

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 9th day of August 1979 between

Water Dairy Farms, Inc., a corporation

lessor (whether one or more), whose address is: Route 5 Box 241 Montevallo, Alabama 35115
and Atlantic Richfield Company, lessee, WITNESSES

1. Lessor, in consideration of ten and more Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, power lines, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered

hereby, herein called "said land", is located in the County of Shelby, State of Alabama, and is described as follows:

See Exhibit "A" attached hereto and incorporated herein by reference as if the same were fully set out herein verbatim.

Notwithstanding any provision herein contained to the contrary, this lease shall cover only oil, gas, gas derivations, helium, liquid and associated hydrocarbons and sulphur and does not cover coal, iron ore, or any other mineral in, on, or under said lands.

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This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus, delay rental or

other payment hereunder, said land shall be deemed to contain 368.02 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus and agrees to accept the delay rental as lump sum considerations for this lease and all rights, and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay Lessor on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises for the extraction of gasoline or other product therefrom, one-eighth of the market value computed at the mouth of the well of the gas so sold or used; provided that on gas sold by Lessee the market value shall not exceed the cash proceeds received by the Lessee for such gas computed at the mouth of the well, and on gas sold at the well the royalty shall be one-eighth of the cash proceeds realized by Lessee from such sale. (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing gas or any other mineral covered hereby, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to the amount of annual delay rental provided for in this lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease and in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each. If the price of any mineral or substance upon which royalty is payable hereunder is regulated by any law or governmental agency, the market value or market price of such mineral or substance for the purpose of computing royalty hereunder shall not be in excess of the price which Lessee may receive and retain.

4. Lessee is hereby granted the right, at its option, to pool or unitize all or any part of said land and of this lease as to any or all minerals or horizons thereunder, with other lands, lease or leases, or portion or portions thereof, or mineral or horizon thereunder, so as to establish units containing not more than 80 surface acres plus 10% acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than 640 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. If larger units are prescribed or permitted under any governmental rule or order for the drilling or operation of a well at a regular location, or for the obtaining of a maximum allowable, from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size prescribed or permitted by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee from time to time, and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith and any such unit may include any well to be drilled, being drilled or already completed. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be land or mineral, royalty or leasehold interests in land within the unit which are not pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of such unit shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. Lessee may dissolve any unit established hereunder by filing for record in the public office where this lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. A unit may be so established, modified or dissolved during the life of this lease.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

Merchants and Planters

Bank at Montevallo, Alabama

or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of \$ 368.02, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to a depository bank on or before the last date of payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetieth day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operation for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, logging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

ARCO Oil and Gas Company

Exhibit "A"

Section 31, Township 21 South
Range 2 West

Section 32, Township 21 South
Range 3 West

Last half of Southwest Quarter (1/2 SW/4), and
Southwest Quarter of Southeast Quarter (SW/4 SE/4)

Last half of Southeast Quarter (1/2 SE/4), less
and except the following tracts as shown of record
in the office of the Probate Judge of Shelby
County, Alabama.

Tract #1- Deed Book 293, Page 116
Tract #2- Deed Book 297, Page 185
Tract #3- Deed Book 297, Page 135
Tract #4- Deed Book 305, Page 728
Tract #5- Deed Book 316, Page 408
Tract #6- Deed Book 317, Page 248

Section 1, Township 22 South
Range 3 West

Northeast diagonal half of the Northeast Quarter
of Southeast Quarter (NE/4 SE/4), less and except
the following tracts as shown of record in the
office of the Probate Judge of Shelby County,
Alabama.

Tract #1- Deed Book 299, Page 208
Tract #2- Deed Book 299, Page 209
Tract #3- Deed Book 299, Page 210
Tract #4- Deed Book 300, Page 620
Tract #5- Deed Book 304, Page 73

Section 6, Township 22 South
Range 2 West

The E/2 NW/4 and W/2 SE/4 and NW/4 SW/4; and all
that part of the E/2 SE/4 lying south of
Columbiana and Tuscaloosa public road; and a tract
in the Southeast corner of the SW/4 SW/4 described
as: beginning at a point 110 yards west of the
Southeast corner of said SW/4 SW/4; thence run east
110 yards to the Southeast corner of said forty;
thence north 220 yards; thence Southwest in a
straight line to the point of beginning. All in
Section 6, less and except the following tracts
as shown of record in the office of the Probate
Judge of Shelby County, Alabama.

Tract #1- Deed Book 299, Page 208
Tract #2- Deed Book 299, Page 209
Tract #3- Deed Book 299, Page 210
Tract #4- Deed Book 300, Page 620
Tract #5- Deed Book 304, Page 73
Tract #6- Deed Book 305, Page 513
Tract #7- Deed Book 307, Page 261
Tract #8- Deed Book 307, Page 324
Tract #9- Deed Book 307, Page 329
Tract #10- Deed Book 307, Page 330

Frank T. Baker

Jennie R. Baker
Jennie R. Baker

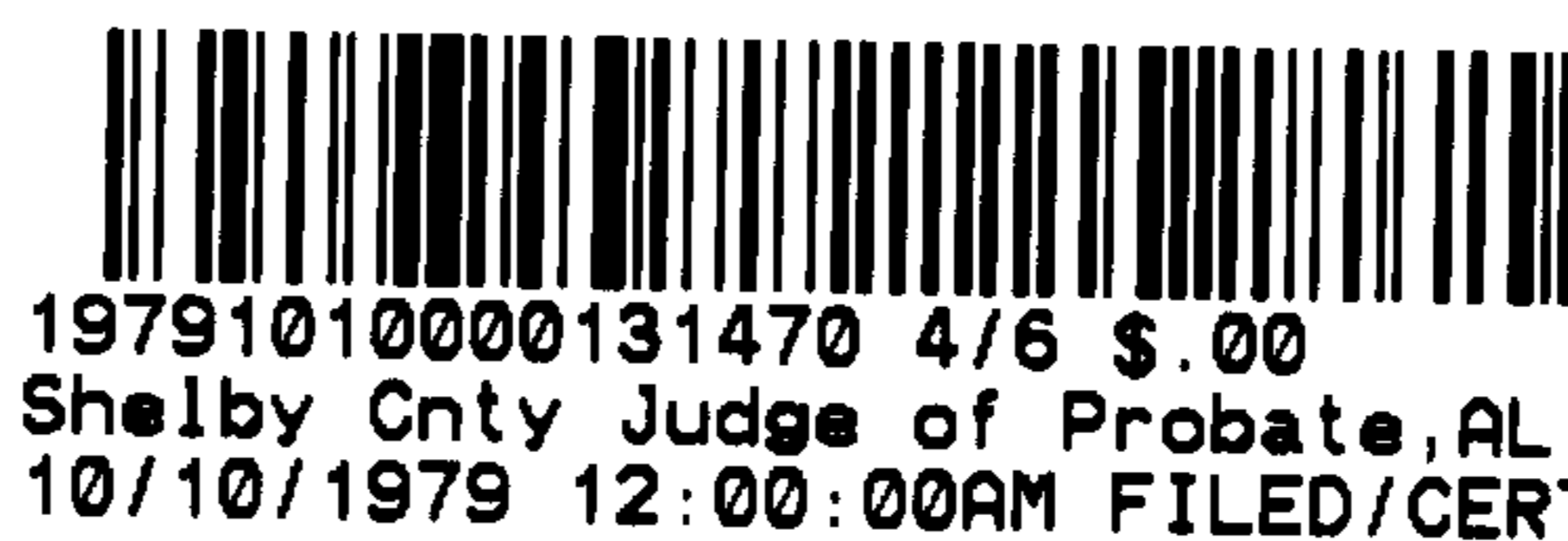


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Shelby Cnty Judge of Probate, AL
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KNOW ALL MEN BY THESE PRESENTS:

That, WHEREAS, that certain oil and gas lease, dated August 9, 1979, from Baker Dairy Farms, Inc., a corporation, as Lessors, to Atlantic Richfield Company, as Lessee, recorded in Book _____, Page _____ of the _____ Records of Shelby County, Alabama is owned by Baker Dairy Farms, Inc., a corporation insofar as it covers the following described land in Shelby County, Alabama, to-wit:

See Exhibit "A" attached hereto and incorporated herein by reference as if the same were fully set out herein verbatim.



NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, we the undersigned, and each of us, do hereby ratify, approve, confirm, and adopt the above described oil and gas lease insofar as it covers the above described land, and do hereby lease, demise, and let the land above described unto the said Atlantic Richfield Company subject to and under all of the terms and provisions of said lease, and, as to the above described land, do hereby agree and declare that said lease is now in full force and effect; that payment has been duly made of the entire bonus consideration and all of the delay rentals necessary to extend said lease to the next rental paying date; and that future delay rentals thereunder may be divided among and paid or tendered, as provided in said lease, to the persons named below in the amounts set opposite each name, either directly or to the depository bank as indicated, or to the depository named in the lease.

Credit To	Fractional Interest	Amount	Depository
Baker Dairy Farms, Inc.		\$346.42	Merchants and Planters Bank Montevallo, Alabama 35115

This instrument shall be fully binding upon, and effective as to interest of, each of the above named persons who execute the same without regard to execution or lack of execution by any other person whomsoever.

We, and each of us, hereby release and waive all rights of dower and homestead in the above identified land, and the provisions hereof shall be binding upon the heirs, legal representatives, successors and assigns of each of us.

WITNESS our hands and seals this 9th day of August, 1979.

ATTEST:

Jennie R. Baker
Secretary

By: Frank T. Baker
President

RETURN TO
ARCO OIL AND GAS COMPANY
LEASE PURCHASE UNIT
P. O. BOX 2819 DALLAS, TEXAS 75221

Corporate Acknowledgement

ATTEST:

Jennie R. Baker
Secretary

Grantor:

Baker Dairy Farms, Inc.

By: Frank T. Baker
President

State of Alabama
County of _____

I, the undersigned authority, a Notary Public in and for said County and State, do hereby certify that Frank T. Baker, as President of Baker Dairy Farms, Inc., whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that being informed of the contents of said instrument, he as such officer and with full authority, executed the same voluntarily on the day the same bears date.

In WITNESS WHEREOF, I have hereunto set my hand and official seal on this the 14th day of August, 1979.

Gale B. Farr
NOTARY PUBLIC

My Commission Expires September 10, 1979
My commission expires: _____

(MISSISSIPPI-ALABAMA-FLORIDA)

I, the undersigned authority, a Notary Public in and for said County and State, do hereby certify that on this day, before me, a Notary Public in and for the State and County aforesaid to take acknowledgements, personally appeared _____, known to be the person described in and who executed the foregoing instrument and _____ he acknowledged before me that, being informed of the contents of the same, he voluntarily signed and delivered the within and foregoing instrument on the day and year therein mentioned. _____ day of _____ A.D., 19_____.
In testimony of my hand and official seal, this _____ day of _____ A.D., 19_____.
(Title of Official)

in and for _____ County, _____

JOINT OR SINGLE ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

I, the undersigned authority, a Notary Public in and for said County and State, do hereby certify that on this day, before me, a Notary Public in and for the State and County aforesaid to take acknowledgements, personally appeared _____, known to be the person described in and who executed the foregoing instrument and _____ he acknowledged before me that, being informed of the contents of the same, he voluntarily signed and delivered the within and foregoing instrument on the day and year therein mentioned. _____ day of _____ A.D., 19_____.
In testimony of my hand and official seal, this _____ day of _____ A.D., 19_____.
(Title of Official)

in and for _____ County, _____

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Shelby Cnty Judge of Probate, AL
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Exhibit "A"

Section 31, Township 21 South
Range 2 West

Section 36, Township 21 South
Range 3 West

Section 1, Township 22 South
Range 3 West

Section 6, Township 22 South
Range 2 West

East Half of Southwest Quarter (E/2 SW/4), and
Southwest Quarter of Southeast Quarter (SW/4 SE/4)

West Half of Southeast Quarter (W/2 SE/4), less
and except the following tracts as shown of record
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- Tract #6- Deed Book 317, Page 248

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of Southeast Quarter (NE/4 SE/4), less and except
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- Tract #4- Deed Book 300, Page 620
- Tract #5- Deed Book 304, Page 73

The E/2 NW/4 and W/2 SE/4 and NW/4 SW/4; and all
that part of the E/2 SW/4 lying South of
Columbiana and Tuscaloosa public road; and a tract
in the Southeast corner of the SW/4 SW/4 described
as: beginning at a point 110 yards West of the
Southeast corner of said SW/4 SW/4; thence run Ea
110 yards to the Southeast corner of said forty;
thence North 220 yards; thence Southwest in a
straight line to the point of beginning. All in
Section 6, less and except the following tracts
as shown of record in the office of the Probate
Judge of Shelby County, Alabama.

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Frank T. Baker
Frank T. Baker

Jennie R. Baker
Jennie R. Baker

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10/10/1979 12:00:00AM FILED/CERT

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Deed 3.00
mineral 18.40
Ruc. 30.00
Ind. 1.00
52.40