

L E A S E

1 THIS AGREEMENT OF LEASE, made and entered into this 22
2 day of April, 1966, between James S. Payne, Olive A. Payne, and
3 the Family Holding Company; James S. Payne, Trustee, all of P. O.
4 Box 805, Winnemucca, Nevada, hereinafter called "Lessor" and Les
5 Ferrel, 1355 Tenth Street, Sparks, Nevada, hereinafter called
6 "Lessee",
7

W I T N E S S E T H

1

10 Lessor, for and in consideration of the rents, covenants,
11 agreements, payments and royalties hereinafter reserved, and by
12 the Lessee agreed to be paid, kept and performed, has granted, let
13 and demise, to the Lessee the following described property sit-
14 uated in Eureka County, State of Nevada, and commonly known as and
15 called the Peterson Sulphur Claims, now known as the James S.
16 Payne Family Holding Company Sulphur Claims Numbered ONE, TWO,
17 THREE, FOUR and FIVE in Beowawe Mining District, Eureka County,
18 State of Nevada,
19

20 together with all water rights appurtenant thereto; to
21 have and to hold said premises for the purpose of searching for,
22 mining, extracting, milling, reducing, treating and preparing ores,
23 metals and minerals of every nature and description for a term of
24 twenty (20) years from the date hereof, unless sooner terminated
25 as hereinafter provided. Should the Lessee be operating the pro-
26 perty at the end of twenty (20) years, this lease shall be ex-
27 tended for an additional period of twenty (20) years, or until the
28 property is commercially exhausted for mining, whichever event is
29 sooner,
30

II

1 In consideration of this Lease, the Lessee hereby
2 agrees with the Lessor as follows:

3 1. Lessee agrees to work the properties in a miner-
4 like fashion, steadily and continuously during this lease. Aband-
5 onment by the Lessee of work on the premises for a period of ninety
6 (90) consecutive days, without consent of Lessor, unless due to
7 strikes, riots, Acts of God, market conditions or circumstances
8 beyond the control of Lessee, may be considered by Lessor as a
9 violation of the Lease, and cause for its forfeiture.
10

11 2. Lessee shall permit Lessor, or his agent, to visit
12 the premises at any and all times during working hours for the
13 purpose of taking assay samples and observing that the terms of
14 the Lease are being kept faithful by the Lessee. The Lessee
15 further agrees to furnish the Lessor, as and when requested by
16 him, a copy of all blue prints of all surveys and maps made by
17 the Lessee, and generally to facilitate in every way such inspec-
18 tion, survey and samplings, as herein provided, and to furnish to
19 the Lessor, or his duly authorized agent, when requested, full,
20 true and accurate information not heretofore furnished with regard
21 to the condition of said workings or any part thereof or the
22 quality or character of the minerals therein;
23

24 3. Lessee shall pay to Lessor ten per cent (10%) of the
25 gross minerals produced by the Lessee from all ores extracted from
26 the property. Such royalties shall be paid on the tenth of each
27 and every month and shall be accompanied by a statement certified
28 by Lessee showing the ore so extracted and the current market
29 value thereof. Lessor may elect at any time, and for any payment
30

1 due, to be paid in kind and not in dollars; if Lessor does not so
2 elect, payment will be in United States legal tender.

3 4. The Lessee shall keep proper books of account in
4 connection with his development and operation of the premises.
5 Such books shall be open for examination by the Lessor, or his
6 agent, at all proper business hours. The Lessor is given the right
7 to make copies of said books of account or any portion thereof at
8 his expense.
9

10 5. During this Lease, the Lessor shall keep the property
11 free and clear of any and all liens and encumbrances incurred by
12 him in his operations. He shall likewise comply with all laws,
13 regulations and ordinances of federal, state, county or local
14 public agencies, applicable to his operations. The Lessee shall
15 post, and keep posted at all times, at some conspicuous place on
16 the property, a Notice that the interest of the Lessor shall not
17 be subject to any lien for service, labor or material furnished
18 upon or used in connection with the operation of the Lessee on
19 this property.
20

21 6. The Lessee agrees to assume all responsibility for
22 and to save the Lessor harmless from any and all accidents to
23 himself or any of his employees, licensees, agents, servants, or
24 visitors upon the premises. The Lessee agrees to post, and at all
25 times keep posted, at the main working upon the premises hereby
26 leased, a conspicuous Notice in the name of, and on behalf of,
27 the Lessor, stating in substance that the Lessor will not be
28 liable for damages on account of any such accident or accidents.
29

30 7. In the event that in any action at law by the Lessor
31 against the Lessee about any matter connected with this Lease
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1 the Lessor shall recover judgement, the Lessee hereby agrees to
2 pay to the Lessor the cost thereof and reasonable attorneys' fees
3 to be fixed in said action. In the event of such action, the
4 Lessee shall recover judgement, the Lessor agrees to pay to Lessee
5 the cost of reasonable attorneys' fees and Court costs.

6
7 8. In the event of the termination of this lease, for
8 any cause whatsoever, then and in that event, the Lessee shall
9 surrender and quitclaim the premises and every part and portion
10 thereof to the Lessor, free and clear of any and all liens or
11 encumbrances. In the event that the mineral deposits included
12 in the premises covered by this lease shall at any time become
13 exhausted so that it will no longer be commercially practicable
14 to operate the property, the Lessee shall have, and is hereby
15 given, the right or privilege to discontinue operations upon the
16 property and to abandon the same.

17
18 9. Time is of the essence of this lease. In the event
19 of failure by the Lessee to perform any of the covenants or to
20 comply with any of the conditions in this Lease required to be
21 performed by the Lessee, the Lessor shall be entitled to give
22 written notice of such default to the Lessee at the address
23 specified for him in this Lease. In the event the Lessee shall
24 not proceed with reasonable diligence to remedy such default with-
25 in ninety (90) days after receipt of such notice, the Lessor, at
26 his option, shall be entitled to terminate this Lease and declare
27 the same forfeited. It is however agreed, that any time lost by
28 reason of strikes, riots, Acts of God, or delay beyond the control
29 of the Lessee, is not to run against the time herein specified.

30
31 10. This Agreement shall be binding upon and run in
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1 favor of the successors and assigns of each of the parties hereto
 2 except as herein specifically provided. However, neither this
 3 Lease nor any interest of the Lessee therein or thereunder shall
 4 be transferred or granted, whether in the form of a sub-lease,
 5 or otherwise, during the term hereof, without prior consent, in
 6 writing, of the Lessor or his duly authorized agent.

7
 8 11. All equipment and personal property placed on the
 9 premises by the Lessee shall be removed by him within ninety (90)
 10 days after the end of the Lease. In the event that they are not
 11 so removed, they shall remain the property of the Lessor.

12 In witness whereof, we have hereunto set our hands this
 13 22 day of April, 1966.

14 FAMILY HOLDING COMPANY

15
 16 Property claimed in this
 17 lease is located in
 18 Section No. 12, Township
 19 29 N, Range 48 E and
 20 in Section No 1, Township
 21 29 N, Range 48 E.

15
 16 James S. Payne
 17 By - JAMES S. PAYNE, Trustee

18 James S. Payne
 19 JAMES S. PAYNE

20 Ollie A. Payne
 21 OLIVE A. PAYNE

22 LESSOR

23 LES FERREL
 24 LESSEE

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 27
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 31
 32

1 STATE OF NEVADA }

2 COUNTY OF ~~ESMERALDA~~
HUMBOLDT

3 On this 22nd day of April 1966, personally appeared before
4 me, a Notary Public in and for said County and State JAMES S.
5 PAYNE, OLIVE A. PAYNE and LES FERREL, known to me to be the persons
6 described in and who executed the foregoing instrument, and they,
7 duly acknowledged to me that they executed the same freely and
8 voluntarily and for the uses and purposes therein mentioned.
9

10 IN WITNESS WHEREOF, I have hereunto set my hand and
11 affixed my official seal at my office the day and year in this
12 certificate first above written.

13 *Betty L. Davis*
14 Notary Public in and for the
15 County of ~~Esmeralda~~, State of Nevada
HUMBOLDT

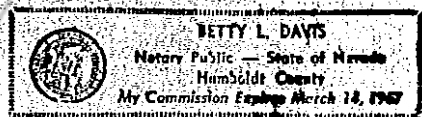


STATE OF NEVADA)
) ss.
 COUNTY OF ~~BUREKA~~)
 Humboldt

On this 22nd day of April, 1966, before me, the under-
 signed, a Notary Public in and for the County of ~~BUREKA~~ ^{Humboldt}, State of
 Nevada, personally appeared JAMES S. PAYNE, known to me to be the
 Trustee of the FAMILY HOLDING COMPANY that executed the foregoing
 instrument; who upon oath did depose that he is the officer of
 said company as above designated; that the signatures to said
 instrument were made by officers of said company as indicated
 under said signatures; and that the said company executed the said
 instrument 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 at my office the day and year in this
 certificate first above written.

Betty L. Davis
 Notary Public in and for the
 County of ~~BUREKA~~, State of Nevada
 Humboldt



File No. 42119
 RECORDED AT THE REQUEST OF
Les Ferrel
June 7 A. D. 19 66
 at 50 minutes past 2 P. M.
 In Book 10 of OFFICIAL RECORDS
 Page 590-596 Records of
BUREKA COUNTY, NEVADA
John J. [Signature]
 Recorder Fee \$ 6.75