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SPECIAL WARRANTY DEED

HMR, Inc., Grantor, conveys and specially warrants to Hank Albertson, Grantee, the following-described real property:

Parcel 2 of Map of Land Partition 26-94 being situated in Sections 22, 23, 25, 26, 27 and 36, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon; and Section 6, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon; and Section 31, township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.
Klamath County Assessor's Tax Lot No. 3809-00000-05100

This property is conveyed free of encumbrances created or suffered by the Grantor except:

1. Grantor reserves unto itself and its successors and assigns in perpetuity 50% of the mineral rights of the subject property. For the purposes of this Deed, the term "mineral rights" includes: oil, gas, precious metals and the commercial development of geothermal energy. "Mineral rights" does not include the removal of gravel, sand, hard rock, or fill material from the subject property. Although Grantor has retained mineral rights, Grantor shall have no right to mine or develop any mineral deposits on the subject property without the express written consent of Grantee or its successors in interest. Grantee shall have no duty to develop any mineral resource on the subject property. In the event that Grantee does mine or otherwise remove minerals to which Grantor has a retained right, then Grantee shall be entitled to retain from the proceeds of the sale of such minerals, an amount equal to Grantee's direct costs of exploration, extraction, production, and handling of such minerals, plus an amount equal to 20% of said costs. "Direct costs" do not include any management or supervisory charges, accounting or legal charges, but includes only costs and expenses directly incurred by Grantee in the extraction of said minerals. Direct costs of producing said income shall also not include any depletion allowance or depreciation that may be allowed by the Internal Revenue Code. After Grantee has recovered its said costs and 20% overhead charge, then the balance of the net proceeds shall be distributed 50% to Seller and 50% to Buyer. The said interest retained by Grantor shall extend to all benefits realized by Grantee by virtue of said minerals, including all rents, bonuses, and royalties accruing or to accrue to Grantee from said minerals. Grantor reserves the right to approve the inventory methodology and accounting methodology used by Grantee in computing the amounts due to Grantor by virtue of Grantor's retained mineral right interest. In the event that Grantor disputes Grantee's inventory and accounting methods, then Grantor, at its sole option, may elect to receive 20% of the gross revenues accruing to Grantee from said mineral or mineral rights in lieu of 50% of the net proceeds. All such payments due to Grantor by virtue of its retained mineral interest shall be paid to Grantor monthly, not later than the 20th day of the month following receipt of such revenue by Grantee. Provided, however, that Grantor shall release this reservation of mineral rights from portions of the above-described land at the time(s) such portions have been
**see continued below

2. The property is classified and specially assessed as farm use land. Grantee shall be responsible for any additional taxes, penalties, or interest resulting from any disqualification of the property from such classification and special assessment.

3. Easements, rights of way, restrictions and agreements of record and those apparent on the land.

The true consideration paid for this conveyance is NINE HUNDRED FIFTY THOUSAND DOLLARS (\$950,000).

**#1 continued-platted for residential use or rezoned for commercial uses where the zoning does not allow such portions to be used for the mining or extraction of minerals. The release of said portions from this reservation shall be effective upon the filing of the final residential subdivision plat(s) or upon the entry of the final order granting such zone change(s). This instrument will not allow use of the property described in this instrument in violation of applicable land use laws and regulations. Before signing or accepting this instrument, the person acquiring fee title to the property should check with the appropriate city or county planning department to verify approved uses and to determine any limits on lawsuits against farming or forest practices as defined in ORS 30.930.

Dated this 5th day of June, 1996.

HMR, Inc.

By: Thomas J. Shaw

President

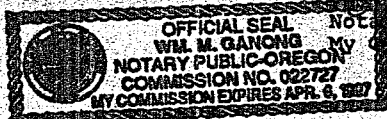
By: Dianne E. Spires

Secretary

STATE OF OREGON, County of Klamath) ss

This instrument was acknowledged before me on June 5, 1996, by

Thomas J. Shaw, President of HMR, Inc. and Dianne E. Spires, Secretary of HMR, Inc.



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