

OIL, GAS AND MINERAL LEASE

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Sept.

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THIS AGREEMENT made this _____ day of _____ 19____ between
Gloria K. Peterson and husband, Walter Peterson, Jr., Mary E. Oliver and husband, Albert
Oliver, Otis Kelley and wife, Lydie Kelley,
Walter Kelley and husband, Wilmer Kelley, Emmitt Kelley, single man, and
Tom Kelley, a single man

Lessors (whether one or more) whose address is Rt. 1, Box 478, Vincent, Al. 35173
Amoco Production Company, P.O.Box 50379, New Orleans, La. 70150
Ten and More

For and in consideration of 10.00 & more, in hand paid of the royalties herein provided and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of
investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to
produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Shelby

Township 19 South, Range 2 East

Section 3: N $\frac{1}{2}$ of NE $\frac{1}{4}$; E $\frac{1}{2}$ of SW $\frac{1}{4}$ of NE $\frac{1}{4}$.

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It is agreed and understood by and between the parties hereto that this lease does not cover nor include coal, iron ore, or other minerals mined by the open pit or shaft methods.

It is the intention of Lessor and Lessee that this lease shall also include, and there is hereby included, granted, leased and let, for the purposes and consideration herein stated, all the land owned or claimed by Lessor, adjacent or contiguous to the land particularly described above, whether the same be in said section or sections, grant or grants, or in adjacent sections or grants, and each and every block within the boundaries of the land particularly described above. For the purpose of determining the amount of any money payment hereunder, the lands herein shall be treated as comprising 104 acres, whether there be more or less, and in the event of a partial assignment of surrender hereunder, the assigned or surrendered portion or portions shall be deemed to contain the same number of acres stated in such assignment or surrender.

Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or lands with which said land is pooled hereunder.

1. The royalties to be paid by Lessee are: (a) on oil, one-eighth (1/8) of that produced and saved from said land, the same to be delivered at the well or to the credit of Lessee into the pipeline to which the well may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase, in either case such interest to bear its proportion of any expense of treating unmerchantable oil to render it merchantable as credit; (b) on gas, one-eighth (1/8) of the market value at the well of the gas used by Lessee in operations not connected with the land leased or any pooled unit containing all or a part of said land; the royalty on gas sold by Lessee to be one-eighth (1/8) of the measure received at the well from such sales; (c) one-eighth (1/8) of the market value at the mouth of the well of gas used by Lessee in manufacturing gasoline or other by-products, except that in computing such value there shall be excluded all gas or components thereof used in lease or unit operations; and (d) on all other minerals mined and marketed, one-tenth (1/10) 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 fifty cents (50c) per long ton. In the event that any well on the land or on property pooled therewith (or with any part thereof) is capable of producing oil or gas or gaseous substances in paying quantities but such minerals are not being produced, then Lessee's rights may be maintained, in the absence of production or drilling operations, by commencing or resuming rental payments (herein sometimes referred to as shut in gas payments) as hereinafter provided in paragraph 6. Should such conditions occur or exist at the end of or after the primary term, or within sixty (60) days prior to the expiration thereof, Lessee's rights may be extended beyond and after the primary term, and for the purpose of computing and making such payments the expiration date of the primary term and each successive date thereafter shall be considered as a fixed rental paying date, and if such payments are made, it will be considered that oil or gas or gaseous substance is being produced within the meaning of paragraph 2 hereof. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and royalty on oil, gas and coal shall be computed after debiting any taxes and costs.

2. If Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the same or similar operations, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any local spacing rules which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the acreage well be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty specified herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the unit or unit involved.

3. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate unless on or

before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in Central Bank at Leeds Alabama which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the receipt the sum of One Hundred Four and No/100

104.00 Dollars

(4) Therein called rental, which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months, to the measure and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. If such bank or any successor bank should fail, liquidate or be succeeded by another bank or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessor a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allowed as rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises the acreage covered hereby is reduced by said release or releases.

5. If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral the production therefrom should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 60 days thereafter or if within the primary term, commences or resumes or production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term, and prior to the discovery of oil, gas or other mineral on said land or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term oil, gas or other mineral is not being produced on said land or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or should hereinafter drill a dry hole in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith, in the event a well or wells are drilled or gas is paying quantities should be brought in on adjacent land and within one hundred fifty (150) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to shut such other wells as a reasonably prudent operator would drill under the same or similar circumstances.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to drill and rework all wells required by Lessee. Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now or hereafter on said land without Lessee's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder other than damages necessarily caused by the exercise of the rights herein granted.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns. Any change or division of ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division of ownership of the land shall be binding on Lessee until thirty (30) days after Lessee has been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of a change in ownership of the land or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of the lease or of a portion thereof who commits such breach. In the event of the death of a person entitled to rental hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualifications of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it to the contrary. Lessee agrees to pay or tender the rental due and have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their representative or to the depository named herein, or, at Lessee's election, the proportionate part of said rental to which each participant is entitled may be paid or tendered to him or her jointly to such persons or to their representative, and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant. In event of a severance of the land or a severed portion of said land the rental payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

