

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 2nd day of March 1981, between
Terry F. Colwell and his wife Karen J. Colwell

Lessor (hereafter one of us), whose address is: P.O. Box 1827, Columbus, Miss. 39701
and Shelby Service Company,

in consideration of Ten and More

(\$100.00), in hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, Lessor 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, transport and own said products, and housing its employees, the following described land in Shelby County, Alabama, to-wit:

FOR DESCRIPTION SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART OF THIS LEASE.

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



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Shelby Cnty Judge of Probate, AL
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Notwithstanding anything herein to the contrary, it is hereby agreed that each royalty owner may, at his option, take his royalty share of gas in kind. Within thirty (30) days after receipt of notice from the owner of the lease of the completion of a well capable of producing gas in paying quantities upon the leased premises or acreage pooled therewith, each royalty owner shall notify such owner in writing of his election to take his royalty share of gas in kind or of his election to allow such owner to dispose of such royalty share of gas. The failure of a royalty owner to make known his election to such owner shall be an election to allow the owner of the lease to dispose of such gas. If a royalty owner elects to take his royalty share of gas in kind, delivery of such gas shall be made at the well to him or his designate free of cost, expense and liability to the owner of the lease. If a royalty owner elects not to take his royalty share of gas in kind, the owner of the lease may contract for the sale of same upon the same terms and conditions under which such owner disposes of all gas produced and the royalty owner's proceeds for such gas shall thereafter be based upon the price received therefor by such owner.

A "gas well" as used in Paragraph #3 hereof shall be construed as a well capable of producing gas and/or condensate and/or distillate and/or other gaseous substance in commercial quantities, and the term "gas" shall be construed to include any such substances.

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, tract or tracts, or in adjacent sections or tracts, although not included within the boundaries of the land particularly described above. For the purpose of determining

the amount of any money payments hereunder, the lands herein described shall be treated as comprising 920 acres, whether there be more or less, and in the event of a partial redemption or surrender hereunder, the assigned or surrendered portion or portions shall be deemed to contain the number of acres stated in such redemption or surrender.

2. Subject to the other provisions herein contained, this lease shall be for a term of five (5) 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.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth 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-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a gas well is not sold or used, Lessee may pay as royalty \$100.00 per well per year and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, 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 fifty cents (50c) per long ton. 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 the royalty on oil, gas and coal shall be computed after deducting any so used. Lessor shall have the privilege at his 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. 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 immediate vicinity thereof, 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 lawful 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 well or wells 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 stipulated 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 particular unit involved.

5. 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 as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor

in First Columbus National Bank at Columbus Mississippi (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 rentals) the sum of Nine Hundred twenty & NO/100 Dollars

(\$ 920.00), (herein called rental), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner 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 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 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 and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. 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 thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 90 days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 90 days from date of completion of dry hole or cessation of 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 shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result 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 producing oil or gas in 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 drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. 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 draw and remove all casing. When required by Lessor, 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 on said land without Lessor'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.

8. 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; but no change or division in 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 in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have 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 assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals 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 as to the heirs or devisees of the deceased, and that all debts of the estate 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 joint credit in 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 separately or to his separate credit in said depository; 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 assignment of this lease as to a segregated portion of said land, the rentals 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, at its option, make a payment thereof unless and until furnished with a recordable instrument executed by all such parties, stating an agent to receive payment for

9. The breach by Lessee of any obligation hereunder shall not work a forfeiture or termination of this lease nor be cause for termination hereof in whole or in part save as herein expressly provided. If the obligation should require the drilling of a well or wells, Lessee shall have ninety (90) days after the receipt of written notices by Lessee from Lessor specifically stating the breach alleged by Lessor within which to begin operations for the drilling of any such well or wells; and the only penalty for failure so to do shall be the termination of this lease save as to forty (40) acres for each well being worked on or producing oil or gas, to be selected by Lessee so that each forty (40) acre tract will embrace one such well. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, or any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises herein described, in so far as said rights of homestead may in any way affect the purpose for which this lease is made as recited herein, and agrees that the annual drilling deferment rental payments made to Lessor as herein provided will fully protect this lease as to the full interests of the undersigned.

13. If, upon the expiration of the primary term hereof, this lease is not continued in force and effect under and pursuant to any provision hereof, Lessee shall have and is hereby given and granted an option to renew and extend this lease for and additional period of five (5) years from the expiration of said primary term. Said option shall be exercised by Lessee's paying or tendering to Lessor not less than thirty (30) days before the expiration of said primary term the sum of \$10.00 Dollars per net mineral acre for each acre retained hereunder. Said payment or tender may be made to the Lessor or to the depository bank named hereinabove. If such payment or tender is made, the provisions of the paragraph contained hereinabove relating to the payment of delay rentals shall in all things be applicable to the primary terms as extended pursuant to this paragraph in the same manner as if such extended term were a part of the original primary term set forth hereinabove; provided, however, that said payment or tender shall be considered both as bonus consideration for the extended period and rental for the sixth (6th) lease year of this lease.

SIGNED FOR IDENTIFICATION:

[Signature: Karen J. Caldwell]
[Signature: Karen J. Caldwell]

STATE OF _____
COUNTY OF _____

I, _____, a Notary Public in and for said County, in said State, do hereby certify that on the _____ day of _____, 19____, came before me the within named _____, known to me to be the wife of the within named _____, who being examined separate and apart from the husband, touching her signature to the within instrument, acknowledged that she signed the same of her own free will and accord, and without fear, constraints or threats on the part of her husband.

Given under my hand and Official Seal, this _____ day of _____, A. D. 19____

Notary Public in and for _____ County.

Oil, Gas and Mineral Lease

FROM

TO

Dated _____, 19____
This instrument was filed for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and duly recorded in _____, Page _____, records of this office.
(Official Title)
When recorded return to _____

In WITNESS WHEREOF, this instrument is signed, sealed and delivered on the date first above written
WITNESS:

SS#

JERRY F. COLWELL

KAREN J. COLWELL

STATE OF MISSISSIPPI

COUNTY OF LOWNDES

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that
Jerry F. Colwell and his wife Karen J. Colwell

Whose names are signed to the foregoing instrument, and

who are known to me, acknowledged before me on this day, that, being informed of the contents of the instrument, they executed the same voluntarily on the day the same bears date.

Given under my hand and Official Seal, this 2nd day of March, A. D. 1981

Notary Public in and for

Lowndes

Mississippi

My commission expires: November 24, 1984

WIFE'S SEPARATE ACKNOWLEDGMENT

STATE OF

COUNTY OF

I, a Notary Public in and for said County, in said State, do hereby certify that

on the day of 1981, came before me the within named

known to me to be the wife of the within named

who being examined separately and apart from the husband, touching her signature to the within instrument, acknowledged that she signed the same of her own free will and accord, and without fear, constraint or threats on the part of her husband.

Given under my hand and Official Seal, this day of A. D. 19

Notary Public in and for

County

EXHIBIT "A"

SHELBY COUNTY, ALABAMA:

TOWNSHIP 20 SOUTH, RANGE 2 WEST

SECTION 33: NE/4 of NE/4; and S/2 of NE/4; and S/2
of NW/4

SECTION 35: NE/4 of NE/4; and W/2 of NE/4; and N/2
NW/4

SECTION 9: N/2 of NW/4; and E/2 of SE/4; and SE/4
of NE/4

TOWNSHIP 21 SOUTH, RANGE 2 WEST

SECTION 5: N/2 of SE/4

SECTION 11: SW/4; and E/2 of NW/4

SIGNED FOR IDENTIFICATION:

Jerry F. Colwell
Karen J. Colwell

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

1981 APR 22 AM 9:13

Thomas A. Swann, Jr.
JUDGE OF PROBATE

Deed 10.50
Manual 46.00
Rec. 20.00
Ind. 1.00

77.50

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