budget.*

| | |
|---|--|
| Office | Serial number |
| Metairie, LA | |
| Cash bonus | Rental rate per acre, hectare or fraction thereof \$3.00 per acre |
| Minimum royalty rate per acre, hectare or fraction thereof \$3.00 per acre | Royalty rate 16 2/3 percent |
| Work commitment | Profit share rate |

This lease is effective as of _____ (hereinafter called the "Effective Date") and shall continue for an initial period of **five** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Manager, Gulf of Mexico OCS Region,** Minerals Management Service, its authorized officer, and _____

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered attached hereto, the Lessee and Lessor agree as follows:

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U. S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the statute and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and the conservation of the natural resources of the Outer Continental Shelf, and the protection of correlative rights therein; and all other applicable statutes and regulations.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately _____ acres or _____ hectares (hereinafter referred to as the "leased area"), described as follows:

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

Sec. 3. Term. This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon.

Sec. 4. Rentals. The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.

Sec. 6. Royalty on Production. (a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) is subject to royalty. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value computed on the basis of the highest price paid or offered at the time of production in a fair and

open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated, will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. The Lessee shall not be required to provide storage for royalty paid in amount in excess of tankage required when royalty is paid in value. When royalties are paid in amount, the Lessee shall not be held liable for the loss or destruction of royalty oil or other liquid products in storage from causes over which the Lessee has no control.

Sec. 7. Payments. The Lessee shall make all payments to the Lessor by check, bank draft, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director.

Sec. 8. Bonds. The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

Sec. 9. Plans. The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans, and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sec. 10. Performance. The Lessee shall comply with all regulations and orders relating to exploration, development, and production. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

Sec. 11. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

Sec. 12. Safety Requirements. The Lessee shall (a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the leased area;

(b) maintain all operations within the leased area in compliance with regulations intended to protect persons, property, and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

Sec. 13. Suspension and Cancellation. (a) The Lessor may suspend or cancel this lease pursuant to Section 5 of the Act and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in Section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Sec. 15. Disposition of Production. (a) As provided in Section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16-2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price, or if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) As provided in Section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal agency pursuant to Section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price, or if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in Section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war, or when the President of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in Section 12(b) of the Act.

Sec. 16. Unitization, Pooling, and Drilling Agreements. Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

Sec. 17. Equal Opportunity Clause. During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations, which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of Section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. Certification of Nons segregated Facilities. By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

Sec. 19. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights include:

(a) the right to authorize geological and geophysical exploration in the leased area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in Section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense, and so long as such designation remains in effect no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, and the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 20. Transfer of Lease. The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

(Continued on reverse)

Sec. 21. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

Sec. 22. Removal of Property on Termination of Lease. Within a period of one year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

Sec. 23. Remedies in Case of Default. (a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject

to cancellation in accordance with the provisions of Section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of Section 24 of the Act. Furthermore, pursuant to Section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

Sec. 24. Unlawful Interest. No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified, and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 7, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431 - 433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

(Lessee)

(Signature of Authorized Officer)

(Name of Signatory)

(Title)

(Date)

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

(Name of Signatory)

**Regional Manager
Gulf of Mexico OCS Region
Minerals Management Service**

(Title)

(Date)

If this lease is executed by a corporation, it must bear the corporate seal.

W

800-5772 PAGE 2043

064278

1985 JUN 26 A 4
SALE S. EINSTAD
KERN COUNTY CLERK RECORDS

FILE
RECORDED

ORS 6.00
HREP 1.00
REG. FE 3.00
CHECK 11.00
#293310 0002 ROL T12

Form 3100-11*
(March 1984)

11.15
6 OR
1 MD
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Tax
Statement
Attached

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CA-70046-1
FORM APPROVED
OMB No. 1004-0008
Expires January 31, 1986
Serial No. CA 17329

OFFER TO LEASE AND LEASE FOR OIL AND GAS

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 (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-359), the Attorney General's Opinion of April 2, 1941 (40 Op. Atty. Gen. 41), or the

RECORDING Read Instructions Before Completing
REQUESTED BY

1. Name & MAIL TO Shell California Production, Inc.
Street P.O. Box 11164
City, State, Zip Code Bakersfield, California 93389

CA-70046
Knopf US Lse
Mt Poso Field
Kern Co, CA.

2. This offer/lease is for: (Check Only One) PUBLIC DOMAIN LANDS ACQUIRED LANDS (pursuant to U.S. interest)
Surface managing agency if other than BLM: _____ Unit/Project _____

Legal description of land requested:

T. 26 S., R. 28 E., Meridian MD State California County Kern
Sec. 32, SE1/4, E1/2. IN UNINCORPORATED AREA
T. 27 S., R. 28 E., MD Mer.
Sec. 8, E1/2.

Amount remitted: Filing fee \$ _____ Rental fee \$ 400.00 Total acres applied for 200.00
cost \$ 4000.00

3. Land included in lease: DO NOT WRITE BELOW THIS LINE

T. R. Meridian State County

Same as Item 2

Stipulations entitled Exhibit A are attached hereto and made a part hereof.

Total acres in lease 200.00
Rental retained \$ 400.00

In accordance with the above offer, or the previously submitted simultaneous oil and gas lease application or competitive bid, 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.

Type and primary term of lease:

- Simultaneous noncompetitive lease (ten years)
- Regular noncompetitive lease (ten years)
- Competitive lease (five years)
- Other _____

THE UNITED STATES OF AMERICA

by Joan B. Russell

Chief, Leasable Minerals Section

(Signing Officer) JUN 19 1985

EFFECTIVE DATE OF LEASE JUL 1 1985

RECORDED
JUN 17 9 21 AM '85
KERN COUNTY

4. (a) Undersigned certifies that (1) offeror 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 in either public domain or acquired lands do not exceed 200,000 acres in oil and gas options or 246,080 acres in options and leases in the same State, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska; and (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.

(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 this 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 the withdrawal is received by the 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 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.

SHELL CALIFORNIA PRODUCTION INC.
I. L. MARSHALL, ATTORNEY-IN-FACT

Duly executed this 13TH day of JUNE, 19 85 by

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) Simultaneous noncompetitive lease, \$1.00 for the first 5 years, thereafter, \$3.00;
(b) Regular noncompetitive lease, \$1.00;
(c) Competitive lease, \$2.00; or
(d) Other, see attachment.

If all or part of a noncompetitive leasehold is determined to be within a known geological structure or a favorable petroleum geological province, annual rental shall be \$2.00, beginning with the lease year following notice of such determination. However, a lease that would otherwise be subject to rental of more than \$2.00 shall continue to be subject to the higher rental.

If this lease or a portion thereof is commuted 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), (c), or (d) 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 the Secretary upon a sufficient showing by lessee.

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) Simultaneous noncompetitive lease, 12 1/2%;
(b) Regular noncompetitive lease, 12 1/2%;
(c) Competitive lease, see attachment; or
(d) Other, see attachment.

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 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. 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 royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty shall be due for any lease year after discovery in which royalty payments aggregate less than \$1.00 per acre. Lessee shall pay such difference at end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this 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 1982 (FOGRMA) (96 Stat. 2447). Lessee shall be liable for royalty payments on oil and gas lost or wasted 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 standard issued under FOGRMA or the leasing authority.

Sec. 3. Bonds—Lessee shall file and maintain any bond 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 rates of development and production in the public interest and to require lessee to submit to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and 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 in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee 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. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plots 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 daily 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 operations, 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 similar 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 values, uses, 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 on 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 leasee or owner of the gas. Lessee shall include in any contract or sale of gas the provisions of this section.

Sec. 9. Damage to property—Lessee shall pay lessor (or 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 royalties 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.

Lessee 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 exclusively 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 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 pretenses—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 needed 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. Lessee shall also be subject to applicable provisions and penalties of FOGRMA (96 Stat. 2447). However, if this lease includes land known to contain valuable deposits of leased resources, it may be cancelled only by judicial proceedings. 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.

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.

0P85J8

REC'D JUN 17 1985

X

01-LA-8714

Form MMS-2005 (March 1986)
(Supersedes MMS-2005 August 1982)

Office
New Orleans, LA

Serial number
OCS-G 12136

UNITED STATES
DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

Cash bonus

Rental rate per acre,
hectare or fraction
thereof

\$3,415,680.00

\$3.00 per acre

OIL AND GAS LEASE OF
SUBMERGED LANDS UNDER THE
OUTER CONTINENTAL SHELF LANDS ACT

Minimum royalty rate
per acre, hectare
or fraction thereof
\$3.00 per acre

Royalty rate
16 2/3 percent

*This form does not constitute an information collection as
defined by 44 U.S.C. 3502 and therefore does not require
approval by the Office of Management and Budget.*

Profit share rate

MAY 1 1990

This lease is effective as of (hereinafter called the "Effective Date") and shall continue for an initial period of five years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the Regional Director, Gulf of Mexico OCS Region, Minerals Management Service, its authorized officer, and

Texaco Inc.

33.33333%

Marathon Oil Company

66.66667%

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TITLE & CONTRACT

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered 1 and 4 attached hereto, the Lessee and Lessor agree as follows:

Sec. 1. Statutes and Regulations. This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act: all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

Sec. 2. Rights of Lessee. The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately 5760.00 acres hectares (hereinafter referred to as the "leased area"), described as follows:

All of Block 873, Ewing Bank, OCS Official Protraction Diagram, NH 15-12

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Minerals Management Service
Leasing & Environment

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These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

Sec. 3. Term. This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

Sec. 4. Rentals. The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof.

Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty.

Sec. 6. Royalty on Production.

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point.

Sec. 7. Payments. The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

Sec. 8. Bonds. The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

Sec. 9. Plans. The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

Sec. 10. Performance. The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

Sec. 11. Directional Drilling. A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

Sec. 12. Safety Requirements. The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property, and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

Sec. 13. Suspension and Cancellation.

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

Sec. 14. Indemnification. The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

Sec. 15. Disposition of Production.

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

Sec. 16. Unitization, Pooling, and Drilling Agreements. Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

Sec. 17. Equal Opportunity Clause. During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

Sec. 18. Certification of Nonsegregated Facilities. By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

Sec. 19. Reservations to Lessor. All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

Sec. 20. Transfer of Lease. The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

Sec. 21. Surrender of Lease. The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

Sec. 22. Removal of Property on Termination of Lease. Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

Sec. 23. Remedies in Case of Default.

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(u) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

Sec. 24. Unlawful Interest. No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

TEXACO INC.

(Lessee)

J. A. Newton

(Signature of Authorized Officer)

J. A. NEWTON

(Name of Signatory)

ATTORNEY-IN-FACT

(Title)

APRIL 4, 1990

(Date)

P. O. BOX 60252
NEW ORLEANS, LA 70160

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

Chris Oynes

(Signature of Authorized Officer)

Chris Oynes

(Name of Signatory)

Acting Regional Director
Gulf of Mexico OCS Region
Minerals Management Service

(Title)

APR 12 1990

(Date)

If this lease is executed by a corporation, it must bear the corporate seal.

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JUL 23 1990

TITLE & CONTRACT DEPT.
FINDING OHIO

MARATHON OIL COMPANY

(Lessee)

E. D. Sneed

(Signature of Authorized Officer)

E. D. SNEED

(Name of Signatory)

ATTORNEY-IN-FACT

(Title)

APRIL 9, 1990

(Date)

P. O. BOX 3128
HOUSTON, TEXAS 77253

(Address of Lessee)

(Lessee)

(Signature of Authorized Officer)

(Name of Signatory)

(Title)

(Date)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal.

RECEIVED

JUL 23 1990

TITLE & CONTRACT DEPT.

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

If this lease is executed by a corporation, it must bear the corporate seal.

UNITED STATES
DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

Outer Continental Shelf
Central Gulf of Mexico
Oil and Gas Lease Sale 123

OCS-G 12136

Stipulation No. 1--Protection of Archaeological Resources.

(a) "Archaeological resource" means any prehistoric or historic district, site, building, structure, or object (including shipwrecks); such term includes artifacts, records, and remains which are related to such a district, site, building, structure or object (16 U.S.C. 470w(5), National Historic Preservation Act, as amended). "Operations" means any drilling, mining, or construction or placement of any structure for exploration, development, or production of the lease.

(b) If the Regional Director (RD) believes an archaeological resource may exist in the lease area, the RD will notify the lessee in writing. The lessee shall then comply with subparagraphs (1) through (3).

(1) Prior to commencing any operations, the lessee shall prepare a report, as specified by the RD, to determine the potential existence of any archaeological resource that may be affected by operations. The report, prepared by an archaeologist and a geophysicist, shall be based on an assessment of data from remote-sensing surveys and of other pertinent archaeological and environmental information. The lessee shall submit this report to the RD for review.

(2) If the evidence suggests that an archaeological resource may be present, the lessee shall either:

(i) Locate the site of any operation so as not to adversely affect the area where the archaeological resource may be; or

(ii) Establish to the satisfaction of the RD that an archaeological resource does not exist or will not be adversely affected by operations. This shall be done by further archaeological investigation, conducted by an archaeologist and a geophysicist, using survey equipment and techniques deemed necessary by the RD. A report on the investigation shall be submitted to the RD for review.

(3) If the RD determines that an archaeological resource is likely to be present in the lease area and may be adversely affected by operations, the RD will notify the lessee immediately. The lessee shall take no action that may adversely affect the archaeological resource until the RD has told the lessee how to protect it.

(c) If the lessee discovers any archaeological resource while conducting operations on the lease area, the lessee shall report the discovery immediately to the RD. The lessee shall make every reasonable effort to preserve the archaeological resource until the RD has told the lessee how to protect it.

Stipulation No. 4--Military Area (W-92).

(a) Hold and Save Harmless

Whether compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occur in, on, or above the Outer Continental Shelf (OCS) to any persons or to any property of any person or persons who are agents, employees, or invitees of the lessee, its agents, or independent contractors or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the OCS, if such injury or damage to such person or property occurs by reason of the activities of any agency of the U.S. Government, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with, the programs and activities of the command headquarters listed in the following table.

Notwithstanding any limitation of the lessee's liability in section 14 of the lease, the lessee assumes this risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of its officers, agents, or employees. The lessee further agrees to indemnify and hold and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, or to indemnify and hold and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents, or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installation, whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors or subcontractors, or any of its officers, agents, or employees and whether such claims might be sustained under a theory of strict or absolute liability or otherwise.

(b) Electromagnetic Emissions

The lessee agrees to control its own electromagnetic emissions and those of its agents, employees, invitees, and independent contractors or subcontractors emanating from individual designated defense warning areas in accordance with requirements specified by the commander of the command headquarters listed in the following table to the degree necessary to prevent damage to, or unacceptable interference with, Department of Defense flight, testing or operational activities, conducted within individual designated warning areas. Necessary monitoring control, and coordination with the lessee, its agents, employees, invitees, and independent contractors or subcontractors, will be effected by the commander of the appropriate onshore military installation

conducting operations in the particular warning area; provided, however, that control of such electromagnetic emissions shall in no instance prohibit all manner of electromagnetic communication during any period of time between a lessee, its agents, employees, invitees, and independent contractors or subcontractors and onshore facilities.

(c) Operational

The lessee when operating, or causing to be operated on its behalf, boat or aircraft traffic in the individual designated warning areas shall enter into an agreement with the commander of the individual command headquarters listed in the following table upon utilizing an individual designated warning area prior to commencing such traffic. Such an agreement will provide for positive control of boats and aircraft operating in the warning areas at all times.

W-92

Naval Air Station
Air Operations Department
Air Traffic Division/Code 52
ATTN: ACC Henry
New Orleans, Louisiana 70146-5000
Telephone: (504) 393-3100/3101