

Bruce, Miss.

## OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 1st day of February, 1962, between

Farris Land Company, Inc.

Lessor (whether one or more) whose address is 561 1st Street, Alabaster, Alabama  
and Anoco Production Company, P. O. Box 50879, New Orleans, La. 70150

1 Lessor in consideration of Ten and No/100 and other valuable considerations \_\_\_\_\_ dollars.

\$10.00 & OVC, in kind part, of the royalties herein provided, and of the agreement of Lessor herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and coming 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, County, Alabama, to wit:

TOWNSHIP 21 SOUTH, RANGE 3 WEST

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

It is understood and agreed that this lease covers only oil, gas, gaseous derivatives and other gaseous and liquid hydrocarbons and sulphur but does not cover coal, iron ore, or any other hard rock minerals.

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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 considerations 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, although not included with the boundaries of the land particularly described above, for the purpose of determining the amount of any sum or payment to be made, that which is shall be paid to Lessor.

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 \_\_\_\_\_ acres, whether there be more or less, and in the event of a partial assignment or surrender hereunder, the assigned or surrendered portion or portions shall be deemed to contain the number of acres stated in such assignment or surrender.

3. 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 the land or lands with which said land is pooled herewith.

4. The royalties to be paid by Lessor are (a) on oil, one-eighth (1/8) of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected. Lessor may from time to time purchase any royalty held in its possession, paying the market price therefor, plus aading for the field where produced or the date of production, a sum equal to such interest to bear its proportion of any expense of treating unmarketable oil to render it merchantable as crude, the amount being one-eighth (1/8) of the market value at the well of the gas or of the oil produced in operations not connected with the land leased or any pooled unit containing all or a part of said land; the royalty on gas shall be fixed to be one-eighth (1/8) of the amount realized at the well from sales of gas, plus one-eighth (1/8) of the market value at the mouth of the well of gas used by Lessor in manufacturing gasoline or other by products, except that in computing such value, there shall be excluded (a) the gas or components thereof used in lease or unit operations, and (b) on all other minerals mined and marketed, one-tenth (1/10) either in kind or value at the well or mine, at Lessor's election, except that if no sulphur is mined and marketed, the royalty shall be fifty cents (\$0.50) 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, gas or gaseous substances in paying quantities but such minerals are not being produced, then Lessor's rights may be maintained in the absence of production in drilling operations, by commencing or resuming such payments (hereinafter 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, Lessor's rights may be extended beyond and after the primary term by the commencement, resumption or continuance of such payments at the rate and in the manner herein provided for rental payments during the primary term, and for the purpose of computing and making such payments the expiration date of the primary term and each anniversary date thereof shall be considered as a fixed rental day and date, and of each the month and year shall be determined by the calendar month and year in which the expiration date falls.

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 hereto. Lessor shall have free use of oil, gas and 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 deducting any so used.

4. Lessor 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, leases or leases in the immediate vicinity of the same, which in lessor's judgment, if 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 Lessor, prior to the conservation of the oil and gas in and under and that may be produced from such premises. Lessor 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 is 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 the 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 Citizens Bank and Trust, Alabaster, Alabama, which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of change in ownership of said land or the party then owing

payments or rentals thereupon the unpaid amount of arrearage 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 a part rental for a period. Lessor 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 rental payable by lessor shall be reduced in the amount of the

6. If prior to the 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 60 days thereafter or if it be within the primary term, except by notice of nonpayment or tender of rentals to commence operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 60 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, no prior to the discovery of oil, gas or other mineral on said land or on acreage,

such leasehold interest shall remain in force during the primary term and prior to the discovery of oil, gas or other mineral on such land or for a longer period of time if the lessor shall drill at least one well on the interest and payment of operating expenses necessary in order to keep the leasehold interest in force during the primary term. If at the end of the primary term no oil or gas or other mineral has been discovered on such land or for a longer period thereafter, but lessor is then engaged in drilling or reworking operations thereon or shall have completed such operations within sixty (60) days prior to the end of the primary term, the leasehold interest in force so long as operations are prosecuted with the necessary of more than sixty (60) consecutive days, and if they result

9. The breach by Lessor of any obligation hereunder shall not work a forfeiture or termination of this lease, nor be cause for cancellation hereof in whole or in part save as provided in the lease, unless such breach or failure to perform any 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 and the time 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 drilled or capable of producing oil or gas, to be selected by Lessor 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, Lessor 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 Lessor 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 Lessor'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 Lessor to reduce rental paid hereunder shall not impair the right of Lessor to reduce royalties. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalties 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 authority 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 within so long as prevented, Lessor's obligation to comply with such covenant shall be suspended, and Lessor shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and as long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas from the leased premises, and the time while Lessee is so prevented shall not be counted against Lessor anything in this lease to the contrary notwithstanding.

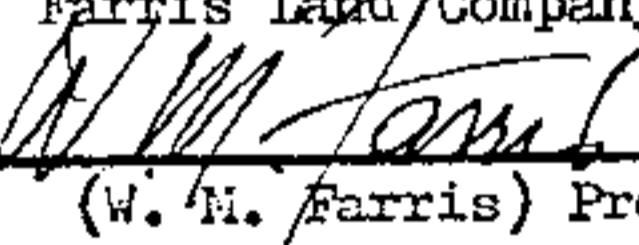
12. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises herein described, in so far as said rights of homestead may affect the purpose for which this lease is made as recited herein, and agrees that the annual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

13. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer. All others made up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this Section. Should Lessee elect to purchase the lease pursuant to the terms hereof, it shall be so notify Lessor in writing by mail or telegram prior to expiration of said 15-day period. Lessee shall promptly thereafter furnish to Lessor the new lease for execution on behalf of Lessor along with Lessee's sight draft payable to Lessor in payment of the specified amount as consideration for the new lease, such draft being subject only to approval of title according to the terms thereof. Upon receipt thereof, Lessor shall promptly execute said lease and return same along with the endorsed draft to Lessee's representative or through Lessor's bank of record for payment.

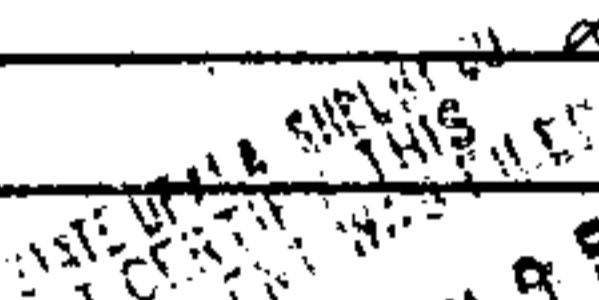
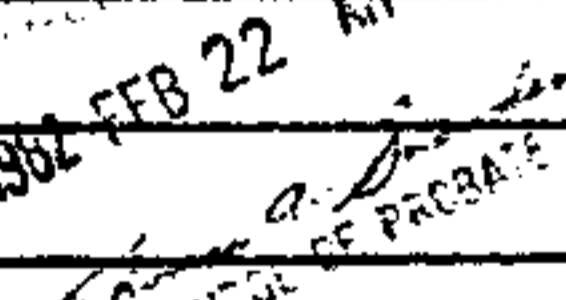
14. Lessee shall have the option to renew this lease, in whole or in part, and extend the primary term for an additional period equal to the initial primary term commencing on the expiration date of the initial primary term by paying or tendering to Lessor, as a bonus, the sum of Fifteen and No/100 Dollars (\$15.00) per acre for each acre renewed, on or before the expiration date of the initial primary term or, if drilling or reworking operations are being conducted on the leased premises or land pooled therewith on the expiration date of the initial primary term and such operations do not result in a commercial well and the well is plugged or abandoned, payment or tender may be made within thirty (30) days from the date on which the well is plugged or abandoned. Payment or tender of the renewal bonus may be made in the same manner and into the same depository provided for the payment of delay rental. If Lessor owns an interest in the land less than the entire fee simple estate, the renewal bonus shall be reduced proportionately to accord with the interest actually owned by the Lessor. In the event of the assignment of this lease as to a segregated portion of the land, the renewal bonus payable hereunder shall be apportionable as between the several leasehold owners ratably and according to the surface area of each and the renewal option shall be exercisable severally and separately as to each assigned portion. In the event the lease is renewed and extended in part only, Lessee shall promptly file for record an instrument in the county in which the land is situated, designating the acreage renewed and extended and the acreage released. The renewal bonus shall be in lieu of delay rental for the first year of the extended term.

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

Farris Land Company, Inc.

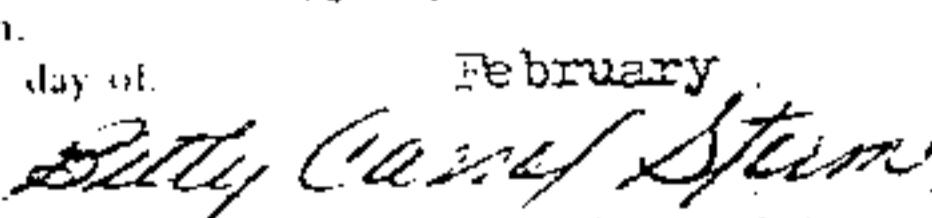
  
(W. M. Farris) President

Tax I.D.# 

STATE OF  Alabama  
COUNTY OF  Shelby

Attest by:

ALABAMA, FLORIDA, GEORGIA, LOUISIANA, AND MISSISSIPPI  
(Corporation Acknowledgment — Uniform)

STATE OF Alabama }  
COUNTY/PARISH OF Shelby }  
On this 4th day of February, 1982, before me appeared W. M. Farris,  
to me personally known, who, being by me duly sworn, did say that he is the President of Farris Land Company, Inc., and that the seal affixed to said instrument is the corporate seal of said Corporation, and that said instrument was signed, sealed and delivered in behalf of said Corporation by authority of its Board of Directors, and said J. H. Farris  
GIVEN UNDER MY HAND AND SEAL OF OFFICE this 4th day of February, 1982  
  
Notary Public in and for said County/Parish and State  
County 