

Tessie Damele, Charles Damele,
Leo J. Damele and John V. Damele,)

to)

Lease.)

Irvin Puett.)

OPTION FOR OIL AND GAS MINING LEASE

THIS AGREEMENT, made this 29th day of Dec., 1949, by and between TESSIE DAMELE, CHARLES DAMELE, LEO J. DAMELE and JOHN V. DAMELE, all of the County of Eureka, State of Nevada, first parties, and IRVIN PUETT, of the Town of Carlin, County of Elko, State of Nevada, second party.

W I T N E S S E T H:

That the said first parties, for and in consideration of the sum of \$20.00, lawful money of the United States of America, the receipt whereof is hereby acknowledged, and for other good and valuable consideration, hereby agree to lease to the said second party in whatever manner said first parties interest may appear in the property hereinafter described, and the said second party shall have the option of taking a lease of the property hereinafter described and upon the terms and conditions hereinafter set forth, provided that the said second party shall commence an oil well drilling operation within the boundaries of the area commonly known as the Pine Valley Anti-Cline, within one year from the date hereof. The said Pine Valley Anti-Cline includes all of that property and area in the County of Eureka, State of Nevada, bounded and described as follows:

Commencing at Corner No. 1, the Northwest corner of T.26N., R. 49E., M.D.B.&M.; thence south along the westerly line of R. 49E.; M.D.B.&M. to Corner No. 2, being the Southwest corner of T. 24 N., R. 49E., M.D.B.&M.; thence east along the southerly line of T. 24 N., M.D.B. & M. to Corner No. 3, being the Southeast corner of T. 24 N., R. 53E., M.D.B. &M.; thence north along the easterly line of R. 53E., M.D.B. & M. to corner No. 4, being the Northeast corner of T. 31 N., R. 53 E., M.D.B.&M.; thence west along the northerly line of T. 31 N., M.D.B. & M. to Corner No. 5, being the Northwest corner of T. 31 N., R. 51 E., M.D.B. & M.; thence south along the westerly line of R. 51 E., M.D.B. & M. to Corner No. 6, being the

Northwest corner of T. 26 N., R. 51 E., M.D.B. & M.; thence west along the northerly line of T. 26 N., M.D.B.&M. to Corner No. 1, the place of beginning.

It is further agreed that the said second party shall have the privilege of extending this option for a further period of one year upon the payment to the said first party of the sum of twenty-five cents an acre, for all of the land hereinafter described, by second party's check or draft mailed on or before one year from the date hereof, which payment or tender shall secure the right and privilege of the second party to extend the provisions of this option for the said additional period of one year.

It is further understood and agreed between the parties hereto that if such oil well drilling operation is commenced within a period of one year from the date hereof, or within the period of such additional year in the event the said second party shall elect to make the payment above specified and extend this agreement for such additional year, said first parties, as lessors, shall make and deliver to the said second party, his heirs, administrators or assigns, as lessee, an oil and gas mining lease upon the following terms and conditions:

1. The property to be demised in said lease is as follows:

IN T. 24 N., R. 50 E., M.D.B. & M.

SECTION 2: Lot 3; SE $\frac{1}{4}$ NW $\frac{1}{4}$

IN T. 25 N., R. 50 E., M.D.B. & M.

SECTION 25: S $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$
SECTION 35: E $\frac{1}{2}$ NE $\frac{1}{4}$; SW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$
SECTION 36: NW $\frac{1}{4}$ NE $\frac{1}{4}$; NW $\frac{1}{4}$; NW $\frac{1}{4}$ SW $\frac{1}{4}$

IN T. 26 N., R. 50 E., M.D.B. & M.

SECTION 1: SE $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ SE $\frac{1}{4}$
SECTION 12: E $\frac{1}{2}$ NE $\frac{1}{4}$; NE $\frac{1}{4}$ SE $\frac{1}{4}$
SECTION 24: E $\frac{1}{2}$ SE $\frac{1}{4}$

IN T. 25 N., R. 51 E., M.D.B. & M.

SECTION 6: Lots 3, 4, 5, 6, and 7; SE $\frac{1}{4}$ NW $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 7: E $\frac{1}{2}$ NW $\frac{1}{4}$
SECTION 19: SE $\frac{1}{4}$ SW $\frac{1}{4}$
SECTION 30: NW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ NW $\frac{1}{4}$; Lots 2 and 3

IN T. 26 N., R. 51 E., M.D.B. & M.

SECTION 6: Lots 3, 4, 5, 6, and 7; SE $\frac{1}{4}$ NW $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 7: Lots 1, 2, 3, and 4
SECTION 18: Lots 1, 2, 3, and 4
SECTION 19: Lots 1, 2, 3, and 4
SECTION 30: Lots 1, 2, 3, and 4; E $\frac{1}{2}$ SW $\frac{1}{4}$
SECTION 31: NW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ W $\frac{1}{2}$; SW $\frac{1}{4}$ SE $\frac{1}{4}$; Lot 4

IN T. 27 n., R. 51 E., M.D.B. & M.

SECTION 28: NW $\frac{1}{4}$
SECTION 29: N $\frac{1}{2}$
SECTION 30: S $\frac{1}{2}$ NE $\frac{1}{4}$; N $\frac{1}{2}$ SE $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$; Lot 4
SECTION 31: Lot 1

Together with the sole and exclusive right of prospecting, mining and producing oil, gas, casinghead gas and casinghead gasoline, laying pipe line, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save take care of and manufacture all of such substances, as is reasonably necessary for the economic production of such substances, all in accordance with the best methods of producing such oil and gas. Lessee shall have the right to erect housing and buildings for employees, with right for such purposes to the free use of oil, gas or water from said lands, subject to those provisions hereinafter contained. It shall be the purpose of the parties hereto to demise and let to the lessee the mineral rights to all oil, gas, casinghead gas and casinghead gasoline in connection with the above property and the rights to such of the surface

as is necessary to carry out the production and marketing of such substances. The lessors shall otherwise retain the right to the free use of the said property.

2. The terms of said lease is as follows:

The lessee to have and to hold said lands and all rights and privileges granted thereunder, unto the lessee, his heirs and assigns, for a term of ten years from the date of said lease, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is, or can be produced therefrom.

3. The said lease shall contain the following additional terms and conditions:

Lessee shall have the right to remove, either during or after the term of the said lease, 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 provision hereinafter contained. Lessee shall exercise this right with reasonable diligence in the event said property is removed after the term of this lease, and in no event shall lessee have the right to enter upon the premises so demised for the purpose of removing such property after two years have elapsed from the date of any termination of said lease, for any cause whatsoever.

The lessee shall pay the lessors in cash at the prevailing field market price at the time of production, the value in its natural state of the equal 1/8 (one-eighth) part of all oil and gas or other marketable minerals, (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 lands or in the rentals or royalties shall be binding upon the lessee until after he shall have 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 lessors 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 their own connections with the well, the use of the said gas to be at the lessors' sole risk and expense at all times, and said right to be subject to the prior right of lessee to gas from said well for operating purposes as herein set out.

Lessee shall agree, with reasonable diligence, to offset all paying, producing wells drilled outside of and within 250 feet of the boundary lines of the tract covered by the said lease, or will forfeit the 40 acre tract or sub-division thereof 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 said lease may be divided by sale, demise or otherwise. Notwithstanding the death of the lessors, or their successors in interest, the payment or tender of rentals in the manner provided above shall be binding upon the heirs, devisees, executors and administrators of such persons.

The said 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 expressly excepted. 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 written notice of such assignment be given lessors, by a certified copy of the transfer or assignment.

Lessee may at any time surrender the said lease by delivering or mailing a release thereof to the lessors, 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 obligation 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 said lease as to justify a forfeiture thereof, no forfeiture shall be declared unless the lessors 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.

Lessors shall agree that the lessee, at the 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 under the said lease. In case lessors own a less interest in the above described lands than the entire and undivided fee simple estate therein, then the royalties and rentals therein provided for shall be paid the said lessors only in the proportion which lessors' 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 any house or barn now on said land without the lessors' written consent. The lessee shall pay the taxes upon all structures, tools and appliances placed upon said lands by the lessee for the purpose of conducting operations under any by virtue of said lease. The lessors shall agree that lessee may subscribe to and operate the demised premises under such reasonable cooperation or unit plan for the development of the area, field or pool embracing the lands included under the said 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 the lessors' water wells, provided that the use of such water would not hinder or impair the normal ranching operations of the lessors. Lessee shall have the right to drill wells for water, or otherwise develop water for the use of lessee, provided that such development of water shall not impair or hinder the normal ranching operations of the lessors. In the event such wells are drilled upon the property of the lessors, lessee shall comply with all of the laws of the State of Nevada, and all of the 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 in the name of the lessors; provided, however, that the lessee shall have the right to the use of all of such water as may be necessary to carry on the operations of the lessee. It shall be 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 shall not direct the water to the use of any other lands not demised by the said lease. Upon termination of said lease, for any reason whatsoever, the lessors 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, together with a tender of 10% of such cost price, within ten days after the lessee shall have given notice of the ter-

mination of said lease or within the period of ten days after lessor shall have notice of the termination of said lease.

Lessee shall pay lessors for any damage to crops, livestock or normal ranching operations caused by the lessee in carrying out any of the provisions granted to the lessee under the terms of the said lease.

In the event oil, gas, casinghead gas or casinghead gasoline are discovered and are capable of being produced from the land demised by said lease in marketable quantities, lessee shall agree to use reasonable diligence in producing and marketing such minerals; lessee shall agree 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 gas or casinghead gasoline, or other minerals may be produced therefrom in marketable quantities which will return to lessee a reasonable return on his investment.

In the event that lessee shall exercise the said option, by commencing drilling operations within the Pine Valley Anti-Cline, as above described, and the said lease shall be executed between lessors and lessee, lessee agrees to commence drilling operations upon the land so demised by said lease, within one year from the date that drilling operations commence within said Pine Valley Anti-Cline, and to prosecute diligently such drilling operations for the purpose of discovering and marketing all such oil, gas, casinghead gas and casinghead gasoline.

Upon the exercise of the option herein granted the said second party, and the execution of the lease herein provided for, said second party agrees to make, execute and deliver a quit claim deed of the property to be demised and let by the terms of the said lease, and to deposit such deed with the NEVADA BANK OF COMMERCE, Elko, Nevada, to be delivered to the lessors after the expiration of ten years from the date of said lease, or at any time thereafter, if oil, gas, casinghead gas or casinghead gasoline or other minerals of a similar nature have not been produced from the said lands or are no longer being produced from the said lands. Said lease shall then be forfeited and the quit claim deed deposited with the NEVADA BANK OF COMMERCE, Elko, Nevada, shall be delivered to the lessors upon their furnishing the said escrow holder an affidavit, in duplicate, setting forth the facts that the said mineral products, above described, have not been produced from the said lands, or are no longer being produced from the said lands, together with directions to the said escrow holder to mail to lessee at his last known address the duplicate copy of said affidavit at least ten days prior to the delivery of the said deed to the lessors by the escrow holder. These provisions shall be contained in any escrow instructions executed by the parties hereto.

In the event that lessee assigns this lease, or any interest therein, it shall be agreed that such assignment will not be binding upon the lessors, their heirs, executors, administrators or assigns, unless such assignee of the lessee shall execute a quit claim deed to the lessors, including all of the property so assigned by the lessee in which the said lessors have an interest, and deposits such deed in escrow with the escrow agent hereinbefore designated by the parties hereto, and subject to the same terms and conditions as contained in the escrow instructions which may be executed by the parties hereto.

It is understood that the words "drilling operations" as used in this option and which may be used in said lease is defined to mean placing of materials upon the land for the construction of a derrick and other necessary structures for the drilling of an oil or gas well followed diligently by the construction of such derrick and other structures and by the actual operation of drilling in the ground.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands this 29th day of

Dec., 1949.

Mrs. Tessie Damele
Charles Damele
Leo J. Damele
John V. Damele

FIRST PARTIES

Irvin Puett

SECOND PARTY

STATE OF NEVADA)
) SS.
COUNTY OF ELKO)

On this 4th day of January, 1950, personally appeared before me, a NOTARY PUBLIC in and for the 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.

(Notarial Seal)

John W. Puett

- NOTARY PUBLIC -

State of Nevada)
) SS.
County of Eureka)

On this 7th day of January, 1950, personally appeared before me, Ed. Delaney and Ex-Officio Clerk of the Third Judicial District Court of Eureka, Nevada TESSIE DAMELE, CHARLES DAMELE, LEO J. DAMELE and JOHN V. DAMELE, known to me to be the persons described in and who executed the foregoing instrument, and acknowledged to me that they executed the same freely and voluntarily 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 County Clerk
Ex-officio Clerk of the
Third Judicial Court

Recorded at the Request of Irvin Puett Jan. 7 A.D. 1950 At 35 minutes past 10 A.M.

Peter Merialdo--Recorder.