

# OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 22nd day of February 1985 between  
JAMES WILLIAM BAILEY and wife, MARY H. BAILEY; and  
LEON BAILEY and wife, VALERIA BAILEY

lessor (whether one or more), whose address is: #8 11 Court West, Birmingham, Alabama 35204  
and Amoco Production Company; P.O. Box 50879; New Orleans, LA 70150 lessor, WITNESSETH:

## TEN DOLLARS AND OTHER VALUABLE CONSIDERATIONS

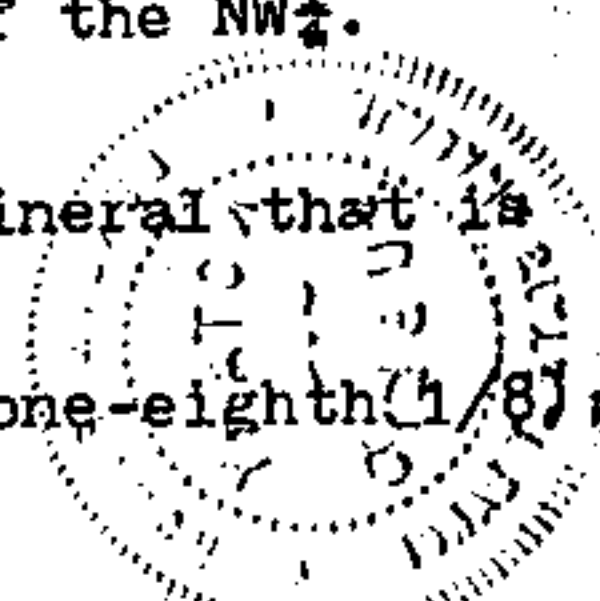
1. Lessor, in consideration of TEN DOLLARS AND OTHER VALUABLE CONSIDERATIONS Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purpose and with the exclusive 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:

### TOWNSHIP 18 SOUTH - RANGE 1 EAST

Section 15: The W $\frac{1}{2}$  of the SE $\frac{1}{4}$ , and the SE $\frac{1}{4}$  of the SW $\frac{1}{4}$ .  
16: The E $\frac{1}{2}$  of the E $\frac{1}{2}$  of the SE $\frac{1}{4}$ .  
22: The NW $\frac{1}{4}$  of the NW $\frac{1}{4}$ , and the E $\frac{1}{2}$  of the SW $\frac{1}{4}$  of the NW $\frac{1}{4}$ .

This lease does not cover coal, iron ore or any other mineral that is mined by the open pit, strip or shaft mining methods.

Wherever in paragraph #3 below royalties are stated as one-eighth(1/8), said royalties are hereby changed to one-sixth(1/6).



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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 lessee by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessee has a preference right of acquisition. Lessee agrees to execute any supplemental instrument requested by lessor for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 226 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 as lump sum consideration 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 Five (5) 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 average posted 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 and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the month of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the month of the well, of one-eighth of such gas and casinghead gas; (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 one dollar (\$1.00) for each acre of land then covered hereby. 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 sub-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, or may be deposited to such parties credit in

the National Bank of Commerce Bank at Birmingham, Alabama or its successors, which shall continue as the depositories, regardless of changes in the ownership of shut-in royalty. If at any time that lessee pays or tenders shut-in royalty, 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 shut-in royalty, in the manner above 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 the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease 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.

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 horizons 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 and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoirs. If larger units are required, under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining 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 required 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 to 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 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 the 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 shut-in production royalties which may become payable under this lease. Neither shall it impair the right of lessee to release from the lease all or any portion of said land, except that lessee may not in 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, at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit now 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. 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 any mineral or horizon thereunder, and thereby relieved of all obligations as to the released acreage or interest.

6. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated except as otherwise provided herein, to commence or continue any operations during the primary term. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging 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.

7. Lessee shall have the use, free from royalty, of water, other than from lessor's water wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party herein may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties herein, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, however effected, shall increase the obligation or diminish the rights of lessor, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other moneys, or the right to receive the same, however effected, shall be binding upon the then record owner of this lease until thirty (30) days after there has been furnished to such record owner of his or its principal place of business by lessor or lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless, pay or tender such royalties, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above.

9. In the event lessor considers that lessor has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessor in writing, setting out specifically in what respects lessor has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessor. Neither the service of said notice nor the doing of any act by lessor aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessor has failed to perform all its obligations hereunder. Should it be asserted as any notice given to the lessor under the provisions of this paragraph that lessor has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and lessor has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which lessor has been judicially determined to be in default. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessor as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessor shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. Lessor is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessor or any other party contends is outstanding and not covered hereby, and even though such outstanding interest or claim be invalid or adverse to lessor. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalties interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If while this lease is in force at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 3 hereof, and lessor is not conducting operations on said land by reason of (1) any law, order, rule or regulation (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessor, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

12. 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 lessor 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 offers 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 lessor elect to purchase the lease pursuant to the terms hereof, it shall so notify lessor in writing by mail or telegram prior to expiration of said 15-day period. Lessor shall promptly thereafter furnish to lessor the new lease for execution on behalf of lessor(s) along with lessor'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(s) shall promptly execute said lease and return same along with the endorsed draft to lessor's representative or through lessor(s) bank of record for payment.

WITNESS WHEREOF, this instrument is executed on the date first above written.  
WITNESS:

SS#

SS#

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

1985 APR 16 AM 9:53

Thomas A. Standley, Jr.  
JUDGE OF PROBATE

James William Bailey (SEAL)  
JAMES WILLIAM BAILEY

Mary H. Bailey (SEAL)  
MARY H. BAILEY

Leon Bailey (SEAL)  
LEON BAILEY

Valeria Bailey (seal)  
VALERIA BAILEY

RECORDING FEES

|               |       |
|---------------|-------|
| Mortgage Tax  | \$    |
| Deed Tax      | .50   |
| Mineral Tax   | .42   |
| Recording Fee | 15.00 |
| Index Fee     | 3.00  |

\$18.92

STATE OF ALABAMA

COUNTY OF JEFFERSON

I hereby certify, that on this day, before me, a legal authority

James William Bailey and wife MARY H. BAILEY; and LEON BAILEY and wife, VALERIA BAILEY

to me known to be the persons who are described in and who executed the foregoing instrument and

acknowledged before me that, being informed of the contents of the same, they

Given under my hand and official seal, this 22nd day of February

(Affix Seal)

Notary Public Bertha French

(Title of Official)

My commission expires 9-20-86

to and for Jefferson County, Alabama

JEFFERSON DEED, JACOBSON, MINN

When recorded return to

County Clerk

Receipt of this office

and duly recorded in

This instrument was filed for record on the

Day of

At

Notary

Dated

TO

FROM

Oil, Gas and Mineral Lease

Producers 88 (9-79) Paid Up with Pooling Provision Mississippi-Alabama-Arkansas