

File No.28213.

Mary Bailey,)
 to)
 Irvin Puett.)

OIL AND GAS MINING LEASE

THIS LEASE made and entered into this 1st day of December, 1949, by and between MARY BAILEY, a widow, of the County of Eureka, State of Nevada, hereinafter called the lessor, and IRVIN PUETT of the Town of Carlin, County of Elko, State of Nevada, hereinafter called lessee:

W I T N E S S E T H:

That lessor, for and in consideration of the sum of one dollar (\$1.00) to the lessor in hand paid, and of the covenants and agreements hereinafter contained being performed by lessee, has this day granted, demised, leased and let, and hereby grants, demises, leases and lets, and lessee hereby hires and takes, all of the lands hereinafter described unto the lessee, together with the sole and exclusive right of prospecting, mining and operating for and producing oil, gas, casinghead gas and casinghead gasoline, laying pipe line, building tanks, stroing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, as is reasonable necessary for the economic production of such substances, all in accordance with the best methods of producing such oil and gas from the lands of the Lessors. Lessee shall have the right to erect buildings for housing and boarding employees, with right for such purposes to the free use of oil, gas or water from said lands, subject to those provisions hereinafter contained. Lessee shall have the right to remove, either during or after the term hereof, all and any property and improvements placed or erected on the premises by the lessee, including the right to pull all casing, subject to the provisions hereinafter contained. Lessee shall have all other rights of way, easements, suervitudes and privileges necessary, incident to, or convenient for the economical operation of said land being situate in the County of Eureka, State of Nevada, and more particularly described as follows, to-wit:

IN T. 29 N., R. 52E., M.D.B. &M.SECTION 4: $W\frac{1}{2}$ NW $\frac{1}{4}$ SECTION 5: Fraction $E\frac{1}{2}$ NE $\frac{1}{4}$ IN T. 30 N., R. 52E., M.D.B. & M.SECTION 32: SE $\frac{1}{4}$; NE $\frac{1}{4}$ NW $\frac{1}{4}$; NW $\frac{1}{4}$ NE $\frac{1}{4}$; S $\frac{1}{2}$ NE $\frac{1}{4}$.SECTION 33: That part of $W\frac{1}{2}$ W $\frac{1}{2}$ lying West of the center line of the Eureka and Palisade railroad track.

TO HAVE AND TO HOLD said lands, and all rights and privileges granted hereunder, unto the lessee, his heirs and assigns, for a term of ten (10) years from the date hereof, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is or can be produced therefrom.

The lessee agrees to pay the lessor in cash at the prevailing field market price at the time of production, the value in its natural state of the equal one-eighth (1/8) part of all oil and gas, (having due regard for the value of the gasoline or other mineral content of such gas) produced, saved and marketed from the above described premises. Settlement therefor shall be made on the 20th day of each month for minerals produced during the preceding calendar month.

No change of ownership in the land or in the rentals or royalties shall be binding upon the lessee until after it has been furnished with a written transfer or assignment, or a

certified copy thereof. Should suit be brought involving the ownership of said rentals or royalties accruing hereunder, or of the said land, then upon lessee's notice or knowledge thereof all payments accruing hereunder shall be suspended until the final determination of such suit.

The lessor may have gas free of charge from any gas well on the leased premises for all stoves and inside lights in the principal dwelling house on the said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense at all times; said right to be subject to prior right of lessee to gas from said wells for operating purposes as herein set out.

The lessee agrees to commence a well on said land on or before the 1st day of December, 1950, or before that date to pay or tender to the lessor, or for the lessor's credit in the NEVADA BANK OF COMMERCE, at Elko, Nevada, or its successors, which bank and its successors are the lessor's agent, and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land, rentals or royalties, the sum of TWENTY-FIVE ¢ cents per acre, by lessee's check or draft mailed on or before said date, which payment or tender shall secure the right and privilege to the lessee to defer the commencement of drilling operations for a period of one (1) year from the aforesaid date. In like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for like periods successively, during the term of this lease. The lessee, however, shall not be liable to lessor for damages for failure to commence or drill aforesaid well.

Lessee agrees with reasonable diligence to offset all paying, producing wells drilled outside of and within 250 feet of the boundary lines of the tract covered hereby, or will forfeit the 40 acre tract or sub-divisions hereof opposite such adjacent foreign well. There shall be no obligation on the part of the lessee to offset wells on separate tracts in which the land covered by this lease may be divided by sale, demise, or otherwise. Notwithstanding the death of the lessor, or her successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such persons.

This lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto except as otherwise herein specified. The lessee shall have the right to assign this lease, or any interest therein, or any portion of the acreage covered thereby, provided however, that notice of such assignment be given lessor.

Lessee may at any time surrender this lease by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county, and thereupon, all payments and liability of the lessee hereunder shall cease and the lease shall become void; and likewise the lessee may surrender any part of said land and terminate lessee's obligations as to the land surrendered, without terminating the lease as to the remaining land.

Should the lessee so far fail in the compliance with the conditions of the lease as to justify a forfeiture thereof, no forfeiture shall be declared unless the lessor shall first notify lessee in writing specifying the exact nature of the default, and unless the lessee shall fail to remedy said default within thirty days from date of receipt of said notice.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee, at lessee's option, may pay and discharge any delinquent taxes, mortgages of which the mortgagee has a right of action to foreclose, or other liens existing,

levied or assessed against the above described lands, and in the event lessee exercises such option, lessee shall be subrogated to the rights of any holder or holders thereof, and may be reimbursed by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing thereunder. In case said lessor owns less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

The lessee, if requested, shall bury all pipelines below plow depth, and no well shall be drilled nearer than 200 feet to the house or barn now on said land without lessor's written consent. The lessee agrees to pay the taxes upon all structures, tools and appliances placed on said lands by the lessee for the purpose of conducting operations under and by virtue of said lease. The lessor agrees that lessee may subscribe to and to operate demised premises under such reasonable cooperation or unit plan for the development and operation of the area, field or pool embracing the lands included under this lease as may be agreed upon between the lessee and operator and approved by the Secretary of the Interior and the State of Nevada, which plan shall adequately protect the rights of all parties in interest.

The lessee shall have the right to the free use of water from said lands, but not from lessor's water wells, provided that the use of such water would not hinder or impair the normal ranching operations of the lessor. Lessee shall have the right to drill wells for water, or otherwise develop water for the use of lessee, provided that such development of additional water flow shall not hinder or impair the normal ranching operations of the lessor. In the event such wells are drilled upon the property of the lessor, lessee will comply with all laws of the State of Nevada, and all regulations of the State Engineer of the State of Nevada, relative to the development and tapping of underground waters. In the event such additional water be obtained, appropriation of such water will be made by application by the lessor, and in the name of the lessor; provided, however, that the lessee shall have the right to the use of all such water as may be necessary to carry on the operations of the lessee. It is hereby expressly agreed between the parties hereto that all such water developed shall be applied to a beneficial use, and that such use will be to benefit and improve the land and resources so demised in this lease. Lessee agrees not to direct such water to the use of any other lands not the subject of this lease. Upon the termination of this lease, for any reason whatsoever, the lessor shall have the right to purchase all well casing in place in any such water wells, at the cost price to the lessee, by serving notice upon the lessee of the exercise of such option to purchase within ten (10) days after the lessor shall have notice of the termination of said lease.

Lessee agrees to pay lessor for any damages to crops, livestock or normal ranching operations caused by the lessee in carrying out any of the rights granted to the lessee under the provisions of this lease.

In the event oil, gas, casinghead gasoline, or other minerals covered by this lease are discovered and are capable of being produced from the land described in this lease in marketable quantities, lessee agrees to use reasonable diligence in producing and marketing such minerals; lessee agrees that he will not cap such wells and store the minerals therein for a period of more than five years from the discovery of marketable quantities of oil or other minerals in each well, provided that, such oil, gas, casinghead gasoline, or other minerals may be produced therefrom in marketable quantities which will return to lessee a reasonable

therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate last above written.

(Official Seal)

Ed Delaney

STATE OF NEVADA,)
) SS.
COUNTY OF EUREKA.)

On this 29 day of December, 1949, personally appeared before me, a County Clerk in and for said County and State, IRVIN PUETT, known to me to be the person described in and who executed the foregoing instrument, and acknowledged to me that he executed the same freely and voluntarily, and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year in this Certificate last above written.

(Official Seal)

Ed Delaney

Recorded at the Request of Irvin Puett Dec. 29 A.D. 1949 At 30 minutes past 9 A.M.

Peter Merialdo--Recorder.