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RETURN TO: Brandsness, Brandsness, Rudd & Bunch, P.C. 411 Pine Street Klamath Falls, OR 97601	MAIL TAX STATEMENTS:
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State of Oregon, County of Klamath
Recorded 10/25/04 8:15a m
Vol M04 Pg 72504-05
Linda Smith, County Clerk
Fee \$ 26⁰⁰ # of Pgs 2

MEMORANDUM OF CONTRACT
(Option Agreement)

DATED: July 1, 2004

By an instrument in writing dated May 1, 2004 Merrilees Oil Co. Inc., an Oregon Corporation, has granted an option to purchase the real property described on the attached Exhibit "A" to Staub Brothers, LLC, an Oregon Limited Liability Company.

This Memorandum is executed to evidence and confirm the option to purchase referred to above, to which reference is made for its terms and conditions which include the following:

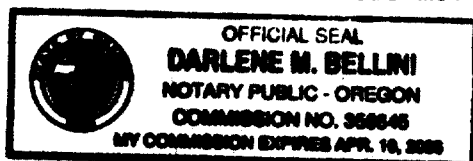
Term. July 1, 2004 through June 30, 2019.

The option agreement shall automatically terminate on June 30, 2019.

Merrilees Oil Co. Inc.
By: [Signature]
Its: PRES.

STATE OF OREGON)
County of Klamath) ss. Oregon, October 12, 2004.

Personally appeared Merrilees Oil Co. Inc., by James R Merrilees its President and acknowledged this Memorandum of Option to be its true act and deed. Before me:



[Signature]
Notary Public for Oregon
My Commission expires: April 10, 2006

EXHIBIT "A"

Situated in the County of Klamath and State of Oregon, described as follows, to-wit:

PARCEL 1:

That portion of the SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 12, Township 41 S., R. 10 E.W.M. beginning at the NE corner of the one-acre tract deeded by Calvin N. Haskins, et ux, to Shell Oil Company, a corporation, by deed recorded in Book 86, Page 95 Deed Records of Klamath County, Oregon, to which deed record reference is hereby made for a complete description of said acre tract; thence East and parallel to the right of way of the Central Pacific Railway 208 feet; thence South at right angles 208 feet to the North line of said right of way; thence West along said North line of right of way 208 feet; thence North 208 feet to the place of beginning. SUBJECT TO: (1) 1984-85 real property taxes. (2) Rights of the public in and to any portion of the herein-described premises lying within the limits of streets, roads or highways. (3) Statutory powers, including the power of assessment, of Klamath Irrigation District.

PARCEL 2:

Beginning at the quarter section corner on the West side of Section 12, Township 41 South, Range 10 East of the Willamette Meridian; thence North along the West line of said Section a distance of 620 feet, more or less, to the North line of the additional right of way of the Central Pacific Company's proposed railroad from Klamath Falls, Oregon to Alturas, California, said North line of said right of way being 150 feet Northerly from the center line of said proposed railroad; thence East along said line of right of way 30 feet, more or less, to the intersection of said right of way line with the East line of the county road running North and South through the City of Merrill and known as Main Street in the said City of Merrill; being the true point of beginning of the property herein described; thence East along said right of way line 208 feet; thence North 208 feet; thence West 208 feet to the East line of said county road; thence South along said road 208 feet to the place of beginning and being a part of the Southwest quarter of the Northwest quarter of Section 12 aforesaid.