

File No. 28349.

Henry C. Merrick and Bessie C. Merrick, )

to )

Oil and Gas Mining Lease )

Irvin Puett. )

OIL AND GAS MINING LEASE

THIS LEASE made and entered into as of this 1st day of February, 1950, by and between HENRY C. MERRICK and Bessie C, MERRICK, his wife, and JERRY A. MERRICK, all of the County of Eureka, State of Nevada, first parties, hereinafter sometimes referred to as the lessors, and IRVIN PUETT, of the Town of Carlin, County of Elko, State of Nevada, second party, hereinafter sometimes referred to as the lessee,

W I T N E S S E T H:

That lessors, for and in consideration of the sum of one dollar (\$1.00) to the lessors in hand paid, and of the covenants and agreements hereinafter contained being performed by the lessee, have this day granted, demised, leased and let, and hereby grant, demise, lease and let, 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, 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 economical 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 the housing and boarding of 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 upon the property 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, servitudes and privileges necessary, incident to, or convenient for the economical operation of such land, for the purposes herein set forth. Said land demised, leased and let by lessors to lessee is those certain parcels, pieces or lots of land, situate in the County of Eureka, State of Nevada, and more particularly described as follows, to-wit:

IN T. 28 N., R. 52 E., M.D.B. &M.

Section 22: SE $\frac{1}{4}$   
 23: S $\frac{1}{2}$   
 24: SW $\frac{1}{4}$

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 years from the date hereof, and as long thereafter as oil, gas, casinghead gasoline, casinghead gas, or any of them, is, or can be, produced therefrom.

The lessee agrees to 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 one-eighth (1/8) part of all oil and gas, or other minerals, (having due regard for the value of the gasoline or other mineral content of such gas) produced, saved or 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 concerning 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 or inside lights in the principal dwelling house on said lands, or in the bunkhouses, by making their own connections with the well, the use of such gas to be at the Lessors' 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 February, 1951, or before that date to pay or tender to the lessors, or for the lessors credit in the NEVADA BANK OF COMMERCE, Elko, Nevada, or its successors, which bank and its successors agent, and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said lands, 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 of the lessee to defer the commencement of the drilling operations for a period of one year from the aforesaid date. In like manner and upon like tenders or payments 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 lessors for damages for failure to commence or drill aforesaid well.

Lessee agrees with reasonable diligence to offset all paying, producing wells outside of and within 250 feet of the boundary line of the tract covered hereby, or will forfeit the 40 acre tract or subdivision hereof opposite such adjacent foreign well. There shall be no obligation on the part of the lessee to offset wells on separate wells or tracts in which the land covered by this 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 herein shall be binding upon the heirs, devisees, executors and administrators of such persons.

This lease shall be binding upon and inure to the benefit of 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 lessors.

Lessee may at any time surrender this lease by delivering or mailing a release thereof to the lessors, or 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 to the land surrendered, without terminating the lease as to the remaining land.

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

Lessors hereby warrant and agree to defend the title and the title to the lands herein described, and 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 the lessee exercises such option, lessee shall be subrogated to the rights of such 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 hereunder. In the event the lessors own a less interest in the above described lands than the whole and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the 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 the house or barn now on said land without the lessors' written consent. The lessee agrees to pay the taxes upon all structures, tools and appliances placed upon said lands by the lessee. The lessors agree that lessee may subscribe to and operate the 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 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 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 lessors. In the event such wells are drilled upon the property of the lessors, 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 lessors, and in the name of the lessors; 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 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 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 of the exercise of such option within ten days after the lessors shall have notice of the termination of said lease.

Lessee agrees to pay lessors for any damage to crops, livestock or normal ranching operations caused by the lessee in carrying out the provisions of this lease.

In the event oil, gas, casinghead gas or casinghead gasoline 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 it 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 may be produced therefrom in marketable quantities which will return to lessee a reasonable return on its investment.

Lessee agrees to make and execute a quit claim deed of the property demised and let by the terms of this agreement, and to deposit such deed with the NEVADA BANK OF COMMERCE, Elko,

Nevada, to be delivered to the lessors upon the happening of any of the following conditions:

1. In the event a well is not commenced upon said land on or before the 1st day of February, 1951, or the sum of twenty-five cents per acre for all land covered by this lease is not deposited with the NEVADA BANK OF COMMERCE, Elko, Nevada, to the lessors' credit, this lease shall be forfeited, and the said quit claim deed shall be delivered to the lessors.

2. In the event such well is not commenced within the time limited, but the lessee does pay the sum of twenty-five cents per acre for all of the land subject of this lease, to the credit of the lessors and within the time so limited, the lessee shall have the additional period of one year within which to commence said well, and may further defer the period for the commencement of drilling operations for like periods successively, during the term of this lease. If during such successive years, the said well is not commenced, or the sum of twenty-five cents per acre is not paid to the lessors on or before the 1st day of February for each such following year, the lease shall be forfeited and the said quit claim deed shall be delivered to the lessors.

3. If, at the expiration of ten years from the date hereof, or at any time thereafter, oil, gas, casinghead gas or casinghead gasoline, or any of them, have not been produced from the said lands or are no longer being produced from the said lands, said lease shall be forfeited and the said quit claim deed shall be delivered to the lessors.

In the event that lessee assigns this lease, or any interest therein, it is agreed by and between the parties hereto that such assignment will not be binding upon the lessors, their heirs, executors, administrators and assigns, unless such assignee executes a quit claim deed to the lessors or their successors and deposits such deed in escrow with the NEVADA BANK OF COMMERCE, Elko, Nevada, the said escrow agent, and subject to the same terms and conditions as hereinabove set forth.

Lessor hereby release all rights of homestead in so far as the same may affect the rights of the lessee. Lessors expressly declare that the down payment received by lessors at the time of the execution of this lease is a good, valid and substantial consideration, and sufficient in all respects to support each and every covenant contained herein.

IN WITNESS WHEREOF, the parties thereto have hereunto set their hands the day and year first above written.

Jerry Merrick

Henry C. Merrick

Bessie C. Merrick  
LESSORS

Irvin Puett  
LESSEE

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

On this 9th day of January, 1950, personally appeared before me, a Notary Public 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  
County Clerk--Ex-officio  
Clerk of the Third Judicial Court

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

On this 9th day of June, 1950, personally appeared before me, County Clerk in and for said County and State, HENRY C. MERRICK and Bessie C. Merrick, his wife, and JERRY A. MERRICK, 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 and for the use 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 June 8 A.D. 1950 At 0 min. past 10 A.M.

Peter Merialdo--Recorder.