

**State of Montana
Oil & Gas Lease Sale - December 4, 2012
Lease Sale Results**

The following described lands were offered for oil and gas leasing through oral competitive bidding in the Department of Transportation auditorium, 2701 Prospect Avenue, Helena, Montana, beginning at 9:00 am, December 4, 2012.

Tract	Stipulations	Twp	Rng	Sec	Description	Acres	Bid/Acre	Total Bid	Lessee
Carbon									
1	1, 2, 3, 4, 5, 6, 7, 9	9.S	25.E	16	All	* 640.00	\$5.00	\$3,200.00	SILVER TIP ENERGY, LLC
2	1, 2, 3, 4, 5, 6, 7	9.S	25.E	36	Lots 1, 2, 3, 4, N2, N2S2	705.76	\$6.00	\$4,234.56	SILVER TIP ENERGY, LLC
Carter									
3	1, 2, 3, 4, 5, 6, 7	8.S	55.E	16	All	640.00	\$12.00	\$7,680.00	MONTANA & WYOMING OIL COMPANY
Golden Valley									
4	1, 2, 3, 4, 5, 6, 8	5.N	19.E	16	All	* 640.00	\$2.00	\$1,280.00	H. KERMIT ANDERSEN
Lewis and Clark									
5	1, 2, 3, 4, 5, 6	18.N	5.W	24	All	640.00	\$16.00	\$10,240.00	ZONE EXPLORATION, INC.
Pondera									
6	1, 2, 3, 4, 5, 6, 10	29.N	5.W	16	All	* 640.00	\$35.00	\$22,400.00	BAKKEN ASSUMPTIONS, LLC
Richland									
7	1, 2, 3, 4, 5, 6, 7	26.N	51.E	16	S2NW4, NE4, S2	560.00	\$4.00	\$2,240.00	JBLS MONTANA, INC.
8	1, 2, 3, 4, 5, 6, 7	26.N	52.E	16	All	640.00	\$28.00	\$17,920.00	JBLS MONTANA, INC.
9	1, 2, 3, 4, 5, 6	27.N	54.E	25	S2SE4	80.00	\$190.00	\$15,200.00	PETRO MONTANA, LLC
10	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	2	Missouri Riverbed and related acreage	181.00	\$55.00	\$9,955.00	WILLIS OIL & GAS, INC.
11	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	3	Missouri Riverbed and related acreage	39.00	\$200.00	\$7,800.00	TRINITY WESTERN LAND & EXPLORATION, LLC
12	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	4	Any and all State interest under the Missouri Riverbed and related acreage	99.00	\$140.00	\$13,860.00	WILLIS OIL & GAS, INC.
13	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	7	Any and all State interest under the Missouri Riverbed and related acreage	45.50	\$76.00	\$3,458.00	BAKKEN ASSUMPTIONS, LLC
14	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	8	Any and all State interest under the Missouri Riverbed and related acreage	120.00	\$32.00	\$3,840.00	WILLIS OIL & GAS, INC.
15	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	9	Any and all State interest under the Missouri Riverbed and related acreage	13.50	\$230.00	\$3,105.00	H. KERMIT ANDERSEN
16	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	10	Missouri Riverbed and related acreage	53.00	\$78.00	\$4,134.00	WILLIS OIL & GAS, INC.
17	1, 2, 3, 4, 5, 6, 11, 12	27.N	55.E	11	Missouri Riverbed and related acreage	76.00	\$140.00	\$10,640.00	WILLIS OIL & GAS, INC.
18	1, 2, 3, 4, 5, 6, 11, 12	28.N	55.E	35	Missouri Riverbed and related acreage	28.00	\$220.00	\$6,160.00	WILLIS OIL & GAS, INC.
Teton									
19	1, 2, 3, 4, 5, 6	25.N	5.W	16	All	640.00	\$20.00	\$12,800.00	K2 AMERICA CORP.

* Part or all of tract is not state-owned surface

Summary by Lessor

	Total Acres	Total Tracts
Dept. of Natural Resources and Conservation	6,480.76	19

Oil and Gas Lease Sale Summary

Total Tracts	19
Total Acres	6,480.76
Total Bid Revenue	\$160,146.56
Average Bid Per Acre	\$24.71

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Stipulations

- 1 Lessee shall notify and obtain approval from the Department's Trust Land Management Division (TLMD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in TLMD's approval.
- 2 Prior to the drilling of any well, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Trust Land Management Division (TLMD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to TLMD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to TLMD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the TLMD prior to plugging a well on the lease premises.

Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 The lessee is responsible to pay for all damages, including penalties and charges assessed by the USDA-CFSA on CRP lands, as a result of drilling and production on the tract.
- 9 Active sage grouse lek(s) have been identified on or adjacent to this tract. No activities shall occur on the tract until the proposed action has been approved in writing by the Director of the Department. If surface activity is proposed on the tract, the department will consult with the Director of the Department of Fish, Wildlife and Parks for his or her comments, concerns and recommendations. Additional mitigation measures may be required, including no-surface-occupancy buffers and/or timing restrictions, which may encompass part or all of the tract.
- 10 Any activity within 1/8 mile of the river, stream, floodplain, or lake/reservoir on or adjacent to this tract must be approved in writing by the TLMD prior to commencement. No surface occupancy is allowed within the bed of the river and/or stream, abandoned channels, the bed of the lake/reservoir, or on islands and accretions associated with the river, stream, or lake/reservoir.
- 11 This tract contains navigable riverbeds. No surface occupancy is allowed within the bed of the navigable river, abandoned channels, or on islands and accretions. In addition, upon completion of a successful well, where river title is disputed, the lessee will file an interpleader action under Rule 22, M.R.Civ.P. in the Montana District Court, or other court having jurisdiction, in which the leased lands are located for all acreage within the lease in which the title is disputed. The lessee shall name all potential royalty claimants as defendants.
- 12 If the lessee completes a successful oil and/or gas well, and if land title is disputed, the lessee shall fund professional land surveys as needed to determine the location and acreage encompassed by the spacing and/or pooling unit and the state lease acreage within that unit. Surveys shall be conducted by a licensed land surveyor acceptable to the Department, and shall be prepared pursuant to survey requirements provided by the Department.