

L E A S E

THIS LEASE is made and entered into between CHARLES E. REYNOLDS, Lessor, and DEXTER A. HURLEY, Lessee.

1. Premises: Lessor leases to Lessee that certain real property described as follows:

The South Half of Section 11, Township 20 North, Range 53 East.

The said real property consists of 320 acres located six miles north of Eureka, Nevada, on the East side of Diamond Valley. The premises shall also include the residence located thereon along with that certain farm machinery and other appurtenances which are now on the property, including but not limited to the following: 2 Layne Bowler Pumps, Caterpillar Stationary D-8 Diesel, Caterpillar Stationary D-7 Diesel, 460 International 6 cylinder Diesel Tractor, Case Disc, and 1800 feet of galvanized pipe.

2. Term: The term of this Lease is three (3) years commencing on July 25, 1972, and ending on July 24, 1975.

3. Option: Lessee is hereby granted and shall, if not at the time in default under this Lease, have an option to renew this Lease for an additional period of four (4) years from the date of expiration hereof, but otherwise on the same terms, covenants, and conditions herein contained. This option shall be exercised only by Lessee's delivering to Lessor in person or by United States mail on or before March 25, 1975, a written notice of his election to renew this Lease as herein provided.

4. Rent: For and during the term of this Lease, Lessee shall pay to Lessor as rent for the leased premises the following sums:

For the first year hereof - Lessee shall pay the real property taxes in the approximate amount of \$426.15, said payment to be made to Lessor.

For the second year hereof - Lessee shall pay the real property taxes in the approximate amount of \$426.15, said payment to be made to Lessor.

For the third year hereof - Lessee shall pay an amount equal to twenty-five percent (25%) of the gross income realized during said year from the sale of crops and livestock.

The said taxes payable as rent for the first two years hereof shall be paid on or before the due date, July 3, 1973, for the first year hereof, and July 3, 1974, for the second year hereof. The rent due for the third year shall be paid immediately upon the sale of the crop and immediately upon the sale of any livestock. Lessee shall keep accurate books and records of all such sales and shall allow Lessor to inspect said records at reasonable times and places.

5. Maintenance of Premises: At all times during the term Lessee shall at his cost and expense, keep and maintain the said land, all improvements thereon, all facilities appurtenant thereto, and all machinery and equipment in good order and repair and safe condition, and Lessee shall indemnify and hold harmless Lessor against all actions, claims, and damages by reason of Lessee's failure to comply with and perform the provisions of this section.

6. Operational Expenses: Lessee shall pay all expenses relative to the farming and ranching operation conducted upon the premises; shall pay all of the charges incident thereto, including but not limited to expenses for fuel,

seed, repairs, fertilizer, and labor, and Lessee shall indemnify and hold harmless Lessor against all actions, claims, and damages by reason of Lessee's failure to comply with and perform the provisions of this section.

7. Irrigation: Lessee shall irrigate the premises as follows: At least once "beneficially" by September 1, 1973. Lessee shall do all other acts required to maintain the State of Nevada water rights in good standing.

8. Liability Insurance: Lessee agrees to and shall at his own cost and expense procure and maintain during the entire Lease term (and any extensions thereof) comprehensive public liability insurance covering the leased premises, with limits of not less than \$50,000.00 for injury to any one person and \$100,000.00 for injury to two or more persons arising out of the same accident, and \$25,000.00 for property damage. Such insurance shall name Lessor as an additional insured and require that Lessor be given at least ten (10) days written notice before any such insurance can be cancelled or changed with respect to parties, coverage, or limits of liability. Lessee shall deliver to Lessor a copy of such policy or policies, or a certificate of insurance together with satisfactory evidence that the premiums have been paid.

9. Mechanics and Other Liens: Lessee shall neither permit nor suffer any mechanic's liens or other liens to be filed against the leased premises or any part thereof or against Lessee's leasehold interest therein by reason of any work, labor, or materials done on or in, or supplied to, the

leased premises at Lessee's request or at the request of any of Lessee's agents or employees.

10. Assignment and Subletting: Lessee shall not assign this Lease, or any interest therein, and shall not sublet the leased premises or any part thereof or any right or privilege appurtenant thereto without the written consent of Lessor.

11. Encumbrance of Lessee's Estate: Lessee shall not hypothecate by any security instrument, the leasehold interest without the written consent of Lessor. A lender shall have no rights to acquire a security for any extension of credit to Lessee, either the leasehold estate or the Lessor's estate in and to the subject property.

12. Surrender of Possession: Upon the expiration of the term of this Lease or any earlier termination thereof, Lessee shall surrender to Lessor possession of the leased premises and all improvements thereon, in as good condition as they now are, reasonable wear and tear excepted.

Executed on August 7, 1972.

LESSOR:

Charles E. Reynolds  
Charles E. Reynolds

LESSEE:

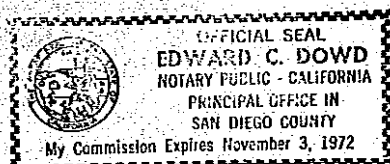
Dexter A. Hurley  
Dexter A. Hurley

STATE OF CALIFORNIA )  
COUNTY OF SAN DIEGO ) ss.

On AUGUST 28, 1972, 1972, before me, the undersigned, a Notary Public in and for said State, personally

appeared CHARLES E. REYNOLDS, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.



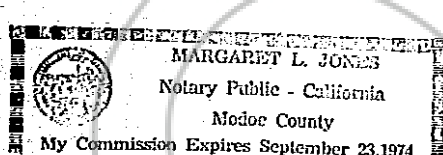
*Edward C. Dowd*  
Notary Public in and for  
said State

STATE OF California )  
COUNTY OF Modoc )

ss.

On August 7th, 1972, before me, the undersigned, a Notary Public in and for said State, personally appeared DEXTER A. HURLEY, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.

WITNESS my hand and official seal.



*Margaret L. Jones*  
Notary Public in and for  
said State

RECORDED AT THE REQUEST OF  
Dowd & Carey

on August 31 19 72  
at 20 mins. past 2 P. M.  
in Book 43 of OFFICIAL  
RECORDS, page 113-117 RECORDS  
OF EUREKA COUNTY, NEVADA  
*Hullo T. Holt*  
Recorder 56443 Fee \$ 7.00  
File No. \_\_\_\_\_