



**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

IN REPLY REFER TO:

OCS-P 0300

PACIFIC OCS OFFICE
ROOM 7127 - FEDERAL BLDG.
300 NORTH LOS ANGELES ST.
LOS ANGELES, CA 90012

Date December 11, 1975	
State California	
Area Channel Islands	
Tract Number 35-261	Block Number 33N 37W
Description All	
Rental \$ 17,280.00	Balance of Bonus \$20,454,400.00

DECISION

Name
Shell Oil Company, P.O. Box 576, Houston, TX 77001
Oxy Petroleum, Inc., 5000 Stockdale Hwy., Bakersfield, CA 93309
American Independent Oil Company, 1100 Milam Bldg., Suite 3880, Houston, TX 77002
Hamilton Brothers Oil Company, Suite 2600, 1600 Broadway, Denver, CO 80202
Chanslor-Western Oil and Development Company, 4549 Produce Plaza, Los Angeles, CA 90058

LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337), and the regulations pertaining thereto (43 CFR 3300 *et seq.*), your bid for the above tract is accepted.

Your qualifications have been examined and are satisfactory. Accordingly, in order to perfect your rights hereunder, the following action *must* be taken:

- 1. Execute and return the three copies of attached lease. (*If lease is executed by an agent, evidence must be furnished of agent's authorization.*)
- 2. Pay the balance of bonus bid and the first year's rental indicated above.
- 3. Comply with bonding requirements according to 43 CFR 3304.1
Shell Oil Company, Oxy Petroleum, INC., American Independent Oil Company, Hamilton Brothers Oil Company, Chanslor-Western Oil and Development Company

Compliance with above requirements must be made not later than the 15th day after receipt of decision, or not later than the 30th day after date of sale, whichever is later. Failure to comply will result in forfeiture of your rights to acquire a lease and 1/5 of the bonus bid deposit. The 30th day after date of sale is **January 10, 1976.**

IMPORTANT: *The lease form requires the attachment of the CORPORATE SEAL to all leases executed by corporations.*

Attachments

Copy To: Bakersfield District ✓
Santa Barbara District
Washington
FEB 10 1976

William E. Grant (Manager)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Stipulations for Oil & Gas Lease Sale #35
Outer Continental Shelf
Southern California

OCS-P 0300

TRACT NO. 35-261

BLOCK NO. 33N 37W

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

Stipulation #1.

- (a) If the Supervisor, having reason to believe that a site, structure, or object of historical or archeological significance, hereinafter referred to as "cultural resource" may exist in the lease area, shall, within one year from the effective date of this lease, give the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall immediately upon receipt of such notice comply with the following requirements:

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including, but not limited to, well drilling and pipeline and platform placement, hereinafter referred to as "operation", the lessee shall conduct geophysical surveys to determine the potential existence of any cultural resource that may be affected by such operation. If such geophysical surveys show anomalies that suggest the potential existence of a cultural resource that may be adversely affected by any lease operation, the lessee shall:

- (1) relocate the site of such operation so as not to adversely affect the anomaly identified; or (2) establish, to the satisfaction of the Supervisor, on the basis of an archeological survey conducted by a qualified marine archeological surveyor using such survey equipment and techniques as deemed necessary by said marine archeological surveyor, either that such operation will not adversely affect the anomaly identified or that the potential cultural resource suggested by the occurrence of the anomaly does not exist.

All data obtained in the course of any geophysical or archeological surveys conducted pursuant to the provisions hereof shall be submitted to the Supervisor with any application by the lessee for drilling or other activity. After consideration of such data, the Supervisor will prepare a report on his determination regarding the existence of and need for protection of any potential cultural resource, and shall forward such report to the Manager, Pacific OCS Office, Bureau of Land Management, for his review and recommendations. Upon consideration of the recommendations, if any, of the Manager, Pacific OCS Office, the Supervisor will prepare a final report, a copy of which shall be supplied to the lessee. Should the Supervisor determine in his report, contrary to the contentions of the lessee, that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the Supervisor has given directions as to its disposition.*

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

- (b) Structures for drilling or production, including pipelines, shall be kept to the minimum necessary for proper exploration, development and production and to the greatest extent consistent therewith, shall be placed so as not to interfere with other significant uses of the Outer Continental Shelf including commercial fishing. To this end, no structure for drilling or production, including pipelines, may be placed on the Outer Continental Shelf until the Supervisor has found that the structure is necessary for the proper exploration, development, and production of the leased area and that no reasonable alternative placement would

*Adversely affected sites which may be eligible for inclusion on the National Register of Historic Places will be handled according to procedures outlined in 36 CFR Part 800 (1974).

cause less interference with other significant uses of the Outer Continental Shelf including commercial fishing. The lessee's exploratory and development plans, filed under 30 CFR 250.34, shall identify the anticipated placement and grouping of necessary structures, including pipelines, showing how such placement and grouping will have the minimum practicable effect on the other significant uses of the Outer Continental Shelf, including commercial fishing.

Stipulation #2.

The lessee shall have the pollution containment and removal equipment available as required by OCS Order No. 7 of June 1, 1971, as may be amended. Prior to drilling, the lessee shall demonstrate to the satisfaction of the Area Supervisor, U.S. Geological Survey, that said oil spill containment and removal equipment is adequate and deployable in sufficient time to prevent to the maximum extent possible using the best available technology and all reasonable care, spill damage to Areas of Special Biological Significance (ASBS), marine life refuges and/or ecological reserves which occur in closest proximity to the planned production area(s). In the event of a significant oil spill as defined by OCS Order No. 7, or an oil spill of any size or quantity which cannot be immediately controlled, the operator shall immediately notify the Supervisor and deploy the appropriate equipment to the site of the oil spill, unless, because of weather and attendant safety of personnel the Supervisor shall modify this requirement.

Stipulation #3.

- (a) Should any new areas of special biological significance be discovered within two (2) years of the lease sale or as a result of BLM Baseline Studies, whichever terminates first, the lease block(s) or portion(s) thereof containing these areas and appropriate buffer zones shall be explored and developed using the best available technology and all reasonable care, to prevent, to the maximum extent possible, detrimental impact upon such areas. The term "best available technology" as used in this paragraph means technology the use of which by the lessee is practical and economically feasible, as determined by the Supervisor.
- (b) If within the above specified time limit, the Supervisor has reason to believe that such a site of special biological significance may exist in the lease area, (see 3a) he shall give the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall immediately upon receipt of such notice comply with the following requirements: prior to any drilling activity or the construction or placement of any structure for exploration or development on lease areas including, but not limited to, well drilling and pipeline and platform placement, hereinafter referred to as "operation", the lessee shall conduct site specific surveys, as approved by the Supervisor, to determine the potential existence of any unique biological resource that may be adversely affected by any lease operation. If such surveys show anomalies that suggest the potential existence of a unique biological resource that may be adversely affected by any lease operation, the lessee shall:
- (1) relocate the site of such operation so as not to adversely affect the anomaly identified; or
 - (2) establish to the satisfaction of the Supervisor, on the basis of the site-specific survey, either that such operation will not adversely affect the anomaly identified or that the potential biological resource suggested by the occurrence of the anomaly does not exist.

All data obtained in the course of any biological surveys conducted pursuant to the provisions hereof shall be submitted to the Supervisor with any application by the lessee for drilling or other activity, with a copy to the Manager, Pacific OCS Office. The Supervisor will prepare a final report, a copy of which shall be supplied to the lessee. Should the Supervisor determine in his report, contrary to the contentions of the lessee, that the existence of a biological resource which may be adversely affected by such operations is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such resource until the Supervisor has given the lessee directions with respect to its disposition.

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Stipulations for Oil & Gas Lease Sale #35
Outer Continental Shelf
Southern California

OCS-P 0300

TRACT NO. 35-261

BLOCK NO. 33N 37W

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

All reservoirs underlying this lease which extend into one or more other leases, as indicated by drilling and other information, shall be operated and produced only under a unit agreement including the other lease(s) and approved by the Oil and Gas Supervisor. Such a unit agreement shall provide for the fair and equitable allocation of production and costs. The Oil and Gas Supervisor shall prescribe the method of allocating production and costs in the event operators are unable to agree on such a method.

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Stipulations for Oil & Gas Lease Sale #35
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Southern California

OCS-P 0300

TRACT NO. 35-261 BLOCK NO. 33N 37W

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

In the approval of exploration and development plans, including the installation of platforms, the Supervisor shall require the lessee to camouflage all structures by appropriate painting.

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Stipulations for Oil & Gas Lease Sale #35
Outer Continental Shelf
Southern California

OCS-P 0300

TRACT NO. 35-261

BLOCK NO. 33N 37W

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

The lessee agrees that in order to control any oil spilled as a result of lease operations from entering Anaheim and Newport bays, the best available technology to control such oil shall be used and shall be available on all fixed or mobile structures located on the lease or similar safeguards shall be available as approved by the supervisor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE UNITED STATES OF AMERICA

SHELL OIL COMPANY

BY: John C. Marshall
(Signature of Lessee)
John C. Marshall
Attorney-in-fact

OXY PETROLEUM, INC.

BY: R. W. Bruce
(Signature of Lessee)
R. W. Bruce - Vice President

AMERICAN INDEPENDENT OIL COMPANY

BY: Lee Meador
(Signature of Lessee) Manager
U. S. Exploration & Production

CHANSOR-WESTERN OIL AND DEVELOPMENT COMPANY

BY: L. M. Smith
(Signature of Lessee) Vice President

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

By: William E. Grant
(Authorized Officer)

Manager, Pacific OCS Office
Bureau of Land Management

(Title)

JAN 8 1976

(Date)

J. L. Dorman
Attest: J. L. Dorman
Assistant Secretary

GPO 833-869

HAMILTON BROTHERS OIL COMPANY

BY: Doyle G. Whitaker
(Signature of Lessee)
Doyle G. Whitaker
Vice President

Richard W. Coates
Richard W. Coates, Secretary

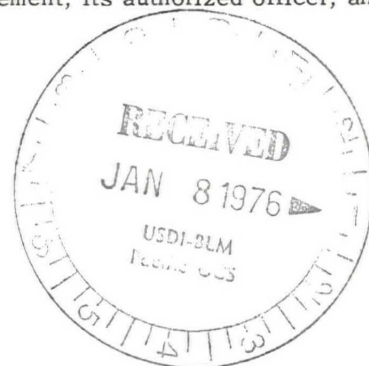
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

Office	Los Angeles, California	
Serial Number	OCS-P 0300	
Cash Bonus	\$25,568,000.00	
Rental Rate	\$3.00 per acre	
Minimum Royalty Rate	\$3.00 per acre	Royalty Rate 1/3rd

This lease is made and effective as of **FEB 1 1976** (hereinafter called the Effective Date) by and between the United States of America (hereinafter called the Lessor), by the **Manager** **Pacific Outer Continental Shelf Office**, Bureau of Land Management, its authorized officer, and

Shell Oil Company	50.00000%
Oxy Petroleum, Inc.	17.00000%
American Independent Oil Company	16.50000%
Hamilton Brothers Oil Company	4.50000%
Chanslor-Western Oil and Development Company	12.00000%



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

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

All Block 33N 37W, OCS Official Leasing Map, Channel Islands Area Map No. 6C.

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

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

Sec. 3. Obligations of Lessee. The Lessee agrees:
(a) *Rentals and royalties.* (1) To pay rentals and

- royalties as follows:
- Rentals.* With respect to each lease year commencing prior to a discovery of oil or gas on the leased area, to pay the Lessor on or before the first day of each such year, a rental of **\$3.00** per acre or fraction thereof.
 - Minimum royalty.* To pay the Lessor at the expiration of each lease year commencing after discovery a minimum royalty of **\$3.00** per acre or fraction thereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty, if the actual royalty paid is less than the minimum royalty.
 - Royalty production.* To pay the Lessor a royalty of **33-1/3** percent in amount or value of production saved, removed, or sold from the leased area. Gas of all kinds (except helium) and gas used for purposes of production from and operations upon the leased area or unavoidably lost is subject to royalty.
- (2) It is expressly agreed that the Secretary may establish minimum values for purposes of computing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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