



STATE OF IDAHO
OIL AND GAS LEASE No. INSERT LEASE #
LESSEE(S) FULL LEGAL NAME(S)

Tract No. **INSERT TRACT #**

SUMMARY OF LEASE PROVISIONS:

Lessor: STATE OF IDAHO
 By and through the State Board of Land Commissioners
 300 North 6th Street, Suite 103
 PO Box 83720
 Boise ID 83720-0050

Lessee : Lessee of Record Full Legal Name
 Attention or Contact Name
 Address 1
 Address 2
 City, State, Zip, Country if not USA

Lease Term: Commencement: **1st day of the month following LB approval**
 Expiration: **Expiration Date - allow 10 year term**

Rent: The annual rent payment is due on **Insert Commencement/Anniversary Date** of each year.
 Annual Rent: **\$Insert Amount - One dollar per acre**
 Bonus Bid:
Bonus Bid First Year: \$Insert Bonus Bid Amount
 Drill Penalty added to Annual Rent:
Year 6 through Year 10 \$INSERT Amount - One dollar per acre

Legal Description of Leased Premises: Lessor, in consideration of the rent and royalties paid and the covenants, conditions and restrictions hereinafter set forth, in the Lease (including all Attachments), does hereby lease and demise unto Lessee the subsurface mineral estate for oil and gas exploration and development without the use of the surface estate, of the land legally described as follows, and referred to herein as the Leased Premises described in Attachment A of this Lease for the uses specified herein.

Use of Leased Premises: Lessor does hereby lease and demise unto Lessee exclusive right and privilege to explore for and produce from the underlying mineral estate the following mineral resources: **Oil and Gas.**

Bond: One Thousand Dollars (\$1,000) prior to entry with Motorized Exploration Equipment, increasing to a minimum of Six Thousand Dollars (\$6,000) prior to the commencement of drilling.

Liability Insurance: Combined single limit per occurrence, not less than Four Hundred Thousand Dollars (\$400,000)
 Each annual aggregate limit shall not be less than Two Million Dollars (\$2,000,000)

Lease Index: SUMMARY OF LEASE PROVISIONS
 LEASE PROVISIONS
 SIGNATURE PAGE
 ATTACHMENT A – LEGAL DESCRIPTION OF LEASED PREMISES
 ATTACHMENT B -- LEASE STIPULATIONS

This Oil & Gas Lease ("Lease") is made and entered by and among the State of Idaho, by and through the Idaho State Board of Land Commissioners, acting by and through the Idaho Department of Lands ("Lessor"), and **INSERT Lessee(s) Full Legal Name(s)**, a or an Business Entity Type ("Lessee"), collectively referred to herein as the "parties". In consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

LEASE PROVISIONS

1. **RIGHTS GRANTED:** Lessee is granted the rights during the term of this Lease to use and occupy so much of the surface of the Leased Premises as may be reasonably required for all purposes reasonably incident to exploration, drilling, production and marketing of oil and gas produced from the Leased Premises, including the right to construct and maintain all works, buildings, plants, waterways, roads, communication lines, pipelines, reservoirs, tanks, pumping stations and other structures necessary to full enjoyment and development of the Leased Premises. Lessee shall not use the Leased Premises for any activities related to the exploration, drilling, production or marketing of oil and gas from any property other than the Leased Premises, or for the processing, storage or transportation of oil and gas produced from any property other than the Leased Premises. In the event Lessee desires to use the Leased Premises for any activities related to the exploration, drilling, production or marketing of oil and gas from any property other than the Leased Premises, or for the processing, storage or transportation of oil and gas produced from any property other than the Leased Premises, Lessee shall be required to enter a separate lease, permit, license, or easement with Lessor which specifically authorizes any such additional uses of the Leased Premises or any works, buildings, plants, waterways, roads, pipelines, reservoirs, tanks, pumping stations, or other structures located thereon. Lessor expressly retains and reserves the concurrent right to grant third parties ingress and egress and use of the subsurface Leased Premises by Lessor and its lessees and permittees to explore for and produce minerals and geothermal resources that are not covered, or that might not be covered in the future, under the terms of this Lease, but that might be located within the surface boundaries of the Leased Premises. All of the rights in and to the Leased Premises retained by Lessor and all of the rights in and to the Leased Premises granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. **TERM:** This Lease shall be for a term of ten (10) years from the commencement date. The Lease shall have a Primary Term consisting of lease years one (1) through five (5), inclusive, and a Secondary Term consisting of lease years six (6) through ten (10), inclusive.

3. **NOTIFICATION PRIOR TO LEASE EXPIRATION:** No later than one hundred eighty (180) days, and no earlier than one (1) year, prior to the expiration of the term of this Lease, Lessee shall notify the director in writing that diligent and continuous drilling operations, production, or reworking operations have commenced and will extend beyond the term of the Lease; and, Lessee shall request the right to continue to lease the Leased Premises. Failure to provide said notice shall effect a waiver of any right Lessee may otherwise have to continue any operations upon the Leased Premises beyond the expiration of the term of the Lease.

4. **LEASE CONTINUATION OR TERMINATION:** If, upon the expiration of the term of this Lease, production of oil and gas continues in paying quantities; or as long as Lessee conducts diligent and continuous drilling operations at a depth of one thousand (1,000) feet or deeper or at a lesser depth than one thousand (1,000) feet if approved by the director; or Lessee reworks a former well under an authorized permit from the Idaho Oil and Gas Conservation Commission on the Leased Premises; then the Lease shall continue in force so long as production of oil and gas continues in paying quantities, or so long as Lessee conducts diligent and continuous drilling operations. The term rework as used herein means an operation in a well after completion to secure, restore, or improve production in the

completed zone. Such operations include, but are not limited to, well stimulation. If this Lease is so extended, and unless otherwise set forth therein, a cessation of production for a period of six (6) months shall be considered an abandonment, and the Lease shall terminate on the next anniversary date of the commencement of the Lease term unless Lessor and Lessee enter into a written agreement to continue the Lease prior to the end of said six (6) month period of the cessation of production.

5. RENTAL:

A. As rent for the Primary Term (year 1 through year 5) and Secondary Term (year 6 through 10) of the Lease, Lessee shall pay to Lessor on or before the anniversary date of such lease year an advanced annual rental of one dollar (\$1.00) for each acre for each year of the Lease. In addition to the one dollar (\$1.00) per acre per year rent, for the first year of the Lease term Lessee shall also pay the bonus bid, if applicable. Alternatively, Lessee may prepay the one dollar (\$1.00) per acre per year rent for the entire Primary Term and Secondary Term of the Lease together with the bonus bid, if applicable.

B. In addition to the annual rent provided in subparagraph A above, for each year of the Secondary Term of the Lease, Lessee shall either: 1) pay in advance a delayed drilling penalty of one dollar (\$1.00) per acre per year for the remainder of the Secondary Term; or 2) perform diligent exploration. To qualify for diligent exploration, Lessee shall drill at least one well upon the Leased Premises, or upon adjacent state lands upon which Lessee leases, or upon unitized land in which this leasehold is included as provided in Section 12 herein. Lessee may prepay the one dollar (\$1.00) per acre per year delay drilling penalty for the entire secondary term together with the prepaid advanced annual rental for the entire Primary Term of the Lease together with the bonus bid, if applicable.

C. If this Lease is extended after the initial ten (10) year term of this Lease due to drilling or rework operations (but no production has occurred) upon the same terms and conditions, or upon such new terms and conditions as Lessor determines, and unless otherwise set forth therein, then rent shall be three dollars (\$3) for each acre for each year of the Lease until production occurs; and rent following production shall be one dollar and fifty cents (\$1.50) for each acre for each year thereafter.

6. ROYALTY: Lessee shall pay to Lessor in money or payment in kind, at Lessor's option, a royalty of twelve and one-half percent (12.5%) of the oil and/or gas produced and saved. Lessee shall make payments in cash unless written instructions for payment in kind are received from Lessor. Royalties shall be due on all production of oil and/or gas from the Leased Premises, except such production actually consumed for the direct operation of the producing wells and that lost through no fault of Lessee. When paid in cash, the costs incurred by Lessee, including, but not limited to, marketing, transporting, and processing oil and/or gas produced shall be borne entirely by Lessee, and such costs shall not reduce Lessor's royalty directly or indirectly. If Lessor elects to take payment in kind, then Lessor shall reimburse Lessee for reasonable additional storage and transportation costs. The royalties for oil shall be calculated upon the reasonable market value of the oil which shall not be deemed to be less than the price actually paid or agreed to be paid to Lessee by its purchasers at an arm's length transaction; but in no event shall the royalties be based upon a market value that is less than the posted price in the field for such oil, or in the absence of a posted price in the field for such oil, upon a market value that is less than the prevailing price received by other producers in the field for oil of like grade and gravity at the time such oil is run into pipe-lines or storage tanks. The royalties for gas, including casinghead gas or other gaseous substances, shall be calculated upon the reasonable market value or on the price received by Lessee at the well, whichever is greater, of all such gas produced and saved from the Leased Premises. It is agreed that helium gas, carbon dioxide gas, and all other natural gases are included under the term "gas" as used in this Lease.

7. **MONETARY ROYALTY PAYMENTS:** All royalty owed to the Lessor hereunder and not paid in kind at the election of the Lessor shall be paid to the Lessor in the following manner:

8.

A. Payment of royalty on production of oil shall be due and must be received by the Lessor on or before the 65th day after the month of production;

B. Payment of royalty on production of gas and natural gas plant liquids shall be due and must be received by the Lessor on or before the 95th day after the month of production;

C. All royalty payments must be completed in the form and manner Approved by the Department, including but not limited to, the gross amount and disposition of all oil, gas, and natural gas plant liquids produced and the market value of the oil, gas, and natural gas plant liquids;

D. Lessee must maintain, and make available to the Lessor upon request, copies of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of the amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the Lessor may require to verify the gross production, disposition and market value; and

E. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing, by the assigned Lessor lease number, the amount of royalty being paid on each lease.

9. **WELL LOGS AND PROGRESS REPORTS:** Lessee shall furnish to Lessor annually and at such other times as Lessor shall request, in the manner and form prescribed by Lessor, a report as to the character and extent of all exploratory, development, mining, drilling, production work and of all other operations performed; and, Lessee shall identify all structures and improvements placed upon the Leased Premises, and shall provide Lessor with a plat and/or map showing the location of all drill holes and other exploratory, development, mining, drilling, production and operations activity, structures and improvements on the Leased Premises. Also, if available, Lessee shall include a copy of all test results and analyses indicating the type and quality of the oil and/or gas produced, including a detailed log of each new well drilled on the Leased Premises. Plats and maps provided by Lessee shall be sufficient so as to make such data meaningful.

10. **LATE PAYMENT PENALTIES - RENTAL AND ROYALTY:** Rental and royalty is delinquent if not paid on or before the due dates set forth in this herein, including in Sections 5 and 6 of this Lease. Should rental or royalty be delinquent, Lessor will send a notice of delinquency to Lessee by registered mail, return receipt requested. If payment is not received by Lessor within thirty (30) days from the date of mailing, Lessor may cancel the Lease without further notice to Lessee in Lessor's sole discretion, or, in Lessor's sole discretion, Lessor may assess the greater of the following fees in Lessor's sole discretion: either a \$25.00 late fee, or a late fee assessed at the rate of one percent (1%) for each calendar month or fraction thereof, compounded monthly, for late payments accruing on the entire amount of the outstanding rental or royalty payment from the date the rental or royalty was due until the entire unpaid amount is paid in full. Lessor shall not be required to notify Lessee of any rental or royalty due prior to the due date therefor, notwithstanding any billing practice of Lessor.

11. **FULL PRODUCTION REQUIRED:** All wells under this Lease shall be drilled, maintained and operated so as to produce the maximum reasonable amount of oil and/or gas that can be secured without injury to the reservoir and the royalties shall be based and calculated on such full production of oil and/or gas.

12. **LIEN ON PRODUCTION:** Lessee hereby grants to Lessor, and Lessor shall have a first lien security interest upon all oil and/or gas produced from the Leased Premises in order to secure the payment of all rent and royalty, together with any and all other sums of money that may become due pursuant to the terms of this Lease.

13. **POOLING AND UNITIZATION:** Upon receiving the prior written consent of Lessor, which consent shall not be unreasonably withheld, Lessee shall have the right to commit the Leased Premises to a pooling, unit, cooperative or other plan of development or operation with other State lands, Federal lands, privately-owned lands or Indian lands. Such agreements shall not change the percentage of royalties to be paid to Lessor from the percentages as fixed herein. Any and all oil and/or gas produced from any lands included in such a pooling, unit, cooperative or other plan of development or operation agreement which encompasses the Leased Premises shall be considered to be or to have been produced from the Leased Premises' proportionate share of the total area encompassed by the pooling, unit, cooperative or other plan of development or operation agreement.

14. **OFFSET PROTECTION:** If the Leased Premises are not committed to a pooling, unit, cooperative, or other plan of development, Lessee shall promptly and diligently drill to completion all wells necessary on the Leased Premises in order to fairly offset commercially producing oil and/or gas wells on contiguous lands or pay a compensatory royalty. It shall be presumed that the production of oil and/or gas from offset wells located in any quarter-quarter section immediately adjacent to the Leased Premises may result in offset drainage unless Lessee demonstrates to Lessor's satisfaction by engineering, geological, or other data that production from such offset well does not result in such drainage, or that the drilling of a well or wells on the Leased Premises would not accomplish the purposes of protecting the deposits under the Leased Premises.

15. **WASTE PROHIBITED:** In conducting any and all exploration, development, mining, drilling, production, and all other operations or activities of Lessee relative to this Lease, Lessee shall exercise all reasonable care and precautions necessary to prevent waste of oil and/or gas. Lessee shall at all times use all reasonable care and precautions to prevent the entrance of water into the oil and/or gas bearing strata and to prevent injury thereto, or the destruction thereof.

16. **OPERATING PRACTICES:** Lessee shall at all times conduct exploration, development, mining, drilling, production and all other operations relative to this Lease as a reasonably prudent operator, and shall conform to the best practices and engineering principles currently in use in the oil and gas industry and as contemporaneously as they are improved from time to time.

17. **INSPECTION:** Lessee shall allow any person duly authorized by Lessor, at all reasonable hours, access to the Leased Premises and to any and all of Lessee's operations thereon or connected therewith, including, but not limited to, any and all exploration, development, mining, drilling, production and other operations or activities of Lessee; and, Lessee shall allow access to all books and records of Lessee relevant to a determination of the amount of any rent and royalty to be paid in accordance with the terms and conditions of this Lease. Lessee shall save any and all such books and records and allow Lessor access thereto for a period of seven (7) years following the termination of this Lease.

18. **DWELLING RIGHTS:** If Lessor owns the surface rights for the Leased Premises, Lessee shall not set, establish, or allow any residence, dwelling or place of abode of any type, temporary or permanent, on the Leased Premises without the express prior written permission from Lessor expressly authorizing such residence, dwelling or place of abode.

19. **SURFACE OWNER'S OR LESSEE'S RIGHTS:** In all activities on the Leased Premises, Lessee, unless otherwise agreed in writing with the applicable surface rights owner, easement holder, permit holder or leaseholder, agrees to interfere as little as possible with any authorized use of the

premises for any other purpose to which the premises may be put, utilized or devoted by other persons, including, but not limited to, authorized users, easement holders, permit holders and leaseholders to whom the land may have been authorized, permitted, leased or sold by Lessor. Lessee shall not drill any well upon the Leased Premises within two hundred feet (200') of any residence or barn now existing or hereafter erected thereon without first obtaining the prior written consent of the owner of such residence or barn; Lessee shall provide Lessor with a copy of such written consent. Lessee shall not fence any watering place located upon the Leased Premises where it is the only accessible and feasible watering place located within a radius of one (1) mile from the Leased Premises, without first having secured the written consent of Lessor or the surface owner, if not Lessor. If Lessor is the surface owner of the Leased Premises, Lessee hereby agrees to make any satisfactory adjustment which may be reasonable or necessary to compensate for any damages sustained by reason of Lessee's entry upon, use and occupancy of, the surface of the Leased Premises, if Lessor is not the surface owner of the Leased Premises, Lessee shall negotiate with surface owners and comply with the other requirements of IDAPA 20.07.02.110. Lessee shall reclaim the Leased Premises disturbed by its exploration, development, mining, drilling, production and other operations or activities in compliance with the requirements of IDAPA 27.07.02.510.

20. **ASSIGNMENT:** This Lease is personal to Lessee, and this Lease may not be assigned without Lessor's express prior written consent, which consent shall not be unreasonably withheld. Subject to the terms of this Lease, and upon Lessor's prior written consent, together with a copy of all assignment agreements provided by Lessee to Lessor, Lessee may assign this Lease. If Lessee assigns this Lease: (i) Lessee shall remain liable to Lessor for the full performance of Lessee's obligations hereunder unless Lessor shall approve Lessee's release from this Lease, which consent shall not be unreasonably withheld; (ii) the assignee of Lessee ("Assignee"), by accepting the assignment of this Lease, shall and does assume, and shall be deemed to have assumed, all of Lessee's obligations under this Lease, and further agrees to abide by all terms of this Lease; and, (iii) such assignment shall be subject to all terms and conditions of this Lease, and to such other terms and conditions as Lessor may reasonably require in Lessor's discretion.

21. **SUBLEASE:** This Lease is personal to Lessee, and no part of Lessee's interest may be sublet without Lessor's express prior written consent. Any sublease must be expressly subject to all terms and conditions of this Lease, and shall provide no greater interest in the Leased Premises than Lessee has in this Lease. An executed copy of the sublease agreement must be submitted to Lessor for approval.

22. **TAXES:** Lessee shall pay when due any and all taxes lawfully assessed and levied under the laws of the State of Idaho upon Lessee's interest in the Leased Premises, including, but not limited to, the leased deposits, oil and/or gas production, and upon structures and improvements of Lessee on the Leased Premises.

23. **COMPLIANCE WITH STATUTES AND RULES:** Lessee's use, activities and operation upon the Leased Premises shall be conducted in accordance with all applicable state, federal and local environmental laws, rules and regulations which may apply to any of Lessee's activities upon the Leased Premises, including, but not limited to, the provisions of the State of Idaho water quality standards in IDAPA 58.01.02 and 58-01.11; Title 47, Chapters 3 and 8, Idaho Code, as amended; all rules of the Idaho Oil and Gas Commission ("Commission"); and the requirements of IDAPA 20.03.16, which provisions are hereby made a part hereof to the same extent as if incorporated herein. Suitable containers shall be provided for trash, garbage, and human excreta, so that such materials can be disposed of at approved disposal sites. Waste petroleum products shall not be drained or poured onto the Leased Premises, but shall be disposed of in suitable containers at approved disposal sites.

24. **PROMOTION:** Except as allowed with the prior written approval of Lessor, neither Lessee nor any successor or assign shall use the name of Lessor, the State Board of Land Commissioners, the

Idaho Department of Lands, the State of Idaho or any agency thereof, or the fact that any of Lessee's operations are to be conducted in whole or in part on state-owned lands, under lease or otherwise, in any advertisement or prospectus promoting the sale of stock; provided however, that the reflection on the accounting and financial records and statements of Lessee of this Lease as an asset of Lessee shall not constitute a breach of this Section.

25. **FORFEITURE:** This Lease shall be conditional upon payment of the rental in advance annually, and upon the payment of all royalties provided for, and in accordance with, this Lease. Upon the violation of any of the Lease provisions regarding rent or royalty, Lessor may, after thirty (30) days notice to Lessee at the address set forth herein (or such address as Lessee may hereafter provide by written notice to Lessor), by registered mail, and the failure to Lessee to cure any such default within said thirty (30) day period, cancel the Lease.

Unless otherwise provided herein or in IDAPA 20.03.16, Lessor may cancel or otherwise terminate this Lease and all rights of Lessee hereunder for any breach, default or violation of any of the terms and conditions of this Lease, or of any applicable law, rule or regulation relating to the Lease or to any activity of Lessee upon the Leased Premises, including, but not limited to, any provision of Title 47, Chapters 3 and 8, Idaho Code. Unless otherwise provided, cancellation or termination may not occur until ninety (90) days after notice of the violation has been given to Lessee by personal service or by certified mail and Lessee fails to correct or cure such violation, provided that the violation is subject to correction or cure.

If Lessee either corrects the violation or initiates correction in a timely manner and determines that the ninety (90) days is insufficient time, Lessee will immediately notify Lessor. Lessor will, in conjunction with Lessee, determine a time period in which additional corrective action, if needed, will occur.

In the event Lessee procured this Lease through fraud, misrepresentation or deceit, then, and in that event, this Lease, at Lessor's option, shall cease and terminate and shall be, ipso facto, null and void, and all improvements upon the Leased Premises under the terms of this Lease shall forfeit to, vest in, and become property of Lessor.

26. **SURRENDER-RELINQUISHMENT:** Lessee may surrender this Lease or any surveyed subdivision of the Leased Premises by filing a written statement of relinquishment. The remaining area of the Leased Premises must be at least forty (40) acres or a government lot.

In the event of a partial surrender of any portion of the Leased Premises covered by this Lease, the annual rental thereafter payable shall be reduced proportionately.

A relinquishment shall take effect 30 days after it is received by Lessor. Thereafter, Lessee shall be relieved of any future liability under this Lease to pay rent for such relinquished portion of the Leased Premises, but not for the continued obligation of Lessee and its surety to do the following:

- A. Make payments of all accrued rentals and royalties;
- B. Place all wells on the portion of the Leased Premises to be relinquished in an acceptable condition for suspension of operations or abandonment;
- C. Comply with all applicable laws, rules and regulations, including, but not limited to, the Commission for the plugging of abandoned wells;
- D. Comply with applicable laws and rules of the Department of Water Resources; and

E. Reclaim the surface and natural resources in accord with IDAPA 20.07.02, as amended.

27. **INSURANCE:** Lessee shall purchase and keep in force all insurance required by this Lease. Any failure to comply with any of the terms of this Section shall be a breach under term 24 of this Lease.

A. **Commercial General Liability.** Lessee shall obtain, at Lessee's expense, and keep in effect during the term of this Lease, Commercial General Liability Insurance covering bodily injury, property damage, explosion, blow out, collapse, fire, oil spill and underground hazards caused by or resulting from the occupancy, use, and operations of any other activity on the Leased Premises carried on by Lessee, its assigns, agents, operators or contractors. This insurance shall include personal injury coverage and contractual liability coverage for the indemnity provided under this Lease. Coverage shall be combined single limit per occurrence, which shall not be less than Four Hundred Thousand Dollars (\$400,000), or the equivalent. Each annual aggregate limit shall not be less than Two Million Dollars (\$2,000,000), when applicable.

B. **Property Insurance.** Lessee shall, throughout the term of this Lease and at its own expense, keep and maintain in full force and effect, property insurance for what is commonly referred to as "All Risk" coverage, excluding earthquake and flood, on Lessee's improvements and personal property.

C. **Workers' Compensation.** Lessee shall maintain Workers' Compensation Insurance and Employer's Liability, together with all other coverages required therefor.

D. **Additional Insured.** The liability insurance coverage required for performance of the Lease shall include the State of Idaho, the State Board of Land Commissioners, and the Idaho Department of Lands, its officers, agents, and employees as additional insureds, but only with respect to Lessee's activities (including the activities of Lessee's agents, operators, employees or contractors) relating to this Lease and/or any such activities upon, or related to, the Leased Premises. If the land surface and improvements thereon covered by the Lease have been sold or leased by Lessor, then any such new owner or leaseholder of the surface rights and improvements shall also be an additional insureds. There shall be no cancellation, material change, potential exhaustion of aggregate limits or intent not to renew insurance coverage without thirty (30) days written notice from Lessee or its insurer to Lessor. Any failure to comply with the reporting provisions of this insurance, except for the potential exhaustion of aggregate limits, shall not affect coverage provided to the State of Idaho, the State Board of Land Commissioners and the Idaho Department of Lands, its officers and employees.

E. **Insurance Policy Requirements.** All insurance required by this Lease shall be with companies approved by Lessor. No insurance policy required under this Lease shall be cancelled or reduced in coverage except after thirty (30) days prior written notice to Lessor. All insurers shall have a Bests' rating of A-, VII or better and be authorized to do business in the State of Idaho. Lessee shall deliver to Lessor prior to occupancy and, at least annually thereafter, copies of policies of such insurance or certificates evidencing the existence of the minimum required insurance and evidencing Lessor and other parties required hereunder to be identified as additional insureds thereunder. In no event shall the limits of any insurance policy required under this Lease be considered as limiting the liability of Lessee under this Lease or for any other reason.

F. Lessee shall provide certificates of insurance or other documentation certifying Lessee's possession of insurance policies required herein to Lessor within ten (10) days of Lessor's written request.

By requiring insurance herein, Lessor does not represent that coverage and limits will necessarily be adequate to protect Lessee, and such coverage and limits shall not be deemed as a limitation on Lessee's liability pursuant to this Lease.

28. **LIABILITY:** Lessor, the State of Idaho, the State Board of Land Commissioners, and the Idaho Department of Lands, as well as any other state agency which may have custody or control of the Leased Premises, if any, and the owner or other state leaseholder of the surface rights and improvements if not Lessor or other state leaseholder of such surface rights and improvements, if present, and the officers, agents and employees of each and every one of the foregoing, shall be free from any and all liability and claim for damages and/or suits for or by reason of death or injury to any person or damage to property of any kind whatsoever, caused by or resulting from the negligent or otherwise wrongful act or omission of Lessee, its assigns, agents, operators, employees or contractors; and Lessee covenants and agrees to indemnify and to save harmless Lessor, the State of Idaho, the State Board of Land Commissioners, the Idaho Department of Lands, any owner or other state leaseholder, and any other state agency with custody or control over of surface rights and any improvements, if present, together with the respective officers, agents, and employees thereof, from any and all liability, charge, expense, claim, suit or loss, including attorney fees and costs on appeal, caused by or resulting from the negligent or otherwise wrongful act or omission of Lessee, its assigns, agents, operators, employees or contractors.

29. **DISPOSITION OF IMPROVEMENTS:** All improvements or equipment owned by Lessee upon the expiration, cancellation, forfeiture or other termination of this Lease shall be disposed in accordance with the terms of this Lease and as provided for in IDAPA 20.03.16, including specifically 20.03.16.71.05.

30. **EASEMENTS:** Lessor reserves the right to permit for joint or several use such easements or rights of way over, upon, across, through, or in, the Leased Premises as may be necessary or appropriate to the working of the same or other lands belonging to the State of Idaho or containing oil or gas and the treatment and shipment of products thereof, by or under authority of Lessor or its Lessees, and such easements or rights of way which may be necessary or appropriate for any other public purpose upon the condition that such use shall not unreasonably interfere with the exercise by Lessee of the right and privileges granted under this Lease.

31. **SURFACE RIGHTS:** There is reserved in and to Lessor the right to lease, sell, or otherwise dispose of, all or any portion of the surface owned by Lessor of the Leased Premises for any purpose, including, but not limited to, grazing, mining, timber, agricultural or otherwise, subject to the provisions of Idaho Code §§ 47-711 and 47-712. Any use of the surface so disposed of shall not unreasonably interfere with the oil and gas activities conducted pursuant to this Lease, during the Lease term or as extended pursuant to the terms of this Lease.

32. **TIMBER:** (Applicable only for state-owned surface): Prior to cutting or removing timber for exploration or development of the Leased Premises, Lessor must be given written notice at least six months in advance of the intended cutting or clearing operation and be reimbursed for the value of any merchantable timber and pre-merchantable timber cut or cleared from the Leased Premises. The cutting or removal of timber growth, other than that expressly permitted and authorized by Lessor during development of access roads, drill pads, or construction of facilities associated with oil and gas production is prohibited under this Lease. The value for any affected timber shall be established by Lessor using accepted fair market value approach appraisal techniques. Upon payment by Lessee of the timber value established by Lessor, title to the timber growth shall pass to Lessee. Lessee shall not unreasonably interfere with removal of timber purchased by a third party from the State of Idaho prior to or subsequent to the issuance of this Lease.

33. BOND: Prior to the initiation of any activity or operation using motorized exploration equipment, Lessee shall submit a bond in the amount of ONE THOUSAND DOLLARS (\$1,000.00) in favor of Lessor, conditioned on the payment to the surface owner(s) by Lessee for all damages to the land surface.

Prior to entry upon the Leased Premises with drilling equipment, and prior to commencing any construction in preparation for drilling upon Leased Premises, Lessee shall submit a minimum bond in the amount of SIX THOUSAND DOLLARS (\$6,000) in favor of Lessor. Lessor may require a bond in excess of SIX THOUSAND DOLLARS (\$6,000) to protect any surface rights belonging to Lessor, another owner or state leaseholder, Lessee's or surface owner's interests in accordance with § 47-708, Idaho Code. If conditions change through the term of the Lease, the bond amount may be increased at the reasonable discretion of Lessor. This bond shall be conditioned upon compliance with the terms and conditions of this Lease and IDAPA 20.03.16 requiring the removal of all equipment (defined as all materials, tools, appliances, machinery, and structures), the reclamation of Lessee's surface disturbance, and the payment of all damages incurred by or resulting to Lessor, owner or state leaseholder for damages to the land surface and all improvements thereon (not owned by Lessee), including damages to crops, which result from Lessee's activities or operation upon the Leased Premises, regardless of whether the Leased Premises have been sold or leased by Lessor for any other purpose. This bond shall be in addition to the drilling bond required pursuant to IDAPA 20.07.02.

In lieu of the aforementioned bonds, Lessee may furnish a good and sufficient 'statewide' bond conditioned as set forth above in the amount of FIFTY THOUSAND DOLLARS (\$50,000.00) in favor of Lessor to cover any and all Lessee's leases and operations carried on under IDAPA 20.03.16.

The period of liability of any bond shall continue and shall not be terminated until all terms and conditions of this Lease have been fulfilled and such bond is released in writing by Lessor.

34. PRIOR RIGHTS AND RESERVATIONS: This Lease is subject to all valid existing rights affecting the Leased Premises, including, but not limited to, any leases, permits and licenses, and any properly filed outstanding prior encumbrance, agreement, and contract of sale from Lessor or the State of Idaho, of any kind whatsoever, and subject to the rights reserved by Lessor set forth herein.

35. HEIRS AND SUCCESSORS IN INTEREST: It is further agreed that each and every obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, personal representatives, administrators, successors or assignees of the respective parties hereto.

36. TITLE: Lessor makes no representation or warranty whatsoever with respect to its title to the Leased Premises, and Lessee shall be solely responsible for satisfying itself with respect to the ownership thereof; and if subsequently divested of said title, no liability shall be incurred by virtue of this Lease for any loss or damage to Lessee; nor shall any claim for refund of any bonus bid, 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 Premises is established, any rent not yet paid shall be proportionately reduced to exclude the area as to which the title defect has been established.

A. 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 Premises for any particular purpose or use, including specifically the use for which this Lease is granted, and Lessee accepts the Leased Premises in "AS IS" condition. In entering this Lease, Lessee relies solely upon Lessee's own inspection of the Leased Premises.

B. Lessee acknowledges that Lessee was and is responsible for making a thorough inspection of the Leased Premises at its own expense, as well as thoroughly researching any information available about the Leased Premises 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 Premises; and if subsequently divested of said title, no liability shall be incurred by virtue of this Lease for any loss or damage to Lessee; nor shall any claim for refund of any bonus bid, 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 Premises 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.

EXEMPT FROM PUBLIC RECORDS REQUEST: Confidential information supplied by Lessee to Lessor and properly marked by Lessee as "EXEMPT FROM DISCLOSURE pursuant to IC § 9-340__" (properly identifying the Idaho Code section for the exemption by Lessee), and falling under the identified public record exemptions provided in Idaho Code § 9-340A through 9-340H shall be treated as confidential by Lessor and exempt from public disclosure in accordance with the Idaho Public Records Act (Idaho Code §§ 9-337 to 9-350), and Lessor shall not disclose any such information pursuant to a public records request without the expressed written permission of Lessee or upon the order of a court with appropriate jurisdiction; provided however, that this shall not be construed to prohibit Lessor from using all information available to it in any administrative hearing or judicial proceeding relating to this Lease or to Lessee's operations or activities upon the Leased Premises, subject to appropriate protective orders. In the event of a public records request concerning any information marked by Lessee as "CONFIDENTIAL" as provided herein or as required by the Idaho Public Records Act, Lessor shall provide Lessee with notice of any such public records request, and it shall be up to Lessee to pursue any action, legal or otherwise, which Lessee believes necessary or appropriate to obtain a protective order for any such protected information.

37. NOXIOUS WEED CONTROL:

A. Lessee shall cooperate with Lessor or any other agency authorized to undertake programs for control or eradication of noxious weeds. Lessee shall take measures to control noxious weeds on the Leased Premises in accordance with Title 22, Chapter 24, Idaho Code, except those resulting from activities beyond Lessee's control. Costs for control of noxious weeds on the Leased Premises shall be the responsibility of Lessee, unless otherwise provided for in the Special Terms and Conditions included in Attachment A.

B. Lessee shall ensure prior to moving onto the Leased Premises that all equipment is free of noxious weeds and their seeds as defined by the Idaho Department of Agriculture and local Coordinated Weed Management Area. Cleaning of contaminated equipment and vehicles shall not take place on any state endowment land, including the Leased Premises.

38. SALE OR EXCHANGE OF LEASED PREMISES:

A. Sale. Lessor may sell all or any portion of the Leased Premises during the term of this Lease. Lessor shall notify Lessee that the Leased Premises are being considered for sale and the time the proposed sale is scheduled for submission to the State Board of Land Commissioners for approval. Lessee will be notified of a scheduled sale at least thirty (30) days prior to sale date. Such sale will be subject to the terms and conditions of this Lease.

B. Consent To Land Exchange. Lessee acknowledges that the Leased Premises, or any portion thereof, may be the subject of a future land exchange by Lessor, and Lessee hereby consents

to the inclusion of the Leased Premises, or any portion thereof, in any land exchange deemed necessary or appropriate by Lessor. This consent is given in compliance with Idaho Code § 58-138. In the event Lessor chooses to include the Leased Premises, or any portion thereof, in any proposed land exchange in the future, Lessor shall provide Lessee with at least thirty (30) days written notice of such exchange from Lessor. Such exchange shall be subject to the terms and conditions of this Lease.

39. **LEGAL FEES:** In the event Lessor shall institute and prevail in any action or suit for the enforcement of any of the provisions of this Lease, Lessee will pay to Lessor a reasonable sum for costs and attorney fees incurred on account thereof, including any such costs and fees incurred on appeal.

40. **CUMULATIVE REMEDIES:** During the continuance of this Lease, Lessor shall have all rights and remedies which this Lease and the laws of the State of Idaho may provide, in law or in equity. All rights and remedies accruing to Lessor shall be cumulative; that is, Lessor may pursue all rights that the law and this Lease afford to it, in whatever order Lessor desires and the law permits, without being compelled to resort to any one remedy in advance of any other.

41. **FORCE MAJEURE:** If Lessor or Lessee is delayed, hindered, or prevented from performing any act required hereunder by reason of any act of God; strike; lockout; labor trouble; inability to procure materials; failure of power; restrictive government laws or regulations enacted after the Commencement Date which precludes the activities the subject of this Lease; riot; insurrection; war; escalation of hostilities or other reason beyond the party's control making performance impossible, then performance of that act, and that act only, shall be excused for the reasonable period of the delay upon proper and satisfactory proof presented to the Director (the Director should be notified within fifteen (15) days of any force majeure event) and accepted by the Director in support of Lessee's contention. In that event, the period for the performance of the act shall be extended for a reasonable period equivalent to the period of the delay. Lessee shall work diligently to eliminate the delay and immediately notify the Director when the reason for the force majeure has ceased. Neither Lessee's financial condition, nor the failure of any of Lessee's contractors or subcontractors or any other party with whom Lessee contracts, shall be an event of force majeure excusing the performance of any act.

42. **RELATIONSHIP OF PARTIES:** Nothing contained in this Lease shall be construed as creating any relationship between the parties other than that of landlord and tenant; and nothing contained in this Lease shall be construed to create any other relationship between the parties, including, but not limited to, any relationship of principal-agent, master-servant, employer-employee, partnership or joint venture.

43. **NON-WAIVER:** No waiver of a breach of any term, condition, covenant, duty, liability or obligation in this Lease shall be construed to be a waiver of any succeeding breach of the same. No delay or failure by either party to exercise any right under this Lease, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly waived by the other party or provided herein.

44. **WRITTEN MODIFICATIONS:** No modification, release, discharge, change or waiver of any provision hereof shall be of any force, effect, or value unless signed in writing by Lessor, or its duly authorized agent or attorney.

45. **NOTICES:** All notices between the parties in connection with this Lease shall be in accordance with terms of this Lease. All notices allowed or required herein shall be given by registered or certified mail, deposited in the United States mails with postage prepaid. The notices shall be sent to the addresses given on the summary sheet at the front of this Lease. Either party may change the place for giving notice by written notice in the manner set forth in this section.

46. **JOINT LIABILITY:** If Lessee consists of more than one person, such persons shall be jointly and severally liable for each term, condition, covenant, duty and obligation of this Lease.

47. **SEVERABILITY:** In the event any provision of this Lease shall be held invalid or unenforceable according to law, the validity, legality or enforceability of the remaining provisions, and the application thereof, shall not in any way be affected or impaired. In such event, the remaining provisions of this Lease shall be interpreted as closely as possible to provisions held invalid or unenforceable.

48. **HEADINGS:** Headings in this Lease are for convenience and reference only and shall not be used to interpret or construe its provisions.

49. **SURVIVAL:** Any provision of this Lease that expressly or by implication comes into or remains in force following the termination of this Lease shall survive the termination or expiration of this Lease for the period set forth in such provision, or if no period is set forth in such provision, for the period that is coextensive with the applicable statute of limitations. Notwithstanding anything to the contrary in this Lease, any indemnification obligations provided for under this Lease shall survive the termination of this Lease.

50. **STIPULATIONS:** See Attachment B, LEASE STIPULATIONS

This Lease (including the Summary of Lease Provisions, Lease Provisions, Signature Page, and all Attachments) is made and entered into by and between the State of Idaho, acting by and through Lessor, and Lessee.

LESSOR SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed the day and year first above written.

COUNTERSIGNED: STATE BOARD OF LAND COMMISSIONERS OF THE STATE OF IDAHO

Secretary of the State of Idaho

President of the State Board of Land Commissioners
and Governor of the State of Idaho

Director Department of Lands

STATE OF IDAHO
:s
COUNTY OF ADA

(SEAL)

On this _____ day of _____, in the year _____, before me, a Notary Public in and for said State, personally appeared C. L. "Butch" Otter, known to me to be the president of the State Board of Land Commissioners of the State of Idaho and the Governor of the State of Idaho; and Ben Ysursa, known to me to be the Secretary of the State of Idaho and Thomas M. Schultz, Jr., known to me to be the Director, that executed the within instrument, and acknowledged to me that the State Board of Land Commissioners of the State of Idaho and the State of Idaho executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year last above written.

Notary Public: _____
Commission Expiration: _____

LESSEE SIGNATURES

x _____
(Lessee/Company)

x _____
(Lessee/Company)

x _____
(Lessee/Company)

x _____
(Lessee/Company)

STATE OF _____)
:s
COUNTY OF _____)

(SEAL)

On this _____ day of _____, in the year _____, before me, a Notary Public in and for said State, personally appeared _____
known to me to be the Lessee or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year last above written.

Notary Public: _____
Commission expires: _____

ATTACHMENT A

LEGAL DESCRIPTION OF LEASED PREMISES

ATTACHMENT B
LEASE STIPULATIONS