

Roger V. Bruffey

to

Homer Black and George H. Hadley

)
) Oil and Gas Lease
)

OIL AND GAS LEASE

AGREEMENT, MADE and entered into the Second day of November, 1950, by and between Roger V. Bruffey of Palisade, Nevada, hereinafter called lessor (whether one or more) and Homer Black and George H. Hadley hereinafter called the lessee:

WITNESSETH: That the said lessor, for and in consideration of One (\$1.00) Dollar, cash in hand paid, the receipt and adequacy of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept, and performed, has granted, demised, leased and let, and by these presents does grant, lease and let exclusively unto the said lessee for the sole and only purpose of exploring, mining and operating for oil and gas and of laying pipe lines and of building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Eureka, State of Nevada, described as follows, to-wit:

N $\frac{1}{2}$ of SE $\frac{1}{4}$ and SE $\frac{1}{4}$ of NE $\frac{1}{4}$, Section 21, T. 27 N., R. 52 E., M.D.M. and containing 120 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from this date, (hereinafter called "primary term"), and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee, or drilling operations are continued, as hereinafter provided.

2. In consideration of the premises the said lessee covenants and agrees:

To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect lessee's well, the equal one-eighth part of all oil produced and saved from the leased premises.

To pay to lessor, as royalty for gas from each well where gas only is found, while the same is being sold or used off of the premises, one-eighth of the market price at the wells of the amount so sold or used, the lessor to have gas free of charge from any gas well on the leased premises for all domestic use within the principal dwelling house on said land by lessor making connections at lessor's own risk and expense at point and place provided by lessee.

To pay to lessor as royalty for gas produced from any oil well and used by lessee for the manufacture of gasoline, one-eighth of the market value of such gas. If such gas is sold by lessee, then lessee agrees to pay lessor, as royalty, one-eighth of the net proceeds derived from the sale of said casinghead gas at the wells.

3. If no well be commenced on said land on or before one year from date hereof this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor, or to the lessor's credit in the First National Bank at Elko, Nevada, or its successors, which shall continue as the depository for all sums payable under the lease, regardless of changes in the ownership of said land, the sum of ONE HUNDRED TWENTY (\$120.00) Dollars, which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve months from said date, In like manner and upon like payments or tenders the commencement of a well may be further deferred for like periods of the same number of months successively, but not beyond the expiration of said primary term. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

4. Should the first well drilled on the above described land be a dry hole, then and in that event, if operations for the drilling of a second well are not commenced by the next ensuing rental paying date, this lease shall terminate as to both parties, unless the lessee, on or before said next ensuing rental paying date, shall resume the payment of rentals in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals, as before provided, the last preceding paragraph hereof shall continue in force just as though there had been no interruption in the rentals payments.

5. If, at the expiration of the primary term, oil or gas is not being produced on the leased premises, but lessee is then engaged in drilling for oil or gas, then this lease shall continue in force so long as drilling operations are being continuously prosecuted on the leased premises; and drilling operations shall be considered to be continuously prosecuted if not more than sixty (60) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If oil or gas shall be discovered and produced from any such well or wells drilled or being drilled at or after said primary term, this lease shall continue in force so long as oil or gas shall be produced from the leased premises.

6. It is especially agreed that in the event oil or gas is produced from said premises

and said production shall for any reason cease to terminate, lessee shall have the right at any time within ninety (90) days from the cessation of such production to resume operations for the drilling of a new well or wells or the restoration of production in any existing well or wells in the effort to make said leased premises again produce oil or gas, in which event this lease shall remain in force so long as such operations are continuously prosecuted, and if they result in production of oil or gas, so long thereafter as oil or gas is produced from the premises:

7. If said lessor owns a 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 proportion which lessor's interest bears to the whole and undivided fee.

8. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for all operations thereon, except from water wells, reservoirs or irrigation system of lessor. When requested by lessor, lessee shall bury all pipe line below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without the written consent of the lessor. Lessee shall pay to lessor or tenant for damages caused by all operations to growing crops, fruit trees, vegetation grown for profit or irrigation system on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

9. If the estate of either party hereto is assigned and the privilege of assigning in whole or on part is expressly allowed- the covenants hereof shall extend to their heirs, executors, administrators, successors, or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment, or a certified copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rental due from him or them or in the performance of any of the obligations of this contract, such default shall not operate to defeat or affect this lease so far as it covers a part or parts of said lands upon which the said lessee or any assignees thereof shall make due payment of said rental and due performance of the obligations of this contract.

10. Lessee shall have the exclusive right to build, operate and maintain pits, reservoirs, pickup stations and plants for the purpose of picking up and conserving the waste oil that flows down the creeks, ravines and across the land embraced in this lease, whether said oil is produced from lands covered by this lease or other lands, and lessor shall be entitled to receive the royalty hereinbefore reserved on all such oil so saved.

11. In the event a well is drilled upon the above described land, and oil is discovered in paying quantities, the lessee agreed to commence operation for the drilling of another well within 90 days thereafter, and thereafter continuously operate at least one string of tools, allowing 90 days between the completion of one well and the commencement of the next succeeding well, until one well has been drilled to each 20 acres or major fraction thereof; said number of wells to be an average regardless of where drilled. Nothing herein shall be construed to limit the number of wells which lessee may drill, should lessee so elect, in excess of the number hereinbefore specified, but it is agreed that lessee shall not be required to pump, drill or operate said premises (except offset wells) so long as the price of oil of the quality produced on said land shall be less than \$1.00 per barrel at the well. Lessee may at his option at any time before or after production has been secured, surrender all or any part or portion of the leased premises, by filing for record a release of such part of said lease as lessee may elect to surrender, and thereupon be released and relieved from all rentals and drilling

obligations in proportion that the part released bears to the whole number of acres. All lands released shall remain subject to easements for right of way necessary or convenient for lessee's operation on the land retained by him. In the event any land is released to the lessor, as herein provided, the lessor shall be restored to his full rights to said land so released to him, free and clear of all claims of the lessee, except that the lessor, his heirs, successors or assigns shall not drill or permit to be drilled any oil or gas well on said land within 500 feet of any well operated by the lessee hereunder, upon that portion of the land retained by the lessee.

12. When drilling or other operations are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to transport or furnish facilities for transportation or as a result of some order, requisition, or necessity of the government, Federal, state, and/or local, or any department thereof, or as the result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

13. In case of cancellation or termination of this lease for any cause, lessee shall have the right to retain under the terms hereof (20) acres of land around each oil or gas well producing, being worked on, or drilling hereunder (as long as such operations are continued in good faith and royalties are paid when due), such tract to be designated by lessee in as near a square form as possible.

14. In the event of discovery of oil in any well on adjacent properties within three hundred (300) feet of the boundary line of the above described premises, and the same produces oil in paying quantities for thirty (30) consecutive days, then in that event the next well to be drilled in accordance with paragraph 11 hereof shall be so placed as to offset said well on adjacent property, or if no well is being drilled by lessee on demised premises, and the total well requirements as specified in paragraph 11 have not been fulfilled, then lessee shall, within ninety (90) days thereafter commence operations for the drilling of a well to offset such producing well and drill the same diligently to the strata from which oil is being produced on the adjacent property.

15. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, except through failure to pay rental when due, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder.

16. Lessee may give any notice hereunder to lessor by delivering the same to the lessor in person, or by registered mail addressed to the lessor at Palisade, Nevada, or in care of the bank hereinbefore named depository for the lessor, or at such other address as lessor may from time to time designate in writing delivered to lessee. If registered mail, usual time for transmission of mail shall be computed whereupon service of notice shall be considered made.

17. Lessor may give any notice hereunder to lessee by delivering the same in person to lessor or by registered mail addressed to lessee at 1605 Holly Avenue, Arcadia, Calif., or at such address as lessee may from time to time designate in writing delivered to lessor.

18. Lessee agrees to pay all taxes assessed against improvements, or personal property placed on said premises by lessee, and agrees to pay its proportionate part of the taxes that may be assessed on oil in storage. Lessee shall also pay seven-eighths of the increase, if any,

of the taxes on said land resulting from the discovery of oil or gas on said land, or seven-eighths of the taxes on the oil and gas if assessed separately from the land.

19. All payments which may fall due under this lease may be made to Roger V. Bruffey as representative of the above named lessors, either directly or by depositing same to his credit with the depository bank mentioned in paragraph 3. Said representative to be subject to change at any time by instrument in writing executed by all of the lessors or their successors in interest, and served upon the lessee.

20. On the expiration or sooner termination of the term of this lease, the lessee shall quietly and peacefully surrender possession of the premises to the lessor and deliver to him a good and sufficient quitclaim deed.

21. Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgages, taxes, or other liens on the above described lands, in the event of default by lessor, and be subrogated to the rights of the holder thereof, with full right to enforce the same, and in addition thereto may retain, for the satisfaction of such lien or indebtedness, all royalties and rentals accruing hereunder.

22. Lessor for himself or tenant reserves the right to occupy, cultivate and use said land in all respects not inconsistent with, but subject to, the use thereof by the lessee for the purpose herein specified.

IN TESTIMONY WHEREOF, we sign, this the 7 day of November, 1950.

WITNESS:

Signed before me Nov. 7, 1950.

Lillian P. Sever, Postmistress.

(Palisade Post Office Stamp Dated Nov. 7, 1950)

Roger V. Bruffey

Homer Black

G. H. Hadley

George H. Hadley

Recorded at the Request of Hayes E. Shaffer March 21 A.D. 1951 At 47 minutes past 2 P.M.

R. W. Gibson---Recorder