

THIS AGREEMENT, made and entered into on the 29th day of December, 1980 by and between THE FIRST NATIONAL BANK OF BIRMINGHAM, as Trustee u/w/o W. G. Nichols, deceased

hereinafter called Lessor, and Anschutz Corporation, 2400 Anaconda Tower, Denver, Colorado 80202 hereinafter called Lessee:

19810126000009120 Pg 1/9 .00
Shelby Cnty Judge of Probate, AL
01/26/1981 00:00:00 FILED/CERTIFIED

W I T N E S S E T H:

1. Lessor, in consideration of cash in hand paid, the receipt whereof is hereby acknowledged, and of the covenants and agreements herein-after contained on the part of the Lessee, hereby grants and leases unto Lessee for the purpose of exploring, drilling, producing, recovering and storing for market and marketing oil and gas, petroleum and petroleum products, elemental sulphur and helium, (together with such rights and privileges as are vested in Lessor to construct and maintain pipe lines, tanks, roads, bridges, or other facilities and structures reasonable or necessary for the above stated purposes) all of the right, title and interest vested in Lessor in and to the property in Shelby County, Alabama State of Alabama, consisting of 597 acres, more or less, and more particularly described as Exhibit "A" attached hereto and made a part hereof.

2. For all purposes of this lease, except for the payment of royalties, the leased lands initially subject to the lease shall be treated as comprising 597 acres, whether there be more or less. Subject to the provisions and conditions hereof this lease shall be for a term of 5 years from this date (called "Primary Term") and as long thereafter as oil or gas are produced from said lands or drilling or reworking operations are being conducted on said lands, as hereinafter provided.

3. The royalties to be paid by Lessee are: (a) on oil, one-sixth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells 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 crude; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-sixth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-sixth of the amount realized from such sale; (c) on any petroleum product including elemental sulphur and helium, not covered by the terms of (a) and (b), produced from said land and sold or used off the premises, one-sixth of that produced and saved from said lands. Should any well on the land or on a drilling unit formed in part of a part of said land be completed as a gas or gas distillate well at any time while this lease is not being maintained in force by drilling or producing operations on some other well, and said gas or gas distillate well be shut in, then until such gas shall be sold or used so as to produce royalty for Lessor, or until the discovery of some other mineral in paying quantities on the land, Lessee may pay to Lessor annually as a royalty a sum equal to the annual rental provided for herein, said sum being subject to reduction to the same extent as rentals under the provisions hereof. Such payment may be made in the manner provided herein for the payment of rental, and so long as such annual payment is made it will be considered that this lease is being maintained in force by production of gas in paying quantities; provided, however, that this lease may not be extended by such payments for more than five (5) years beyond the expiration of the primary term. All such payments, except the first, if made, shall be made in advance on or before the anniversary date of the first payment, and the first such payment, if made, shall be made on or before the sixtieth day after the shutting in of the said well; it being the intention hereof that this lease will remain in full force and effect for sixty days after the shutting in of any such well without any payment; that each such annual payment will have the effect of maintaining this lease in force for the year to which such payment is applicable; and that the right to make such payments shall be recurring at all times both before and after the expiration of the primary term of this lease;

See Assignm. Mice. Book 42 Page 855
See Assignm. of Royalties Mice. Bk. 46 pg. 980 (10/4/82)

AL-4806-VVV

provided, however, that this lease may not be extended by such payments for more than five (5) years beyond the expiration of the primary term of this lease. Lessee shall have free use of oil, gas, and water from said land, except water from Lessor's wells, for all operations hereunder on the leased premises and/or lands pooled therewith and the royalty on oil, gas, and/or petroleum products shall be computed after deducting any so used. Lessor shall have the privilege at his sole risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. If operations for drilling are not commenced, on said lands, on or before one year from this date, or if commenced, such operations shall not be prosecuted with reasonable diligence, this lease shall terminate as to both parties unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor with The First National Bank of Birmingham the sum of Five Hundred Ninety-Seven and no/100ths Dollars (\$ 597.00) (herein called rental), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve months from such anniversary date. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve months each during the primary term.

If such bank, or any successor bank, should for any reason refuse to accept rental, Lessee shall not be in default for failure to make such payment or tender of rental until thirty days after Lessor shall deliver to Lessee 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 allocated as mere rental for any period.

5. If prior to the discovery of oil, gas, petroleum or petroleum products on the leased lands, Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas, petroleum or petroleum products the production thereof should cease from any cause, this lease shall not terminate if Lessee resumes production, or commences and continues with reasonable diligence operations for additional drilling or reworking within sixty days thereafter or (if it be within the primary term) resumes production, commences and continues with reasonable diligence operations for additional drilling or reworking or commences or resumes the payment or tender on or before the rental paying date next ensuing after the expiration of three months from date of completion of a dry hole or cessation of production. If during the last year of the primary term and prior to the discovery and production of oil or gas on said land, 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 or gas is not being produced on said land but Lessee is then engaged in drilling or reworking operations thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than thirty (30) consecutive days, and if they result in the production of oil and gas, so long thereafter as oil or gas is produced from said land. In the event a well or wells producing oil or gas should be brought in on adjacent land draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

6. If at any time while this lease is in force Lessee in its opinion deems it advisable, in order to form a drilling unit, to conform to spacing rules issued by the State or Federal authorities having control of such matters, or in order to conform to conditions imposed upon the issuance of drilling permits, Lessee shall have the right to pool or combine the lands covered by this lease, or part thereof, with other land, whether such land be held by Lessee or by others, such pooling to be into a unit not exceeding the number of acres allocated to one well by the above mentioned authority, and to be applicable only to such sands, horizons or strata as are covered by such regulations. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated, an instrument identifying and describing the pooled acreage, and shall mail to the named Lessor herein by registered mail, a certified copy of such instrument. As between the parties hereto and except as herein otherwise specifically provided, the entire acreage so pooled into a unit

11. Whenever in this lease reference is made to the production of oil, gas, petroleum or petroleum products or whenever any similar expression is used referring to production from the leased premises it is understood and agreed that such production shall mean production in the amount whereby the net royalty due to Lessor will amount to a sum of money at least equal annually to the delay rental provided for herein. When Lessee shall claim that such production is established from the leased premises he shall notify the Lessor and shall keep a daily production record. If during the period from the first production on the leased premises until twelve months thereafter, and each consecutive twelve month period thereafter, actual production shall not be sufficient to provide a net royalty payable to Lessor at least equal to the annual delay rental provided or contemplated hereby (hereinafter referred to as the minimum royalty) then the leased premises will not be considered as producing within the meaning of this lease unless Lessee shall, on or before the thirtieth day following written notice given by Lessor to Lessee, (such notice to be given following the end of said twelve month period) pay an additional royalty to the Lessor such that the net royalty to the Lessor for said twelve month period shall be equal to the minimum royalty. Payments made as shut-in royalty elsewhere contemplated herein, shall apply toward the satisfaction of said minimum royalty requirements.

12. (a) The term "Force Majeure" as used herein shall mean and include interferences beyond the control of Lessee by reason of: Acts of God, insurrection, flood, requisition, order, regulation or control by government authority or commission, exercise of rights of priority or control by governmental authority for national defense or war purposes resulting in delay in obtaining or inability to obtain either material, equipment or means of transportation normally necessary in prospecting or drilling for oil, gas or in producing, handling or transporting same from the leased premises.

(b) If by reason of Force Majeure as herein defined Lessee is prevented from or delayed in drilling, completing or operating any well or wells for oil or gas on the leased premises, then while so prevented but not in excess of a period of six months, Lessee shall be relieved from all obligations of which Lessee would otherwise be relieved under the provisions hereof had such drilling, completion or operation proceeded without delay or interruption, provided further that this provision shall not relieve Lessee from the necessity of paying rentals during the primary term and as otherwise herein provided.

(c) If upon or at any time after the expiration of the primary term hereof, while this lease is in force, Lessee cannot maintain same in effect because Lessee is prevented by Force Majeure from fulfilling the particular requirements (operations in or continued production from the leased premises, as the case may be) then while so prevented and for six months thereafter this lease shall nevertheless continue in effect if within such six months Lessee either commences operations on or resumes production from the leased premises. During any period this lease is continued in force after its primary term by Force Majeure as herein provided, Lessee shall pay to the owners of the royalty hereunder an amount equal to One Dollar (\$1.00) per acre per year, for such acres retained hereunder. Such payments shall be made annually and shall become due on each anniversary hereof while such Force Majeure continues, except that the first payment shall be made within three months after occurrence of Force Majeure and shall be proportionate in amount to the unexpired portion of the then current year, if for less than a year. Nothing herein shall impair the right of Lessee to release this lease as to all or any portion of the lands covered hereby and be relieved of all obligations thereafter accruing as to the acreage released.

13. Lessee shall furnish Lessor a copy of all wireline logs, core analysis and drill stem tests conducted by Lessee covering wells drilled on Lessor's lands. Such information or data received from Lessee shall be for the exclusive benefit and use of Lessor.

shall be treated for all purposes as if it were included in this lease. In lieu of the royalties herein specified elsewhere, Lessor shall receive, on the production from the unit so pooled, only such proportion of the royalties stipulated herein as the amount of his acreage (oil and gas rights) placed in the unit bears to the total acreage so pooled in the particular unit involved. If operations be conducted on or production be secured from land in such pooled unit, it shall have the same effect as to maintaining the Lessee's rights in force hereunder as if such operations were on or such production from land covered hereby except that its effect shall be limited to the land covered hereby which is included in such pooled unit. This lease, during any period in which it is being so maintained as to part of the land covered hereby may be maintained as to the remainder in any manner elsewhere provided for herein; provided, that if it be maintained by rental payment, the rentals may be reduced in proportion to the number of acres in such unit as to which this lease is being maintained by drilling operations or production.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, representatives, successors, and assigns of the parties hereto, but no change in ownership of the lease, land, rentals or royalties however accomplished, shall be binding on either party until thirty (30) days after a certified copy of a recorded instrument evidencing any assignment, transfer, inheritance, sale or other change in ownership is furnished.

8. In the event Lessor has noticed that operations are not being conducted in compliance with this contract, Lessee shall be notified in writing of the facts relied upon as constituting a breach hereof and Lessee shall have sixty (60) days after receipt of such notice to comply with the obligations imposed by virtue of this instrument. Lessee agrees to indemnify and hold harmless Lessor from all liability and damages for or arising out of the operations of Lessee. Lessee's operations under the terms of this lease shall be subject to, and Lessee shall be bound by and observe, all provisions contained in Exhibit "B" attached hereto and made a part hereof for the protection of coal rights under the premises.

9. The parties hereto agree that there are reserved and excluded from this lease all coal, iron ore and all other minerals and easements necessary to the recovery and marketing thereof. Anything in this lease to the contrary notwithstanding, the parties further agree that for all purposes of this lease it is understood that Lessor may not own or claim to own the surface of any of the lands described herein, but Lessor does claim to own the entire, undivided mineral interest in and to the oil, gas, gas derivatives, elemental sulphur, and liquid hydrocarbons in and under the lands described herein, together with the usual and customary mineral rights and privileges pertaining thereto; Lessor makes no warranty of any kind or character with respect to its title to the interests in lands leased and demised herein, but does hereby agree with Lessee that if its interest in any of the lands described herein is less than the interest claimed by it and specified hereinabove in this Paragraph 9, or Lessor shall have no interest in such land, the Lessor will restore to Lessee, in the proportion which Lessor's interest therein bears to the interest claimed by Lessor, and specified in this Paragraph 9, all bonuses, rentals, royalties and any other monies paid by Lessee to Lessor under this lease with respect to the lands as to which Lessor owns such less interest or no interest.

10. It is understood and agreed that Lessee shall conduct its exploration, drilling, production and marketing in a reasonable and workman-like manner not only with a view to reasonable development and recovery of oil, gas, petroleum and petroleum products, and avoidance of waste, but to the conservation of potential production and reserves by the avoidance of drainage by adjacent owners, the intrusion of water into an oil or gas stratum, the escape of oil or gas out of one stratum to another, or the pollution of fresh water by oil, gas or salt water.

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14. The First National Bank of Birmingham executes this instrument solely in the representative capacity named and expressly limits its liability, if any, hereunder to the trust interest in property held by it from time to time in such capacity.

LESSOR:

THE FIRST NATIONAL BANK OF BIRMINGHAM
as Trustee u/w/o W. G. Nichols, deceased

ATTEST:

Bond Z. Bani
Ass't Vice President & Geologist

BY: Henry A. Long Jr.
Its SENIOR VICE PRESIDENT & TRUSTEE

LESSEE:

ANSCHUTZ CORPORATION

ATTEST:

Lillian J. Lentz
S. A. C.

BY: Miss Antikrains
Its Vice president

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STATE OF ALABAMA)

SHELBY COUNTY)

I, the undersigned authority, a Notary Public in and for said County, in said State, hereby certify that HENRY A. LONG, JR. and Boyd L. BAILEY, whose names as ASST VICE PRESIDENT & Trust Officer and ASST VICE PRESIDENT & Trust Officer respectively, of The First National Bank of Birmingham, a corporation, as Trustee as aforesaid, are signed to the foregoing conveyance and who are known to me, acknowledged before me on this day, that being informed of the contents of said conveyance, they as such officers and with full authority, executed the same voluntarily for and as the act of said corporation, acting in its capacity as aforesaid.

1980. Given under my hand and official seal this 29th day of December.

Patricia C. Brown
Notary Public
My Commission Expires: 7-21-84

STATE OF COLORADO)

I, the undersigned authority, a Notary Public in and for said County, in said State, hereby certify that Willis A. Williams and William F. Dintz, whose names as Vice President and Assistant Secretary respectively, of Anschutz Corporation, a corporation, are signed to the foregoing conveyance and who are known to me, acknowledged before me on this day, that being informed of the contents of said conveyance, they as such officers and with full authority, executed the same voluntarily for and as the act of said corporation, on the day the same bears date.

1981. Given under my hand and official seal this 6th day of January.

Janet B. Frasse
Notary Public
My Commission Expires: November 22, 1981

EXHIBIT A

W. G. NICHOLS TRUST

OWNERSHIP:

H. L. Nichols - 1/3 40-6368-00-1
M. L. Curtis - 1/3 40-6369-00-9
W. G. Nichols, Jr. - 1/3 40-6371-00-5

SHELBY COUNTY, ALABAMA

	<u>SEC</u>	<u>TWP</u>	<u>RNG</u>	<u>ACRES</u>
S½ of SW¼ of SE¼ less 5 acres sold to F. M. Dansby	9	22	2W	15
NW¼ of SW¼	2	22S	2W	40
NE¼ of SW¼, Less West 990 feet of South 446 feet	3	22S	2W	30
NE¼ of SE¼; W½ of SE¼	3	22S	2W	120
SE¼ of SW¼; less West 990 feet	3	22S	2W	10
NW¼ of NE¼; NE¼ of NW¼	10	22S	2W	80
SW¼ of NE¼	10	22S	2W	40
SE¼ of SW¼; All of S½ of SE¼ lying West of Coosa River	23	21	1E	
N½ lying North of Beeswax Creek and West of Coosa River less the NW¼ of NW¼	26	21	1E	150
Fractions of E, F, and M, in Fractional	21	22	1W	<u>112</u>
		TOTAL		597

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Plugging Dry and Abandoned Wells:

(d) All dry and abandoned wells shall be plugged as required by all applicable laws and regulations of the State of Alabama, the Alabama State Oil and Gas Board and any other agencies having jurisdiction.

Casing of Wells:

(e) Wells shall be encased as required by all applicable laws and regulations of the State of Alabama, the Alabama State Oil and Gas Board and any other agencies having jurisdiction.

(f) Lessee agrees that it will conduct its operation in such manner as to do no unnecessary damage and that it will not unreasonably interfere with the operations of Lessor or its Lessees who may be removing timber or coal or other minerals from the demised premises, it being understood that such protection to Lessor or its coal lessees includes the protection of all seams of coal from water, gas, or oil at the time any well is being drilled or abandoned. Lessee agrees that it will not drill any well through any entry or haulway in any coal mine in operation on the same premises and will, if any well be drilled through any part of an abandoned mine, project its casing through such openings to prevent the leakage or escape of oil or gas; Lessor agrees that within thirty (30) days after execution hereof, it will deliver to Lessee available plats accurately showing all shafts, haulways, tunnels, stopes and winzes in and under said lands, and thereafter quarterly or oftener, if requested by Lessee, deliver to it plats of any extensions or additions thereto. Lessor agrees that it will conduct all of its mining operations in the leased lands in such manner as to do no unnecessary damage and to not unreasonably interfere with the operation of Lessee herein for the development of oil or gas and Lessor agrees that if it leases any of the lands for the development of coal subsequent to the date of this oil and gas lease, it will require its lessee or lessees in any of the said leases to conduct its operations in such manner as to do no unnecessary damage and to not unreasonably interfere with the operations of Lessee herein for the development of oil or gas.

Section 2. In the event coal is encountered in the drilling of any well or wells, test holes or borings, the Lessee will do and perform such usual and customary practices in penetrating such veins of coal as may be necessary to properly protect such veins of coal or abandoned mine workings and upon the abandonment of any such wells or wells, test holes or borings, shall perform the same practice.

Section 3. The provisions of sub-paragraphs 1 (a), (b), (c), (d), and (e), of Section 1 of this Exhibit "B" shall not apply to core holes and seismograph shot holes when such holes are not drilled to a depth greater than 150 feet beneath the surface of the earth and do not penetrate a gas bearing formation beneath a workable coal bed. However, this shall not relieve Lessee from complying with the provisions, restrictions and protective measures of this Exhibit "B" insofar as they relate to any well drilled on the leased premises in search of oil or gas.

The Lessee, its assigns and successors, agree to use reasonable care and precaution in placing said "shotholes" and will forever defend and does hereby indemnify said Lessors against the claim of any person, persons, or corporations arising out of the placing of such "shotholes" upon the lands of the Lessor.

Section 4. Lessor agrees not to conduct blasting operations within 150 feet of any drilling, producing or shut-in well on the above described acreage. This applies only to the well and not to any reservoir thereunder or appurtenant thereto.

EXHIBIT B

Attached to and made a part of that certain Oil, Gas, Sulphur and Helium Lease dated the 29th day of December, 1980, executed by The First National Bank of Birmingham, Alabama, as Trustee u/w/o W. G. Nichols, deceased as Lessor, in favor of Anschutz Corporation, 2400 Anaconda Tower, Denver, Colorado as Lessee, covering and affecting 597.0 acres of land, more or less, situated in Shelby County, Alabama.

and
being the provisions for the protection of coal rights under the land covered and affected by said Lease.

Section 1. In any well drilled on the leased premises, except as hereinafter provided, Lessee shall be bound by and observe the following restrictions in drilling and protecting such well should such well penetrate a workable coal bed. For the purpose of this Exhibit B, a workable coal bed shall be any coal bed of present or probably future value encountered in drilling at a depth not greater than 300 feet subsurface; and the term "gas" shall include not only such gaseous substances as are covered by said lease but also all other gaseous substances of any kind encountered beneath the surface.

Protective Devices When Well Penetrates
Workable Coal Bed:

(a) A well penetrating one or more workable coal beds shall be drilled to such depth and be of such size as will permit the placing of casing and cement in the hole at such points and in such manner as will exclude all water, oil, gas or gas pressure from the coal bed, except such as may be found in the coal bed itself. Casing run through a workable bed of coal shall be seated at least thirty feet below such coal bed, and encased in cement. After any such string of casing has been so seated, the cement shall be allowed to stand a total of twelve (12) hours before initiating tests or drilling the plug. If casing tests meet requirements of Alabama Oil & Gas Board then, drilling may proceed forthwith to any required depth.

Continuance of Such Protective Devices
During Life of Well:

(b) In the event that a well becomes productive of any mineral covered by said lease, all coal-protecting strings of casing shall remain in place during the life of the well. During the life of the well the annular spaces between the various strings of casing adjacent to workable beds of coal shall be kept open, and the top ends of all such strings shall be provided with casing heads, or such other suitable devices as will permit the free passage of gas and prevent filling of such annular spaces with dirt or debris.

Protective Devices When Well is Drilled
Through Horizon of Coal Bed from Which
Coal Has Been Removed:

(c) When a well is drilled through the horizon of a coal bed from which the coal has been removed, the hole shall be drilled at least thirty feet below the coal bed, of a size sufficient to permit the placing of a liner which shall start not less than twenty feet beneath the horizon of the coal bed and extend not less than twenty feet above it. Within this liner, which may be welded to the casing to be used shall be centrally placed the largest sized casing to be used in the well, and the space between the liner and casing shall be filled with cement as they are lowered into the hole. Cement shall be placed in the bottom of the hole to a depth of twenty feet to form a sealed seat for both liner and casing. Following the setting of the liner, drilling shall proceed in the manner provided above. Should it be found necessary to drill through the horizon of two or more workable coal beds from which the coal has been removed, such liner shall be started not less than twenty feet below the lowest such horizon penetrated and shall extend to a point not less than twenty feet above the highest such horizon.

STATE OF ALA. SHELBY CO.
I CERTIFY THIS
INSTRUMENT WAS FILED

1981 JAN 26 AM 11:07

Acad Tax - 3.00
Minerality 29.85
13.50
1.00
7.35

2400 ANACONDA TOWER
DENVER, COLORADO 80202

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