

Henry C. Merrick and )  
 Mrs. B. Merrick, husband )  
 and wife, )  
 to ) OIL AND GAS MINING LEASE  
 Lee S. Taylor. )

OIL AND GAS MINING LEASE

THIS AGREEMENT, Entered into this 5th day of October, 1953, between Henry C. Merrick and Mrs. B. Merrick, husband and wife, of Eureka, Eureka County, Nevada hereinafter called lessor, and Lee S. Taylor of Carlin, Nevada hereinafter called lessee, does witness:

PROPERTY LEASED.

That lessor, for and in consideration of the sum of Five Dollars (\$5.00) DOLLARS, in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, demised, leased and let, and hereby grants, demises, leases and lets 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, and for housing and boarding employes, with right for such purposes to the free use of oil, gas or water from said lands, but not from lessor's water wells, and with the right of removing, either during or after the term hereof, all and any property and improvements placed or erected on the premises by lessee, including the right to pull all casing, together with any and all other rights of way, easements, servitudes, and privileges necessary, incident to, or convenient for the economical operation of said land, said land being situate in the County of Eureka, State of Nevada, and more particularly described as follows, to-wit: The S $\frac{1}{2}$  of the SW $\frac{1}{4}$ , the SE $\frac{1}{4}$  of the SE $\frac{1}{4}$ , of Section 9; the SE $\frac{1}{4}$  of NW $\frac{1}{4}$ , the SE $\frac{1}{4}$  of NE $\frac{1}{4}$ , the NE $\frac{1}{4}$  of the SW $\frac{1}{4}$ , the SW $\frac{1}{4}$  of the SW $\frac{1}{4}$ , the NW $\frac{1}{4}$  of the SE $\frac{1}{4}$ , of Section 10; the S $\frac{1}{2}$  of NW $\frac{1}{4}$  of Section 14; the N $\frac{1}{2}$  of NW $\frac{1}{4}$ , the SE $\frac{1}{4}$  of the NW $\frac{1}{4}$ , the S $\frac{1}{2}$  of the NE $\frac{1}{4}$  of Section 15, all in Township No. twenty-eight north (TWP #28 North), Range No. fifty-two East (Rng #52 East) of the Diablo Base & Meridian, containing 640 acres, more or less.

TERM OF LEASE.

TO HAVE AND TO HOLD said lands, and all rights and privileges granted hereunder, unto the lessee, his/its heirs and assigns, for a term of ten 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.

ROYALTY AND RENT.

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 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.

#### DRILLING.

The lessee agrees to commence a well on said land on or before the 5th day of October, 1954, or before that date to pay or tender to the lessor, or for the lessor's credit in the Nevada Bank of Commerce Bank 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 one hundred sixty dollars ...(\$160.00)...DOLLARS, 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 year from 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-division 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 his 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 person.

#### ASSIGNMENT AND TERMINATION.

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.

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.

MISCELLANEOUS.

Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that the lessee, at lessee's option, may pay and discharge any taxes, mortgages, or other liens existing levied, or assessed on or 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 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 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 to pay all taxes and assessments levied against the lands hereinabove described. The parties will pay all taxes lawfully levied upon the oil or gas production on this lease or other taxes measured thereby in proportion to their respective shares thereto as hereinabove defined.

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 Wyoming, which plan shall adequately protect the rights of all parties in interest.

Lessor hereby releases and waives all rights of homestead, courtesy or dower. Lessor expressly declares that the down payment received by lessor for this lease at the time of the execution thereof, is a good, valid and substantial consideration, and sufficient in all respects to support each and every covenant contained therein.

IN WITNESS WHEREOF the parties hereto have signed in duplicate the day and year first above written.  
WITNESS:

Henry C. Merrick (SEAL)  
Henry C. Merrick  
Mrs. B. Merrick (SEAL)  
Mrs. B. Merrick  
Lee S. Taylor (SEAL)  
Lee S. Taylor

STATE OF NEVADA, )  
County of Elko. )

I, John W. Puett a Notary Public in and for said Elko County, in the State aforesaid, do hereby certify that on this 9th day of October, 1953, Henry C. Merrick and Mrs. B. Merrick, and Lee S. Taylor who are personally known to me to be the persons described in and who executed the within and foregoing instrument, personally appeared before me and acknowledged that they signed, sealed and delivered the said instrument of writing as their free and voluntary act and deed for the uses and purposes therein set forth, (including the release and waiver of the right of homestead, the said wife having been by me fully apprised of her right and the effect of signing and acknowledging the said instrument).

Witness my hand and notarial seal the day and year in this certificate last above written.

My commission expires Sept. 26th, 1956.

(Notarial Seal)

John W. Puett  
Notary Public.  
In and for the State of Nevada  
Residing at Carlin, Nevada

Recorded at the Request of Lee S. Taylor Oct 12 A.D. 1953 At 0 minutes past 9:00 A.M.

R. W. Gibson--Recorder.