



COMPENDIUM OF FEDERAL LEASE FORMS

Independent Petroleum Association of America

Domestic Petroleum Council

April 7, 1998

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A

DEPARTMENT OF THE INTERIOR
GENERAL LAND OFFICE

Serial Sacramento 019272 (b)

Lease of Oil and Gas Lands Under the Act of February 23, 1920.

(Sec. 14-13)

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 23rd day of November, 1933, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, acting in this behalf by the Secretary of the Interior, and

CORTLANDT LAWRENCE,
1051 Subway Terminal Building,
Los Angeles, California,

party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of Congress approved February 25, 1920 (Public No. 146), entitled "An Act to Promote the Mining of Coal, Phosphate, Oil, Oil Shale, Gas, and Sodium on the Public Domain," hereinafter referred to as the act, which is made a part hereof. WITNESSETH:

SEC. 1. Purpose.—That the lessor in consideration of rents and royalties to be paid, and the 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 in or under the following-described tract of land situated in the Mt. Poso Field, California, and more particularly described as follows:

SE $\frac{1}{4}$ Sec. 10, T. 27 S., R. 28 E., M.D.M.,
containing 160 acres,

together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of twenty (20) years, with the preferential right in the lessee to renew this lease for successive periods of ten (10) years, upon such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods.

Serial

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond.—To furnish a bond with approved corporate surety in the penal sum of \$5,000, conditioned upon compliance with the terms of the lease.

(b) Wells.—To drill and produce only such wells on the leased land as are necessary to offset drainage from the leasehold through wells on adjoining lands unless and until authorized in writing by the Secretary of the Interior to drill or produce additional wells or unless directed by said Secretary to drill and produce wells in number not greater than the number of 40-acre tracts or lots embraced in the lease; provided that, for each month during which loss of royalty occurs by reason of drainage from the leasehold through producing wells on adjoining lands or deposits not the property of the United States or leased by the United States at lesser royalty rates, and until the drainage causing such loss shall have been fully offset by producing wells on the leasehold, the lessee shall pay a sum estimated to reimburse the United States for current loss of royalty through drainage.

(c) Royalty and Rents.—To pay the lessor in advance, beginning with the date of the execution of this lease, a rental of one dollar per acre per annum during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty on all oil and gas produced from the land leased herein (except oil or gas used for production purposes on said land or unavoidably lost), as follows:

(1) 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.....	12½	per cent.
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.....	16½	per cent.
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	per cent.
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	per cent.
On that portion of the average production per well of more than 200 barrels per day for the calendar month.....	33½	per cent.

(2) For all oil produced of less than 30° Baume:

On that portion of the average production per well not exceeding 20 barrels per day for the calendar month.....	12½	per cent.
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	per cent.
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.....	16½	per cent.
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	per cent.
On that portion of the average production per well of more than 200 barrels per day for the calendar month.....	25	per cent.

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 per cent 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 16½ per cent where the average daily production is 3,000,000 cubic feet or over.

On casing-head gasoline, 16½ per cent 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 (d) 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.

When paid in value, such royalties shall be due and payable monthly on the 15th of each calendar month following the calendar month in which produced, to the Register of the land district in which the land is situated; when paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced, unless otherwise agreed to by the parties hereto, at such times as may be required by the lessor: Provided, That the lessee shall not be required to hold such royalty oil in storage longer than thirty days after the end of the calendar month in which said oil is produced: And provided further, That the said lessee shall be in no manner responsible or held liable for the loss or destruction of such oil in storage from causes over which the lessee has no control; such royalties, whether in value or kind, shall be subject to reduction whenever the average daily production of any oil well shall not exceed ten (10) barrels per day, if in the judgment of the lessor the wells can not be successfully operated upon the royalties fixed herein.

(d) Sales contracts.--To file with the Secretary of the Interior copies of all sales contracts for the disposition of oil and gas produced hereunder except for production purposes on the land leased, and in the event the United States shall elect to take its royalties in money instead of in oil or gas, not to sell or otherwise dispose of the products of the land leased except in accordance with a sales contract or other method first approved by the Secretary of the Interior.

(e) Monthly statements.--To furnish monthly statements in detail in such form as may be prescribed by the lessor, showing the amount, quality, and value of all oil and gas produced and saved during the preceding calendar month as the basis for computing the royalty due the lessor. The leased premises and all wells, improvements, machinery, and fixtures thereon or connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized officer of the department.

(f) Plats and reports.--To furnish annually and at such times as the Secretary shall require, in the manner and form prescribed by the Secretary of the Interior, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands, accompanied by a report in detail as to the stockholders, investment, depreciation, and cost of operation, together with a statement as to the amount and grade of oil and gas produced and sold, and the amount received therefor by operations hereunder.

(g) Log of wells.--To keep a log in the form prescribed by the Secretary of all the wells drilled by the lessee, showing the strata and character of the ground passed through by the drill, which log, or copy thereof, shall be furnished to said lessor on demand.

(h) Diligence--Prevention of waste--Health and safety of workmen.--To exercise reasonable diligence in drilling and operating wells for the oil and gas on the lands covered hereby, while such products can be secured in paying quantities, unless consent to suspend operations temporarily is granted by the Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the oil sands or oil-bearing strata to the destruction or injury of the oil deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely any well before abandoning the

same so as to effectually shut off all water from the oil or gas bearing strata; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; to conduct all mining, drilling, and related productive operations subject to the inspection of the lessor; to carry out at expense of the lessee all reasonable orders and requirements of lessor relative to prevention of waste, and preservation of the property and the health and safety of workmen, and on failure so to do the lessor shall have the right to enter on the property to repair damage or prevent waste at the lessee's cost; to abide by and conform to regulations in force at the time the lease is granted covering the matters referred to in this paragraph: Provided, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(i) Taxes and wages--Freedom of purchase.--To pay when due, all taxes lawfully assessed and levied under the laws of the State 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.

(j) Reserved deposits.--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.

(k) Assignment of lease.--Not to assign this lease or any interest therein, nor sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(l) Deliver premises in cases of forfeiture.--To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

SEC. 3. The lessor expressly reserves:

(a) Rights reserved--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 said 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 land embraced within this lease under existing law or laws hereafter enacted, in so far as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, provided this reservation shall not apply to any lands herein described, title to which has passed from the United States.

(c) Pipe lines to convey at reasonable rates.--The right to require the lessee, his assignees or beneficiary, if owner or operator of, or owner of a controlling interest in, any pipe line, or any company operating the same which may be operated accessible to the oil derived from lands under such lease, to accept and convey at reasonable rates and without discrimination the oil of the Government or of any citizen or company, not the owner of any pipe line, operating a lease or purchasing oil or gas under the provisions of this act.

(d) Monopoly and fair prices.--Full power and authority to carry out and enforce all the provisions of section 30 of the act to insure the sale of the production of such leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

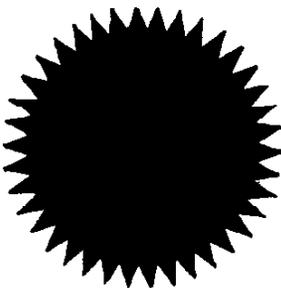
(e) Helium.--Pursuant to section 1 of the act, the lessor reserves the right to take all helium from any gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium, the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: Provided, That the lessee shall not, as a result of the operation in this section provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

SEC. 4. Surrender and termination of lease.--The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

SEC. 5. 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 lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase.

STATE OF CALIFORNIA,

County of Los Angeles } ss.



ON THIS 25th day of AUGUST, A.D., 1938, before me,
Jane Eddy, a Notary Public in and for the
 said County and State, residing therein, duly commissioned and sworn, personally appeared
W. C. Hintze

known to me to be the person whose name is subscribed to the within Instrument, as
 a Witness thereto, who being by me duly sworn, deposes and says: That he resides in
Los Angeles, California, and that he was present

and saw Courtlandt Lawrence, personally
 known to him to be the same person whose name is subscribed to the
 within and annexed Instrument, execute and deliver the same, and he acknowledged to said
 affiant that he executed the same; and that said affiant subscribed his name thereto
 as a Witness.

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

Jane Eddy
 Notary Public in and for said County and State.
 My Commission Expires MARCH 1, 1939

ACKNOWLEDGMENT--WITNESS--WOLCOTT'S FORM 252

... 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, 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 of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1919 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF

THE UNITED STATES OF AMERICA,

By Harold Z. Pehr
 (Secretary of the Interior.)

Courtlandt Lawrence

Witnesses to signature of-- Courtlandt Lawrence:-

W. C. Hintze

Chas. Parsons

SEC. 4. Surrender and termination of lease.—The lessee may, on consent of the Secretary of the Interior first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

SEC. 5. 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 lessor or another lessee may, if the lessor shall so elect within six months from the termination of the lease purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not, within six months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells.

SEC. 6. Judicial proceedings in case of default.—If the lessee shall fail to comply with the provisions of the act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the general regulations promulgated and in force at the date hereof, and such default shall continue after service of written notice thereof by the lessor, then the lessor may institute appropriate judicial proceedings for the forfeiture and cancellation of this lease in accordance with the provisions of section 31 of said 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. 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. 7. Heirs and successors in interest.—It is further covenanted and agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors of, or assigns of the respective parties hereto.

SEC. 8. 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, 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 of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1919 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF

THE UNITED STATES OF AMERICA,

By Harold C. Iker
(Secretary of the Interior.)
Constance J. Shaw

Witnesses to signature of—Courtlandt Lawrence:

W. C. Hintze
Chas. P. Ingraham

B

4-208 f
May 1936

UNITED STATES
DEPARTMENT OF THE INTERIOR
GENERAL LAND OFFICE

Serial..... Sacramento 019387

Lease of Oil and Gas Lands Under the Act of February 25, 1920, as Amended

Section 2 (a) of the Act of August 21, 1935

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 2nd day of June, 1937, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, by the Secretary of the Interior, and Republic Petroleum Company, 811 W. 7th Street, Los Angeles, California,

party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of Congress approved February 25, 1920 (41 Stat. 437), entitled "An Act to Promote the Mining of Coal, Phosphate, Oil, Oil Shale, Gas, and Sodium on the Public Domain", as amended, hereinafter referred to as the Act. which is 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 in or under the following-described tracts of land situated in the Midway oil field, California, and more particularly described as follows:

T. 32 S., R. 23 E., M.D.M., Sec. 7, NE $\frac{1}{4}$,

containing 160 acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of ten years, and so long thereafter as oil or gas is produced in paying quantities.

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond.—To furnish ~~and maintain~~ and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$5,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease ~~and until such bond is furnished to the lessor the lease shall be null and void.~~
~~\$1,000, with acceptable surety, until the same is furnished to the lessor.~~

U. S. GOVERNMENT PRINTING OFFICE

(b) Within 30 days of demand, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field or pool embracing the lands included herein as the Secretary of the Interior may 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 the lessor or lands of the United States leased at a lower royalty rate, or in lieu of any part of such drilling and production, with the consent of the Secretary of the Interior, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined under instructions of said Secretary; (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, provided such system is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing, to drill and produce such other wells as the Secretary of the Interior may require to insure reasonable diligence in the development and operation of the property.

(d) Rentals.—To pay the lessor in advance for each acre or fraction thereof, a rental ~~of 50 cents for the first year, beginning on the first day of the month in which the lease commences, and a rental of 25 cents for each subsequent lease year beginning on the first day of the month in which the lease commences, and one dollar for each lease year, beginning on the first day of the month in which the lease commences, and one dollar for each lease year, beginning on the first day of the month in which the lease commences;~~ the rental so paid for any one lease year to be credited on the royalty for that year: Provided, that if this lease is granted in exchange for an oil and gas prospecting permit or pursuant to an application for a prospecting permit filed after May 23, 1935, no rental shall be payable for the first two lease years unless valuable deposits of oil or gas are sooner discovered within the boundaries of the lease, but a rental of one dollar shall be payable, as above provided, for each lease year beginning on or after such discovery: And provided further, That when the Secretary of the Interior shall direct or shall assent to suspension of operations or of production of oil or gas under this lease, after a valuable deposit of oil or gas shall have been discovered within the lands leased, any payment of acreage rental prescribed herein likewise shall be suspended during such period of suspension of all operations and production; and this lease shall not be deemed to expire by reason of suspension of prospecting, drilling, or production, pursuant to any order or consent of the said Secretary.

(e) Royalties.—To pay the lessor royalties, as follows, on the amount or value of all production from the leased lands (except that portion thereof used for production purposes on said lands or unavoidably lost):

(1) When the price of oil used in computing royalty value is \$1.00 or more per barrel, the per centum of royalty shall be as follows:

When the average production for the calendar month in barrels per well per day is

not over	50,	the royalty shall be 12.5 percent;
over 50 but not over	60,	" " " " 13 "
" 60 " " "	70,	" " " " 14 "
" 70 " " "	80,	" " " " 15 "
" 80 " " "	90,	" " " " 16 "
" 90 " " "	110,	" " " " 17 "
" 110 " " "	130,	" " " " 18 "
" 130 " " "	150,	" " " " 19 "
" 150 " " "	200,	" " " " 20 "

over 200 but not over	250,	the royalty shall be	21 percent;
" 250 " " "	300,	" " "	" 22 "
" 300 " " "	350,	" " "	" 23 "
" 350 " " "	400,	" " "	" 24 "
" 400 " " "	450,	" " "	" 25 "
" 450 " " "	500,	" " "	" 26 "
" 500 " " "	750,	" " "	" 27 "
" 750 " " "	1000,	" " "	" 28 "
" 1000 " " "	1250,	" " "	" 29 "
" 1250 " " "	1500,	" " "	" 30 "
" 1500 " " "	2000,	" " "	" 31 "
" 2000	"	"	" 32 "

(2) When the price of oil used in computing royalty value is less than \$1.00 per barrel, the per centum of royalty shall be the foregoing multiplied by the ratio of said price to a price of \$1.00 per barrel, provided, however, that the per centum of royalty shall never be less than 12.5.

(3) If the United States shall take its royalty in oil, the price received by the lessee, as well as that received by the lessor shall be considered in determining the price to govern the per centum of royalty, unless both prices are \$1.00 or more per barrel.

(4) On gas, including inflammable gas, helium, carbon dioxide and all other natural gases and mixtures thereof, and on natural or casing-head gasoline and other liquid products obtained from gas:

When the average production of gas per well per day for the calendar month does not exceed 5,000,000 cubic feet, 12½ percent; and when said production of gas exceeds 5,000,000 cubic feet, 16½ percent of the amount or value of the gas and liquid products produced, said amount or value of such liquid products to be net after an allowance for the cost of manufacture; Provided, That the allowance for cost of manufacture may exceed two-thirds of the amount or value of any product only on approval by the Secretary of the Interior, and that said value of gas and of liquid products shall be as determined by said Secretary.

The average production per well per day for oil and for gas shall be determined under rules and regulations approved by the Secretary of the Interior.

(5) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum prices for purposes of computing royalty in value on any or all oil, gas, natural gasoline and other liquid products obtained from gas; and that in no case shall the price so established be less than the estimated reasonable value of the product, 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.

(6) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar 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; Provided, That the lessee shall not be required to hold such royalty oil or other liquid products in storage beyond the last day of the calendar month next following the calendar month in which produced; And provided further, That the lessee shall be in no manner responsible or 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.

(7) Royalties, whether in amount or value of production, shall be subject to reduction whenever the average daily production of the oil wells on the entire leasehold or on any tract or portion thereof segregated for royalty purposes shall not exceed ten (10) barrels per well per day, or where the cost of production of oil or gas is such as to render further production economically impracticable, if in the judgment of the Secretary of the Interior the wells can not be successfully operated upon the royalties fixed herein.

(f) Contracts for disposal of products.—To file with the Federal oil and gas supervisor or such other officer as the Secretary of the Interior may designate, copies of all contracts immediately upon execution thereof, and full information as to all other arrangements for the disposal of oil, gas, natural gasoline and other products produced hereunder (except products used for production purposes on the leased lands or unavoidably lost), and not to sell or otherwise dispose of the products of the land leased except in accordance with a contract or other arrangement first approved by said officer, such approval to be subject to review by the Secretary of the Interior but to be effective unless and until revoked by said Secretary or his said subordinate.

(g) Monthly statements.—To furnish monthly statements in detail at such time and in such form as may be prescribed by the lessor, showing the amount, and quality of all oil, gas, natural gasoline and other substances produced during the preceding calendar month and the amounts thereof used for production purposes on the leased lands or unavoidably lost, and to furnish current records and monthly statements of the amounts thereof sold or otherwise disposed of and the proceeds therefrom.

(h) 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 Commissioner, General Land Office, such payments to be tendered to the Federal oil and gas supervisor of the district in which the leased land is situated.

(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 or connected therewith and all books, accounts, maps, and records relative to operations and surveys or investigations on the leased lands or under the lease.

(j) Plats and reports.—To furnish at such times and in the manner and form prescribed by or on behalf of the lessor, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands; and to report in detail when required as to the stockholders, investment, depreciation, and cost of operation, and the amount, nature and quality of products sold, and the amount received therefor.

(k) Well Records.—To keep a daily drilling record, a log and complete information on all well surveys in form acceptable to or prescribed by or on behalf of the lessor of all the wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, which log, information, and records, or copies thereof, shall be furnished to the lessor as requested or required.

(l) 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 Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner, in accordance with approved methods and practice as provided in the operating regulations, having due regard for the prevention of waste of oil or gas developed 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 before abandoning the same; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; 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.

(m) Regulations.--To abide by and conform to any and all reasonable regulations of the Secretary of the Interior now or hereafter in force, all of which regulations are made a part and condition of this lease: Provided, That such regulations are not inconsistent with any express and specific provisions hereof; and particularly that no regulations hereafter approved shall effect a change in the rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

(n) 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.

(o) Reserved deposits.--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) Assignment of Lease.--Not to assign this lease or any interest therein by an operating agreement or otherwise, nor to sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior first had and obtained.

(q) Deliver premises in cases of forfeiture.--To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

(r) Pipe lines to purchase or convey at reasonable rates and without discrimination.--If owner, or operator or owner of a controlling interest in any pipe line 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 pipe line, operating a lease or purchasing or selling oil, gas, natural gasoline or other products under the provisions of the Act.

(s) Reserved or segregated lands.--If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, the lessee shall conduct operations thereunder in conformity with such requirements as may be made by the Secretary of the Interior 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 purposes of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

SEC. 3. The lessor expressly reserves:

(a) Rights reserved — 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 lands embraced within this lease 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: Provided, That this reservation shall not apply to any lands herein described, title to which has passed from the United States.

(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.—Pursuant to section 1 of the Act, and section 1 of the Act of Congress approved March 3, 1927 (44 Stat. 1387), as amended, the lessor reserves the ownership and the right to extract, under such rules and regulations as shall be prescribed by the Secretary of the Interior, helium from all gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor at any point on the leased premises in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: Provided, That the lessee shall not, as a result of the operation in this paragraph provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

(e) Taking of Royalties.—All rights pursuant to section 36 of the Act to take royalties in amount or in value of production.

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

SEC. 4. Drilling and producing restrictions.—It is covenanted and 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 laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both.

SEC. 5. Surrender and termination of lease.—The lessee may, on consent of the Secretary of the Interior, first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

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 lessor or another lessee may, if the lessor shall so elect within three months from the termination of the lease purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within three months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures and equipment, the lessee shall have the right at any time, within a period of ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells. Any materials, tools, machinery, appliances, structures, and equipment including casing in or out of wells on the leased lands shall become the property of the lessor on expiration of the period of ninety days above referred to or such extension thereof as may be granted on account of adverse climatic conditions throughout said period.

SEC. 7. Proceedings in case of default.—If the lessee shall fail to comply with the provisions of the Act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lease may be canceled by the Secretary of the Interior in accordance with section 17 of the Act, as amended, and all materials, tools, machinery, appliances, structures, equipment and wells shall thereupon become the property of the lessor, except that if said lease was earned as a preference right pursuant to section 14 of the Act or 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 section 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. 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 covenanted and 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, 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 of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1919 (35 Stat., 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF

Witness to signature of

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.....
.....
.....

THE UNITED STATES OF AMERICA
By Howell T. Felt
Secretary of the Interior

REPUBLIC PETROLEUM COMPANY

C. S. ... President.
W. B. ... Secretary and
Treasurer.

last preceding section, the lessor or another lessee may, if the lessor shall so elect within three months from the termination of the lease purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within three months, elect to purchase all or any part of such materials, tools, machinery, appliances, structures and equipment, the lessee shall have the right at any time, within a period of ninety days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells. Any materials, tools, machinery, appliances, structures, and equipment including casing in or out of wells on the leased lands shall become the property of the lessor on expiration of the period of ninety days above referred to or such extension thereof as may be granted on account of adverse climatic conditions throughout said period.

SEC. 7. Proceedings in case of default.—If the lessee shall fail to comply with the provisions of the Act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lease may be canceled by the Secretary of the Interior in accordance with section 17 of the Act, as amended, and all materials, tools, machinery, appliances, structures, equipment and wells shall thereupon become the property of the lessor, except that if said lease was earned as a preference right pursuant to section 14 of the Act or 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 section 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. 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 covenanted and 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.

State of California,

COUNTY OF LOS ANGELES

ss.

On this 1st day of December, 1938, before me,

MARIE TREAIS

a Notary Public in and for the said County and State, personally appeared

C. C. SPICER

known to me to be the

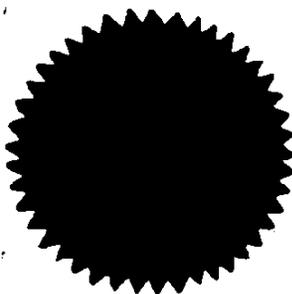
President, and G. B. KNOX

known to me to be the

Secretary of the REPUBLIC PETROLEUM COMPANY

the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Marie Treais
Notary Public in and for said County and State.

ACKNOWLEDGMENT—CORP.—PRES. & SEC.—L.A.CO.—WOLCOTT'S FORM 223.

GRIMES-STASSFORTH STATIONERY COMPANY

[Signature] Secretary and Treasurer.

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(January 1943)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GENERAL LAND OFFICE

RECORDED
INDEXED
SACRAMENTO, CALIFORNIA
JAN 14 1943

Serial Sacramento 021593

Section 2(a) Exchange.

Lease of Oil and Gas Lands Under the Act of February 25, 1920, as Amended

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the 1st day of April, 1944, by and between the UNITED STATES OF AMERICA, party of the first part, hereinafter called the lessor, by the Secretary of the Interior, and Petrolia Corporation, 1680 North Vine Street, Los Angeles 28, California, party of the second part, hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of Congress approved February 25, 1920 (41 Stat. 437), entitled "An Act to Promote the Mining of Coal, Phosphate, Oil, Oil Shale, Gas, and Sodium on the Public Domain," as amended, hereinafter referred to as the Act, which is made a part hereof, WITNESSETH:

SECTION 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 in or under the following-described tracts of land situated in the Midway field, undefined, California, and more particularly described as follows:

T. 31 S., R. 22 E., M.D.M., California,
sec. 21. E $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$;

X
X
X
X
X
X

containing 30 acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of ten 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 to the extent of the lands subject thereto where inconsistencies with the terms of this lease occur.

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) *Bond.*—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 \$5,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease; and, until such bond is furnished, to submit and maintain a bond in the sum of \$1,000 with acceptable surety, similarly conditioned. The requirement made herein for the filing of a \$1,000 bond shall apply only in those cases in which a bond is required by law for the protection of the owners of surface rights. In all other cases the \$1,000 bond must be filed not less than 90 days before the due date of the next unpaid annual rental, but this requirement may be successively dispensed with by making payment of each successive annual rental not less than 90 days prior to its due date. In the absence of the payment of the rental in advance as herein authorized, the requirement for the filing of the bond within the time prescribed must be complied with strictly, and upon the failure of the lessee to comply therewith the lease shall be subject to cancellation by the Secretary in accordance with the provisions of the lease and the Act of February 25, 1920 (41 Stat. 437), as amended by the Act of August 21, 1935 (49 Stat. 674). Nothing herein contained shall operate to relieve the lessee from the obligation to furnish a \$5,000 general lease bond prior to beginning drilling operations.

(b) *Cooperative or unit plan.*—Within 30 days of demand, or if the land is within an approved unit plan, in the event such plan is terminated prior to the expiration of this lease, within 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 embracing the lands included herein as the Secretary of the Interior may 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 the lessor or lands of the United States leased at a lower royalty rate, or in lieu of any part of such drilling and production, with the consent of the Secretary of the Interior, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined under instructions of said Secretary; (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, provided such system is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing, to drill and produce such other wells as the Secretary of the Interior may require to insure reasonable diligence in the development and operation of the property.

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(d) *Rentals.*—To pay the lessor in advance on the first day of the month in which the lease issues a rental of 50 cents for each acre or fraction thereof for the first lease year, and a rental of 25 cents for each subsequent lease year beginning prior to discovery of a valuable deposit of oil or gas within the limits of the geological structure on which all or part of the leased lands are situated: *Provided*, That if this lease is granted under section 17 of the act, as amended, for lands not within any known geologic structure of a productive oil or gas field, no rental is required for the second and third lease years unless a valuable deposit of oil or gas is sooner discovered: *Provided further*, That if this lease is granted in exchange for an oil and gas prospecting permit or pursuant to an application for a prospecting permit filed after May 23, 1935, no rental shall be payable for the first two lease years unless valuable deposits of oil or gas are sooner discovered within the boundaries of the lease, but a rental of 25 cents shall be paid for the third and each succeeding lease year beginning prior to discovery of a valuable deposit of oil or gas within the limits of the geologic structure on which all or part of the leased lands are situated: *Provided further*, That for each lease year beginning on or after discovery a rental of \$1 per acre or fraction thereof shall be paid, the rental so paid for any one lease year to be credited on the royalty for that year: *And provided further*, That when the Secretary of the Interior shall direct or shall assent to suspension of operations or of production of oil or gas under this lease, after a valuable deposit of oil or gas shall have been discovered within the lands leased, any payment of acreage rental prescribed herein likewise shall be suspended during such period of suspension of all operations and production; and this lease shall not be deemed to expire by reason of suspension of prospecting, drilling, or production, pursuant to any order or consent of the said Secretary.

(e) *Royalties.*—To pay the lessor royalties, as follows, on the amount or value of all production from the leased lands (except that portion thereof used for production purposes on said lands or unavoidably lost):

(1) When the price of oil used in computing royalty value is \$1 or more per barrel, the per centum of royalty shall be as follows:

When the average production for the calendar month in barrels per well per day is		50, the royalty shall be 12.5 percent;
not over	60	13
over	50 but not over 60	14
"	60 " " "	15
"	70 " " "	16
"	80 " " "	17
"	90 " " "	18
"	110 " " "	19
"	130 " " "	20
"	150 " " "	21
"	200 " " "	22
"	250 " " "	23
"	300 " " "	24
"	350 " " "	25
"	400 " " "	26
"	450 " " "	27
"	500 " " "	28
"	750 " " "	29
"	1,000 " " "	30
"	1,250 " " "	31
"	1,500 " " "	32
"	2,000 " " "	

(2) When the price of oil used in computing royalty value is less than \$1 per barrel, the per centum of royalty shall be the forgoing multiplied by the ratio of said price to a price of \$1 per barrel: *Provided*, however, That the per centum of royalty shall never be less than 12.5.

(3) If the United States shall take its royalty in oil, the price received by the lessee, as well as that received by the lessor shall be considered in determining the price to govern the per centum of royalty, unless both prices are \$1 or more per barrel.

(4) On gas, including inflammable gas, helium, carbon dioxide and all other natural gases and mixtures thereof, and on natural or casing-head gasoline and other liquid products obtained from gas:

When the average production of gas per well per day for the calendar month does not exceed 5,000,000 cubic feet, 12½ percent; and when said production of gas exceeds 5,000,000 cubic feet, 16½ percent of the amount or value of the gas and liquid products produced, said amount or value of such liquid products to be net after an allowance for the cost of manufacture: *Provided*, That the allowance for cost of manufacture may exceed two-thirds of the amount or value of any product only on approval by the Secretary of the Interior, and that said value of gas and of liquid products shall be as determined by said Secretary.

The average production per well per day for oil and for gas shall be determined under rules and regulations approved by the Secretary of the Interior.

(5) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum prices for purposes of computing royalty in value on any or all oil, gas, natural gasoline, and other liquid products obtained from gas; and that in no case shall the price so established be less than the estimated reasonable value of the product, 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.

(6) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar 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: *Provided*, That the lessee shall not be required to hold such royalty oil or other liquid products in storage beyond the last day of the calendar month next following the calendar month in which produced: *And provided further*, That the lessee shall be in no manner responsible or 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.

(7) Royalties, whether in amount or value of production, shall be subject to reduction whenever the average daily production of the oil wells on the entire leasehold or on any tract or portion thereof segregated for royalty purposes shall not exceed ten (10) barrels per well per day, or where the cost of production of oil or gas is such as to render further production economically impracticable, if in the judgment of the Secretary of the Interior the wells cannot be successfully operated upon the royalties fixed herein.

(f) *Contracts for disposal of products.*—To file with the Federal oil and gas supervisor or such other officer as the Secretary of the Interior may designate, copies of all contracts immediately upon execution thereof, and full information as to all other arrangements for the disposal of oil, gas, natural gasoline, and other products produced hereunder (except products used for production purposes on the leased lands or unavoidably lost), and not to sell or otherwise dispose of the products of the land leased except in accordance with a contract or other arrangement first approved by said officer, such approval to be subject to review by the Secretary of the Interior but to be effective unless and until revoked by said Secretary or his said subordinate.

(g) *Monthly statements.*—To furnish monthly statements in detail at such time and in such form as may be prescribed by the lessor, showing the amount and quality of all oil, gas, natural gasoline, and other substances produced during the preceding calendar month and the amounts thereof used for production purposes on the leased lands or unavoidably lost, and to furnish current records and monthly statements of the amounts thereof sold or otherwise disposed of and the proceeds therefrom.

(h) *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 Treasurer of the United States, such payments to be tendered to the Register of the district land office in which the lands are located or to the Commissioner of the General Land Office if there is no district land office in the State in which the lands are located.

(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 or connected therewith, and all books, accounts, maps, and records relative to operations and surveys or investigations on the leased lands or under the lease.

(j) *Plats and reports.*—To furnish at such times and in the manner and form prescribed by or on behalf of the lessor, a plat showing all development work and improvements on the leased lands, and other related information, with a report as to all buildings, structures, or other works placed in or upon said leased lands; and to report in detail when required as to the stockholders, investment, depreciation, and cost of operation, and the amount, nature, and quality of products sold, and the amount received therefor.

(k) *Well records.*—To keep a daily drilling record, a log, and complete information on all well surveys in form acceptable to or prescribed by or on behalf of the lessor of all the wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, which log, information, and records, or copies thereof, shall be furnished to the lessor as requested or required.

(l) *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 Secretary of the Interior; to carry on all operations hereunder in a good and workmanlike manner, in accordance with approved methods and practice as provided in the operating regulations, having due regard for the prevention of waste of oil or gas developed 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 before abandoning the same; not to drill any well within 200 feet of any of the outer boundaries of the lands covered hereby, unless the adjoining lands have been patented or the title thereto otherwise vested in private owners; 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.

(m) *Regulations.*—To abide by and conform to any and all reasonable regulations of the Secretary of the Interior now or hereafter in force, all of which regulations are made a part and condition of this lease: *Provided*, That such regulations are not inconsistent with any express and specific provisions hereof; and particularly that no regulations hereafter approved shall effect a change in the rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

(n) *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.

The lessee shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and shall require an identical provision to be included in all subcontracts.

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(o) *Reserved deposits.*—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) *Assignment of oil and gas lease or interest therein.*—Not to assign this lease, or any interest therein, whether by operating agreement, working or royalty interest, or otherwise, nor to sublet any portion of the leased premises, except with the consent in writing of the Secretary of the Interior. All assignments must be submitted in triplicate within 30 days from the date of execution and must contain all of the terms and conditions agreed upon by the parties thereto. If the consideration expressed in the agreement fails to describe the true consideration, an accompanying affidavit must be submitted stating the consideration in full. The affidavit will be treated as confidential and not for public inspection. No assignment of any kind will be recognized as valid which, exclusive of the royalty payable to the United States, shall create overriding royalty interests in the lease aggregating in excess of 5 per cent. Furthermore, no assignments providing for other payments out of production which constitute a burden upon lease operations prejudicial to the interests of the United States will be approved.

(q) *Deliver premises in cases of forfeiture.*—To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

(r) *Pipe lines to purchase or convey at reasonable rates and without discrimination.*—If owner, or operator, or owner of a controlling interest in any pipe line 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 pipe line, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the Act.

(s) *Reserved or segregated lands.*—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, the lessee shall conduct operations thereunder in conformity with such requirements as may be made by the Secretary of the Interior 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 purposes of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

SEC. 3. The lessor expressly reserves:

(a) *Rights reserved—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 lands embraced within this lease 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: *Provided*, That this reservation shall not apply to any lands herein described, title to which has passed from the United States.

(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.*—Pursuant to section 1 of the Act, and section 1 of the Act of Congress approved March 3, 1927 (44 Stat. 1387), as amended, the lessor reserves the ownership and the right to extract, under such rules and regulations as shall be prescribed by the Secretary of the Interior, helium from all gas produced under this lease, but the lessee shall not be required to extract and save the helium for the lessor; in case the lessor elects to take the helium the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor at any point on the leased premises in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof: *Provided*, That the lessee shall not, as a result of the operation in this paragraph provided for, suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which the lessee is not reasonably compensated, save for the value of the helium extracted; the lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

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

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

SEC. 4. *Drilling and producing restrictions.*—It is covenanted and 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 laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both.

SEC. 5. *Surrender and termination of lease.*—The lessee may, on consent of the Secretary of the Interior, first had and obtained in writing, surrender and terminate this lease upon payment of all rents, royalties, and other obligations due and payable to the lessor, and upon payment of all wages and moneys due and payable to the workmen employed by the lessee, and upon a satisfactory showing to the Secretary that the public interest will not be impaired; but in no case shall such termination be effective until the lessee shall have made full provision for conservation and protection of the property; upon like consent had and obtained the lessee may surrender any legal subdivisions of the area included herein.

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 lessor or another lessee may, if the lessor shall so elect within 3 months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within 3 months elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within a period of 90 days, to remove from the premises all the materials, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells. Any materials, tools, machinery, appliances, structures, and equipment, including casing in or out of wells on the leased lands, shall become the property of the lessor on expiration of the period of 90 days above referred to or such extension thereof as may be granted on account of adverse climatic conditions throughout said period.

SEC. 7. *Proceedings in case of default.*—If the lessee shall fail to comply with the provisions of the Act, or make default in the performance or observance of any of the terms, covenants, and stipulations hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lease may be canceled by the Secretary of the Interior in accordance with section 17 of the Act, as amended, and all materials, tools, machinery, appliances, structures, equipment, and wells shall thereupon become the property of the lessor, except that if said lease was earned as a preference right pursuant to section 14 of the Act or 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 section 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. A waiver of any particular cause of forfeiture shall not prevent the cancelation 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 covenanted and 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, 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 of the United States, and sections 114, 115, and 116 of the Codification of the Penal Laws of the United States approved March 4, 1909 (35 Stat. 1109), relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF:

FEB - 6 1945

THE UNITED STATES OF AMERICA,

By

Essex L. Chapman
Assistant Secretary of the Interior.

Witness to signature of—

G. A. Holtz and O. N. Normandin

G. A. Holtz
1686 North Vine Street, Los Angeles, Cal.

O. N. Normandin
740 South Broadway, Los Angeles, Cal.

PETROLIA CORPORATION

By *G. A. Holtz* PRESIDENT

By *O. N. Normandin* SECRETARY

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Form 4-217
(December 1941)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Office New Mexico
Serial NM 02953

NONCOMPETITIVE

LEASE OF OIL AND GAS LANDS UNDER THE ACT OF
FEBRUARY 25, 1920, AS AMENDED

THIS INDENTURE OF LEASE, entered into, in triplicate, as of the **MAY 1 1952**
day of _____ by and between the UNITED STATES OF AMERICA, through the
Bureau of Land Management, party of the first part, and Reagan H. Lagg
P. O. Box 1063
Midland, Texas
party of the second part, 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, 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:

SECTION 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~~

- T. 22 S., R. 30 E., N.M.P.M., New Mexico
Sec. 15, ~~84~~
21, ~~84~~
22, ~~All~~
25, ~~84~~
26, ~~Wg, 84~~
- T. 22 S., R. 31 E., N.M.P.M., New Mexico
Sec. 31, ~~All~~

X
X
X
X
X

containing 2561.84 acres, more or less, together with the right to construct and
maintain thereupon all works, buildings, plants, waterways, roads, telegraph or
telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other struc-
tures necessary to the full enjoyment thereof, for a period of 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 inconsisten-
cies with the terms of this lease occur.

SEC. 2. In consideration of the foregoing, the lessee hereby agrees:
(a) Bonds.—(1) To maintain any bond furnished by the lessee as a condition
for the issuance of this lease. (2) IF the lease is issued noncompetitively, to
furnish a bond in a sum double the amount of the \$1 per acre annual rental, but not
less than \$1,000 nor more than \$5,000, upon the inclusion of any part of the leased
land within the geologic structure of a producing oil or gas field. (3) 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 \$5,000 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 approved operator of the
lease is accepted.

Until a general lease bond is filed a noncompetitive lessee will be required to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In all other cases where a bond is not otherwise required, a \$1,000 bond must be filed for compliance with the lease obligations not less than 90 days before the due date of the next unpaid annual rental, but this requirement may be successively dispensed with by payment of each successive annual rental not less than 90 days prior to its due date.

(b) Cooperative or unit plan.—Within 30 days of demand, or if the land is within an approved unit plan, in the event such a plan is terminated prior to the expiration of this lease, within 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 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 the lessor or lands of the United States leased at a lower royalty rate, 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 under instructions of said Secretary; (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; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may require to insure diligence in the development and operation of the property.

(d) Rentals and royalties.—(1) To pay the rentals and royalties set out in the rental and royalty schedules attached hereto 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 calendar month next following the calendar 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 calendar month next following the calendar month in which produced. The lessee shall not 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) Royalties shall be subject to reduction on the entire leasehold or on any portion thereof segregated for royalty purposes if the Secretary of the Interior finds that the lease cannot be successfully operated upon the royalties fixed herein, or that such action will encourage the greatest ultimate recovery of oil or gas or promote conservation.

(e) Contracts for disposal of products.—Not to sell or otherwise dispose of oil, gas, natural gasoline, and other products of the lease except in accordance with a contract or other arrangement first approved by the Director of the Geological Survey or his representative, such approval to be subject to review by the Secretary of the Interior but to be effective unless and until revoked by the Secretary or the approving officer, and to file with such officer all contracts or full information as to other arrangements for such sales.

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(f) 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 amounts 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, investment, depreciation, and costs.

(g) 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.

(h) 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.

(i) 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 Treasurer of the United States, such payments to be tendered to the manager of the district land office in the district in which the lands are located or to the Director of the Bureau of Land Management if there is no district land office in the State in which the lands are located.

(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 practice as provided in the 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 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) Nondiscrimination.—Not to discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and to require an identical provision to be included in all subcontracts.

(m) Assignment of oil and gas lease or interest therein.—To file within 90 days from the date of final execution any instrument of transfer made of this lease, or any interest therein, including assignments of record title, working or royalty interests, operating agreements and subleases for approval, such instrument to take effect upon its final approval by the Director, Bureau of Land Management, as of the first day of the lease month following the date of filing in the proper land office.

(n) Pipe lines to purchase or convey at reasonable rates and without discrimination.—If owner, or operator, or owner of a controlling interest in any pipe line 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 pipe line.

operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act.

(c) Reserved deposits.—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) Overriding royalties.—To limit the obligation to pay overriding royalties or payments out of production in excess of 5 percent to periods during which the average production per well per day is more than 15 barrels on an entire leasehold or any part of the area thereof or any zone segregated for the computation of royalties.

(r) Deliver premises in cases of forfeiture.—To deliver up the premises leased, with all permanent improvements thereon, in good order and condition in case of forfeiture of this lease; but this shall not be construed to prevent the removal, alteration, or renewal of equipment and improvements in the ordinary course of operations.

SEC. 3. The lessor expressly reserves:

(a) Rights reserved—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 any of the lands embraced within this lease which are owned by the United States 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.

(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.—Pursuant to section 1 of the act, and section 1 of the act of March 3, 1927 (44 Stat. 1387), as amended, the ownership and the right to extract helium from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. In case the lessor elects to take the helium the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor at any point on the leased premises in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessor may provide, whereupon the residue shall be returned to the lessee with no substantial delay in the delivery of gas produced from the well to the purchaser thereof. The lessee shall not suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which he is not reasonably compensated, save for the value of the helium extracted. The lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

(e) Taking of royalties.—All rights pursuant to section 36 of the act, to take royalties in amount or in value of production.

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(f) Casing.—All rights pursuant to section 40 of the act to purchase casing and lease or operate valuable water wells.

(g) Fissionable materials.—Pursuant to the provisions of the act of August 1, 1946 (Public Law 686, 79th Congress) all uranium, thorium, or other material which has been or may hereafter be determined to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine and remove the same, making just compensation for any damage or injury occasioned thereby.

SEC. 4. Drilling and producing restrictions.—It is covenanted and 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 laws, 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 regulations and the terms of the lease, to be accompanied by a statement that all wages and moneys due and payable to the workmen employed on the land relinquished have been paid.

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 lessor or another lessee may, if the lessor shall so elect within 3 months from the termination of the lease, purchase all materials, tools, machinery, appliances, structures, and equipment placed in or upon the land by the lessee, and in use thereon as a necessary or useful part of an operating or producing plant, on the payment to the lessee of such sum as may be fixed as a reasonable price therefor by a board of three appraisers, one of whom shall be chosen by the lessor, one by the lessee, and the other by the two so chosen; pending such election all equipment shall remain in normal position. If the lessor, or another lessee, shall not within 3 months elect to purchase all or any part of such materials, tools, machinery, appliances, structures, and equipment, the lessee shall have the right at any time, within a period of 90 days thereafter to remove from the premises all the material, tools, machinery, appliances, structures, and equipment which the lessor shall not have elected to purchase, save and except casing in wells and other equipment or apparatus necessary for the preservation of the well or wells. Any materials, tools, machinery, appliances, structures, and equipment, including casing in or out of wells on the leased lands, shall become the property of the lessor, on expiration of the period of 90 days above referred to or such extension thereof as may be granted on account of adverse climatic conditions throughout said period.

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 make default in the performance or observance of any of the terms, covenants, and stipulations hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, as amended, and all materials, tools, machinery, appliances, structures, equipment, and wells shall thereupon become the property of the lessor, except that if said 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 section 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. A waiver of any particular

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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 covenanted and 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, 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 of the United States, and sections 431, 432, and 433, title 18, United States Code, relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

IN WITNESS WHEREOF:

THE UNITED STATES OF AMERICA.

By

J. K. Lang
MANAGER

APR 4 1952

Jessie Anderson
Mesquite, Texas
Miriam Jones Willard Jones
Witnesses to signature of lessee.

Reginald C. Legg
Lessee.

U. S. GOVERNMENT PRINTING OFFICE 16-50726-6

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Schedule "A"
RENTALS AND ROYALTIES

Rentals--To pay the lessor in advance on the first day of the month in which the lease issues a rental at the following rates:

- (a) If the lands are wholly outside the known geologic structure of a producing oil or gas field:
- (1) For the first lease year, a rental of 50 cents per acre.
 - (2) For the second and third lease years, no rental.
 - (3) For the fourth and fifth years, 25 cents per acre.
 - (4) For the sixth and each succeeding year, 50 cents per acre.
- (b) On leases wholly or partly within the geologic structure of a Producing oil or gas field:
- (1) Beginning with the first lease year after 30 days' notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands herein, \$1 per acre.
 - (2) On the lands committed to an approved cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, for the lands not within the participating area an annual rental of 50 cents per acre for the first and each succeeding lease year following discovery.

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 12½ percent royalty on the production removed or sold from the leased lands.

The average production per well per day for oil and for gas shall be determined pursuant to 30 CFR, Part 221, "Oil and Gas Operating Regulations."

In determining the amount or value of gas and liquid products produced, the amount or value shall be net after an allowance for the cost of manufacture. The Allowance for cost of manufacture may exceed two-thirds of the amount or value of any product only on approval by the Secretary of the Interior

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Office New Mexico

Serial No. 029301

OFFER TO LEASE AND LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive 5-Year Public Domain Lease)

Receipt No. _____

THIS OFFER MAY BE REJECTED AND RETURNED TO THE OFFEROR AND WILL AFFORD THE OFFEROR NO PRIORITY IF IT IS NOT PROPERLY FILLED IN AND EXECUTED OR IF IT IS NOT ACCOMPANIED BY THE REQUIRED DOCUMENTS OR PAYMENTS. SEE ITEM 9 OF GENERAL INSTRUCTIONS

(Fill in on a typewriter or print plainly in ink and sign in ink)

Mr. Name
L. Name D. E. Protz

612 Lakeside Drive
(Number and Street)

Carlsbad, New Mexico
(City and State)

ORIGINAL

PLEASE NOTIFY THE SIGNING OFFICER OF ANY CHANGE OF ADDRESS

hereby offers to lease all or any of the lands described in item 2 that are available for lease, pursuant and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 30 U. S. C. sec. 181), as amended, 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.

2. Land requested		3. Land included in lease (Not to be filed is by Offeror)	
<u>New Mexico</u> (State)	<u>Eddy</u> (County)	<u>New Mexico</u> (State)	<u>Eddy</u> (County)
T. <u>21 S.</u> R. <u>24 E.</u>	<u>NMP</u> Meridian	T. <u>21 S.</u> R. <u>24 E.</u>	<u>NMP</u> Meridian
Sec. <u>30</u> <u>3 1/2</u> , Lots <u>1, 2, 3, 4</u> , <u>E 1/2 W 1/2</u> (All)		Sec. <u>30</u> ; <u>5 1/2</u>	
Total Area <u>638.13</u> Acres		Total Area <u>320</u> Acres	
Rental retained \$ <u>160.00</u>			

4. Amount remitted: Filing fee \$10, Rental \$ 319.50, Total \$ 329.50

5. Underigned certifies as follows:

(a) Offeror is a citizen of the United States. Native born YES Naturalized _____ Corporation or other legal entity (specify what kind): _____

(b) Offeror's interests direct and indirect in oil and gas leases and applications or offers therefor including this offer do not exceed 40,000 acres in the same State, or 100,000 acres in Alaska. (c) Offeror accepts as a part of this lease, to the extent applicable, the stipulations provided for in 43 CFR 191.6. (d) Offeror is 21 years of age or over (if a corporation or other legal entity, is duly qualified as shown by statements made or referred to herein). (e) Offeror has described all surveyed lands by legal subdivisions and unsurveyed lands by metes and bounds, and further states that there are no settlers on unsurveyed lands described herein.

6. Offeror's signature to this offer shall also constitute offeror's signature to, and acceptance of, this lease and any agreement thereto that may cover any land described in this offer open to lease application at the time the offer was filed but omitted from this lease for any reason, or signature to, or acceptance of, any separate lease for such land. The offeror further agrees that (a) this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the land office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed in behalf of the United States, and (b) this offer and lease shall apply only to lands not within a known geologic structure of a producing oil or gas field at the time the offer is filed.

7. If this lease form does not contain all of the terms and conditions of the lease form in effect at the date of filing, the offeror further agrees to be bound by the terms and conditions contained in that form.

8. It is hereby certified that the statements made herein are complete and correct to the best of offeror's knowledge and belief and are made in good faith.

IN WITNESS WHEREOF, Offeror has duly executed this instrument this 30th day of October, 1956

WITNESSES
Duranda Beto P.O. Box 161
(Name and address) Santa Fe, N.M.
(Name and address)

D. E. Protz
(Signature)
(Name and address)

This lease for the lands described in item 3 above is hereby issued, subject to the provisions of the offer and on the revenue hereof.

NOV 12 1957
Rötad. EB: S/A (1st)
Effective date of lease DEC 1 1957

THE UNITED STATES OF AMERICA
By Douglas E. Haerique
(Signing officer)
NOV 12 1957

LEASE TERMS

Section 1. Title of Lease. This lease is granted to the lessee...

Section 2. Term. This lease shall be in full force and effect...

Section 3. Consideration. The consideration for this lease shall be...

Section 4. Covenants. The lessee shall not do any act or thing...

Section 5. Assignment. This lease shall not be assigned...

Section 6. Forfeiture. In the event of default by the lessee...

Section 7. Remedies. In the event of default by the lessee...

Section 8. Severability. If any provision of this lease is held...

Section 9. Entire Agreement. This lease constitutes the entire...

Section 10. Counterparts. This lease may be executed in counterparts...

Section 11. Governing Law. This lease shall be governed by the...

Section 12. Notices. All notices shall be in writing and shall be...

Section 13. Assignment of Interest. The lessor hereby assigns...

Section 14. Force and Effect. This lease shall be in full force...

Section 15. Assignment of Interest. The lessor hereby assigns...

Section 16. Force and Effect. This lease shall be in full force...

Section 17. Assignment of Interest. The lessor hereby assigns...

Section 18. Force and Effect. This lease shall be in full force...

Section 19. Assignment of Interest. The lessor hereby assigns...

Section 20. Force and Effect. This lease shall be in full force...

Section 21. Assignment of Interest. The lessor hereby assigns...

Section 22. Force and Effect. This lease shall be in full force...

Section 23. Assignment of Interest. The lessor hereby assigns...

Section 24. Force and Effect. This lease shall be in full force...

Section 25. Assignment of Interest. The lessor hereby assigns...

Section 26. Force and Effect. This lease shall be in full force...

Section 27. Assignment of Interest. The lessor hereby assigns...

Section 28. Force and Effect. This lease shall be in full force...

Section 29. Assignment of Interest. The lessor hereby assigns...

Section 30. Force and Effect. This lease shall be in full force...

Section 31. Assignment of Interest. The lessor hereby assigns...

Section 32. Force and Effect. This lease shall be in full force...

Section 33. Assignment of Interest. The lessor hereby assigns...

Section 34. Force and Effect. This lease shall be in full force...

Section 35. Assignment of Interest. The lessor hereby assigns...

Section 36. Force and Effect. This lease shall be in full force...

Section 37. Assignment of Interest. The lessor hereby assigns...

Section 38. Force and Effect. This lease shall be in full force...

Section 39. Assignment of Interest. The lessor hereby assigns...

Section 40. Force and Effect. This lease shall be in full force...

Section 41. Assignment of Interest. The lessor hereby assigns...

Section 42. Force and Effect. This lease shall be in full force...

INSTRUCTIONS

1. This offer must be filed in a transparent or printed plastic...

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