

**Idaho Department of Lands Oil and Gas Lease Stipulations for 19Oct2016 Public Auction GEM COUNTY**

Township	Range	Section	Legal Description	County	Acres	TRACT #	Lease Stipulations
06N	01W	6	Idaho State Highway 52	Gem	8.79	16A170	11, 13
06N	01W	7	Idaho State Highway 52	Gem	8.48	16A171	11, 13
06N	01W	16	Idaho State Highway 52	Gem	9.13	16A172	11, 13
06N	01W	17	Idaho State Highway 52	Gem	8.44	16A173	11, 13
06N	01W	18	Idaho State Highway 52 AND 16	Gem	10.32	16A174	11, 13
06N	01W	21	Idaho State Highway 16	Gem	8.84	16A175	11, 13
06N	01W	29	Idaho State Highway 16	Gem	7.83	16A176	11, 13
06N	01W	32	Idaho State Highway 16	Gem	5.79	16A177	11, 13
06N	02W	7	Idaho State Highway 52	Gem	8.96	16A178	11, 13
06N	02W	8	Idaho State Highway 52	Gem	8.59	16A179	11, 13
06N	02W	9	Idaho State Highway 52	Gem	5.74	16A180	11, 13
06N	02W	13	Idaho State Highway 52	Gem	8.48	16A181	11, 13
06N	02W	14	Idaho State Highway 52	Gem	8.46	16A182	11, 13
06N	02W	15	Idaho State Highway 52	Gem	8.48	16A183	11, 13
06N	03W	1	Idaho State Highway 52	Gem	9.02	16A184	11, 13
06N	03W	2	Idaho State Highway 52	Gem	2.85	16A185	11, 13
06N	03W	12	Idaho State Highway 52	Gem	3.26	16A186	11, 13
07N	01W	22	Idaho State Highway 52	Gem	10.77	16A204	11, 13
07N	01W	23	Idaho State Highway 52	Gem	5.16	16A205	11, 13
07N	01W	24	Idaho State Highway 52	Gem	4.10	16A206	11, 13
07N	01W	27	Idaho State Highway 52	Gem	3.95	16A207	11, 13
07N	01W	28	Idaho State Highway 52	Gem	7.30	16A208	11, 13
07N	01W	30	Idaho State Highway 52	Gem	0.99	16A209	11, 13
07N	01W	31	Idaho State Highway 52	Gem	11.51	16A210	11, 13
07N	01W	32	Idaho State Highway 52	Gem	7.16	16A211	11, 13
07N	01W	33	Idaho State Highway 52	Gem	3.52	16A212	11, 13
07N	03W	21	Idaho State Highway 52	Gem	4.86	16A217	11, 13
07N	03W	27	Idaho State Highway 52	Gem	6.41	16A218	11, 13
07N	03W	28	Idaho State Highway 52	Gem	6.49	16A219	11, 13
07N	03W	34	Idaho State Highway 52	Gem	3.27	16A220	11, 13
07N	03W	35	Idaho State Highway 52	Gem	3.87	16A221	11, 13

**Compliance with Laws.** Lessee shall comply with all applicable State, Federal, and local laws, rules, regulations, ordinances and executive orders during the term of this Lease.

**11. Location Surveys.** If Lessee completes a proved, developed, and producing well, and if either the mineral estate of land title is disputed by Lessor, or if the location of the producing interval is disputed by Lessor, then Lessee must fund appropriate location surveys, including, but not limited to: (a) Legal Boundary Land Survey and (b) Producing Interval Location Survey.

(a) A Legal Boundary Land Survey must determine the location and acreage encompassed by the drill spacing unit or pooling unit along with the state lease acreage within either of such units. The survey must be conducted by an Idaho-licensed Professional Land Surveyor acceptable to Lessor, and must be prepared pursuant to survey requirements provided by Lessor. Surveyors must conduct surveys in accordance with all applicable jurisdictional requirements and professional standards of practice. Boundary lines and corners of any portion of the Leased Premises being surveyed must be established or retraced in accordance with appropriate boundary law principles governed by the set of facts and evidence found in the course of performing the research and survey. All data gathered by Lessee must be presented to Lessor in a format compatible to Lessor's software.

(b) A Producing Interval Location Survey must determine the location of the producing interval of the well borehole. Lessee must determine the three-dimensional coordinate location of the: (i) top of the producing interval by its magnetic azimuth recorded in degrees of latitude, degrees of longitude, and true vertical depth in feet; and, (ii) bottom of the producing interval by its magnetic azimuth recorded in degrees of latitude, degrees of longitude, and true vertical depth in feet. The location data must be measured via borehole logging tools either in drill string assembly (measured while drilling) or lowered into wellbore after well is drilled (gyroscopic survey), or by another method approved by Lessor. Lessee must provide to Lessor the producing interval location projected onto a surface map that also shows the well surface location, the Leased Premises boundaries, and distances to boundaries. At Lessor's discretion, Lessee must provide additional directional survey information, accuracy requirements, and reported data.

**13. Idaho Transportation Department Highway Right-of-Way Lease.** The Leased Premises is the mineral estate under a segment of highway controlled by the Idaho Transportation Department (ITD), and Lessee must understand and comply with the following 5 items.

**13.1.** Lessee acknowledges that neither lessor, nor any agent or representative of lessor or of the State of Idaho, has made any representation or warranty whatsoever, express or implied, with respect to the title, merchantability or fitness of the leased mineral estate for any particular purpose or use, including specifically the use for which this lease is granted, and lessee accepts the leased mineral estate in "AS IS" condition. In entering this lease, lessee relies solely upon lessee's own inspection of the leased mineral estate.

**13.2.** Lessee acknowledges that lessee was and is responsible for making a thorough inspection of the leased mineral estate at its own expense, as well as thoroughly researching any information available about the leased mineral estate for oil and gas exploration and production, including title, and its surroundings prior to the date of this lease. Lessee is solely responsible for satisfying itself with respect to the ownership of the leased mineral estate; and if subsequently divested of said title, no liability shall be incurred by virtue of Idaho Transportation Department Highway Right-of-Way Lease for any loss or damage to lessee; nor shall any claim for refund of any bonus payments, rents, or royalties theretofore paid, be made by lessee, its successors or assignees; provided however, that in the event a defect in the title of any portion of the leased mineral estate for oil and gas exploration and production is established, any rent or royalties not yet paid shall be proportionately reduced to exclude the area as to which the title defect has been established.

**13.3.** No surface use or surface operations of ITD Property or highway over which ITD has jurisdiction shall be allowed or permitted pursuant to this lease without the express written consent of the Chief Engineer of the ITD. Surface operations on non-highway properties (such as materials sources or surplus property) will be considered on a case by case basis upon written notice from lessee through IDL. Notwithstanding anything herein to the contrary, it is agreed that lessee shall not conduct any exploration or drilling on the surface of the leased mineral estate or use the surface in the exercise of any rights granted herein or pursuant to any applicable statute or rules unless prior written approval to the contrary is expressly granted to lessee by ITD's Chief Engineer. Lessee expressly waives any right to use the surface estate which may otherwise generally be provided by Idaho statute or rule. Any development of the underlying leased mineral estate shall be by means of a directional or horizontal well located off the surface of the leased mineral estate, or by pooling of the mineral estate of said land with other mineral estate land, lease or leases as provided herein.

**13.4.** Nothing contained herein shall be interpreted as granting access to any parcel of property adjoining a state highway or interstate, nor to any ITD property or highway rights-of-way. To the extent necessary to fulfill the purpose of this lease, access to leased ITD property from a state highway or change in use of an existing approach or encroachment shall be by an encroachment permit application and subject to the relevant IDAPA rules on highway encroachment/access. All access-related issues will be resolved by the ITD at its sole discretion.

**13.5.** ITD may, at its sole discretion, require a pre-condition survey by a licensed geologist for any ITD property subject to this lease. Such survey shall include at a minimum a review of the substrata in the proximity of the ITD property or any resource pool that could potentially affect the state's surface assets (such as the highway) and submit a report to ITD, through IDL, indicating any potential risks of subsidence and mitigation strategies to ensure no subsidence occurs. This report is subject to review and approval by ITD before production or mineral extraction occurs.

**13.6.** ITD shall be named as an additional insured on Lessor's Liability Insurance policy on the ITD Leased Premises.