Producers 88 [redacted](Paid-up)
Southeastern

This Instrument prepared by: [redacted]n Oil Inc.
[redacted]ox 32
Colum[redacted]s, Ms 39701

Act 1985 [redacted]

677

Consideration 1389.50

PAID-UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made as of the 12 day of October, 19 88, between Jimmie Sue B. Spratlin and her husband W. B. Spratlin whose address is 2806 Avondale Dr., Johnson City, Tennessee 37604 as Lessor (whether one or more), and Meridian Oil, Inc., 400 Northbelt, Suite 1200, Houston, Texas 77060 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Description.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants exclusively to Lessee the following described land (use attachment for long descriptions):

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR DESCRIPTION.

SEE EXHIBIT "B" ATTACHED HERETO AND MADE PART HEREOF FOR ADDITIONAL PROVISIONS.

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Source of Title: Book Page
For Recording purposes this lease contains 198.5 net acres.

in the County of Shelby, State of Alabama containing 198.5 acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Five years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-eighth of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the Lessee's oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same or nearest field for production of similar grade and gravity; (b) For gas (including casinghead gas) and all other substances covered hereby, the royalty shall be one-eighth of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the costs incurred by Lessee in delivering, compressing, processing or otherwise making such gas or other substance merchantable, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same or nearest field pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) If a well on the leasehold premises or lands pooled therewith is capable of producing gas (including casinghead gas) but such well is either shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor, and if this lease is not otherwise maintained in effect, such well shall nevertheless be considered as though it were producing gas in paying quantities for the purpose of maintaining this lease, after the primary term, if Lessee pays shut-in royalty of One Dollar per acre then covered by this lease, such payment to be made to Lessor on or before the next ensuing anniversary date of this lease, or within 90 days after such anniversary date, and thereafter on or before each anniversary date hereof while the well is shut-in or production therefrom is not being sold or purchased by Lessee or royalties on production therefrom are not otherwise being paid to Lessor. For the purpose of calculating shut-in royalties, the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

4. **Operations.** If at the end of the primary term or at any time thereafter this lease is not otherwise being maintained in force, it shall nevertheless remain in force as long as lessee engages in drilling, reworking or any other operations reasonably calculated to obtain or restore production on the leased premises or lands pooled therewith without an interruption of more than 90 consecutive days, and, if such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities.

5. **Pooling.** Lessee shall have the right but not the obligation to pool all or part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to oil or gas or both, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well shall not exceed 640 acres plus a maximum acreage tolerance of 10%, except that larger units may be formed for oil wells or gas wells to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production produced and saved which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. The restrictions and requirements of this Paragraph 5 shall not apply to compulsory pooling of interest effected by operation of law or by order of any governmental authority having jurisdiction, but all other references to pooling contained in this lease shall include such compulsory pooling as well as pooling effected under this Paragraph 5.

6. **Lesser Interest.** If Lessor owns less than the entire and undivided mineral estate in the above-described land or any portion thereof, the royalties and shut-in royalties herein provided shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in said land or portion thereof. Any interest in production from the lands herein described to which the interest of Lessor may be subject shall be deducted from the royalty herein reserved.

7. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 45 days after Lessee has been furnished the originals or certified copies of the documents effecting such change, or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order, which Lessor hereby agrees to execute prior to the payment of royalties hereunder. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay such shut-in royalties to such persons either jointly, or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to the interest not so transferred.

8. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligations to pay shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder, and for such purpose the number of lease acres described in Paragraph 1 shall be deemed correct, whether actually more or less.

9. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations and other facilities to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. The right of ingress and egress granted hereby shall apply to the entire leased premises notwithstanding any release or other termination affecting any portion thereof. When requested by Lessor in writing, Lessee shall bury its pipelines below plow depth. No well shall be located less than 200 feet from any house or barn now on the leased premises without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises, and to timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease or within a reasonable time thereafter.

10. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented, materially impeded or delayed by such laws, rules, regulations or orders, or by inability to obtain equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, war, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, nor shall the Lessee be liable for breach of any express or implied covenant, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof.

11. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to remedy said breach or default.

12. **Warranty of Title.** Lessor hereby warrants and agrees to defend Lessee's title hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If it exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder until Lessee has been furnished satisfactory evidence that such claim has been resolved in Lessor's favor.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

WITNESSES AND/OR ATTESTATION:

LESSOR (WHETHER ONE OR MORE)

Jimmie Sue B. Spratlin
JIMMIE SUE B. SPRATLIN SS# [redacted]

W B Spratlin
W. B. SPRATLIN SS# [redacted]

ACKNOWLEDGEMENTS

For use in Southern Gulf States (Alabama, Florida, Mississippi)

State of Tennessee
County of Washington } INDIVIDUAL

I, David L. Beverage, a Notary Public, hereby certify that W. B. Spratlin & Jimmie S. Spratlin whose name is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he executed and delivered the same voluntarily on the day the same bears date.

Given under my hand and seal of office on this 18th day of October, 19 88

My Commission Expires: Jan. 31, 1990

David L. Beverage
Notary Public

State of ______
County of ______ } INDIVIDUAL

I, ______, a Notary Public, hereby certify that ______ whose name is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he executed and delivered the same voluntarily on the day the same bears date.

Given under my hand and seal of office on this ______ day of ______, 19____.

My Commission Expires: ______

Notary Public

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State of ______
County of ______ } CORPORATE

I, ______, a Notary Public in and for said County in said State, hereby certify that ______ whose name as ______ of the ______, a corporation, is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed and delivered the same voluntarily for and as the act of said corporation.

Given under my hand and seal of office on this ______ day of ______, 19____.

My Commission Expires: ______

Notary Public

RECORDING INFORMATION

State of ______
County of ______ }

This instrument was filed for record on the ______ day of ______, 19____, at ______ o'clock, ____ M., and duly recorded in Book ______ Page ______, of the ______ records of this office.

______

By ______ (Deputy)

(10/84)

[redacted] EXHIBIT "B" [redacted] [redacted]

Attached to and made part of that certain Oil, and Gas lease dated October 12th, 1988 between Jimmie Sue B. Spratlin and her husband W. B. Spratlin, Lessor, and Meridian Oil, Inc., Lessee.

Additional Provisions

14. In Paragraph 1 of this Lease which sets forth the substances covered and conveyed by this Lease and describes the lands to which this Lease is applicable, which paragraph is commonly known as the granting clause, there shall be added at the conclusion of the paragraph the following sentence:

> "The word gas as used herein shall also include coalbed gas, methane, occluded natural gas and any other naturally occurring gases contained in or associated with any coal seam, vein, bed, strata or deposit."

15. Lessor specifically grants to Lessee so much of the subsurface coal deposit as is reasonably necessary to drill and produce the gas under the Leased Premises. In addition, it is understood and agreed that in order to obtain maximum efficient recovery of gas from the Leased Premises, lessee is granted the right to fracture or otherwise stimulate any subsurface formation under the Leased Premises. Lessee shall be specifically relieved of any and all damages of any nature for any such stimulation, and Lessor hereby forever releases and discharges lessee, its successors and assigns from any and all liability for such damages, including loss of coal.

16. Any coal mining lease or other mineral lease, whether it be for surface mining or underground operations, executed subsequent to this lease shall be expressly subject to the rights of the lessee under the terms and conditions of this lease.

17. It is the intention of Lessor to include in this lease all lands or minerals they own in the above described Sections whether properly described herein or not.

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SIGNED FOR IDENTIFICATION:

Jimmie Sue B. Spratlin

JIMMIE SUE B. SPRATLIN

W B Spratlin

W. B. Spratlin

EXHIBIT "A"

Attached to and made part of that certain Oil, and Gas Lease dated October 12th, 1988 between Jimmie Sue B. Spratlin and her husband W. B. Spratlin, Lessor, and Meridian Oil, Inc, Lessee.

EXHIBIT "A"

LEGAL DESCRIPTION OF REAL PROPERTY

PARCEL ONE

(a) Being an irregular shaped plot of land lying partly within the SE1/4 of the SW 1/4 of Section 18, Township 22 South Range 3 West, and partly within the NE 1/4 of the NW 1/4 of Sectioon 19, Township 22 South, Range 3 West, and more particularly described as follows: Begin at the NW corner of Lot 6, in Block 2, of Thomas' Addition of the Town of Aldrich, according to Map and Survey thereof recorded in the Office of the Probate Judge of Shelby County, Alabama; thence looking East along North line of Lot 6, turn left 65 degrees 18 minutes a distance of 303.48 feet; thence an angle of 0 deg. 19 minutes to the right a distance of 580.46 feet; thence to the left at an angle of 85 degrees 55 minutes a distance of 696.48 feet; thence at an angle of 54 degrees 16 minutes to the right a distance of 109.50 feet; thence at an angle of 5 degrees 22 minutes to the right a distance of 636.67 feet; thence at an angle of 33 degrees 50' to the right a distance of 173.78 feet to the center line of Davis Creek; thence East along the center line of said Davis Creek to the East line of the SE 1/4 of the SW 1/4 of Section 18, Township 22 South, Range 3 West; thence South along said quaarter section line, continuing on along the East line of the NE 1/4 of the NW 1/4 of Section 19, in said Township and Range, to the Northwest boundary line of the land conveyed by the Montevallo Coal Mining Company to J. E. Nichols, and continue in a Southwesterly direction along the Northwest boundary line of said Nichols land to the point where such Northwest boundary line would be intersected by the Northline of said Lot 6 if extended; thence along the North boundary line of said Lot as extended, a distance of 288 feet to the point of beginning; EXCEPT A tract sold to Henry Grady Roper and wife, Diane Roper as described in Deed Book 354, Page 711, in the Probate Office of Shelby County, Alabama.

(b) Being a triangular shaped plot situated in the Southwest corner of the SW 1/4 of the SE 1/4 of Section 18, Township 22 South, Range 3 West, and bounded on two sides by the West and South lines respectively, of said Quarter Section, and bounded on the other and Northeasterly side by the center line of Davis Creek.

(c) Being a triangular plot situated in the Northwest corner of the NW 1/4 of the NE 1/4 of Section 19, Township 22 South, Range 3 West, and bounded on two sides by the North and West lines respectively, of said quarter section and bounded on the other and Southeasterly side by the Northwest boundary line of the land conveyed by the Montevallo Coal Mining Company to J. E. Nichols.

PARCEL TWO:

NW 1/4 of SE 1/4; the NE 1/4 of SE 1/4, and all that part of the NE 1/4 of SW 1/4 lying East of the Old Montevallo-Tuscaloosa Road, all in Section 18, Township 22 South, Range 3 West.

PARCEL THREE:

One acre square lying in the NW corner of the SW 1/4 of the SE 1/4, Section 18, Township 22 South, Range 3 West.

PARCEL FOUR:

(a) All that part of S 1/2 of SE 1/4 of Section 18, Township 22 South, Range 3 West, lying West of the R/W of the Southern Railway, with the following exceptions:

1. Deed Tax $ 1.50
Min TAX
2. Mtg. Tax 9.93
3. Recording Fee 37.50
4. Indexing Fee 1.00
TOTAL 49.93

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

88 DEC -9 AM 9:45

JUDGE OF PROBATE

(1) Except 10 acres in SE corner of above tract being in the NW angle formed by the Montevallo-Tuscaloosa road and West line of said R/W; the West line of said 10 acres excepted running at right angles to a North line parallel with said public road, and known as "Kirchler lot".
(2) Except 1 acre, more or less, lying South of Davis Creek in SW corner of said tract.
(3) Except 2 acres in the angle formed by the public road and North line of above described tract on East side of said road, same being 1 acre wide East and West and 2 acres along North and South, known as "Harris and Buck Shivers lots". Also excepting rights and easements granted to Alabama Power Company on 3rd January 1917 as shown by deed recorded in Deed Book 61, Page 51. Except rights and easements of public in public roads. Also except that portion thereof conveyed to Alabama Power Company by deed recorded in said Probate Office in Deed Book 272, Page 920, and also except that part conveyed to Alabama Power Company by deed recorded in Deed Book 274, Page 28.

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(b) All that part of SE 1/4 of SE 1/4 of Section 18, Township 22 South, Range 3 West, lying East of the right of way of the Southern Railroad, except lands conveyed in Deed Book 336, Page 456,457, and 458, in Probate Office of Shelby County, Alabama. EXCEPT a tract sold to Donald C. Vance and wife, Susan L. Vance as described in Deed Book 355, Page 99, in the Probate Office of Alabama. Also that part of the SW 1/4 of SW 1/4 of Section 17, Township 22 South, Range 3 West, more particularly described as follows: Begin at the SW corner of SW 1/4 of SW 1/4 of said Section 17; thence run North 89 degrees 00 minutes East along South side of said forty a distance of 758 feet: thence North 44 degrees 01 minutes East a distance of 36.77 feet: thence North 40 degrees 52 minutes East a distance of 168.40 feet; thence North 43 degrees 16 minutes East a distance of 159.95 feet; thence North 18 degrees 23 minutes West a distance of 1118.45 feet: thence South 89 degrees 04 minutes West a distance of 723.06 feet to NW corner of said forty acres; thence South 3 degrees 06 minutes East along West line of said forty acres a distance of 1334.50 feet to point of beginning. Except lands described in Deed Book 318, Page 788 and 901, and in Deed Book 330, Page 376, in Probate Office of Shelby County, Alabama. EXCEPT a tract sold to L. J. Morris and Lila P. Morris described as follows: A parcel of land in the SW 1/4, Section 17, Township 22 South, Range 3 West, Shelby County, Alabama, described as follows: From the SW corner of Section 17, run East along the Section line 338.33 feet; thence run North 631.50 feet; thence deflect right 69 degrees and run 150 feet; thence deflect right 21 degrees and run 126.82 feet to the point of beginning of subject lot; from said point, continue the last said course 248.06 feet; thence deflect left 109 degrees 23 minutes and run Northwesterly 680.33 feet to a point on a fence row; thence deflect left 70 degrees 37 minutes and run Westerly 23.09 feet; thence deflect left 90 degrees and run Southerly 641.77 feet to the beginning point.

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(c) The S 1/2 of NE 1/4 of SW 1/4 of Section 18, Township 22 South, Range 3 West, Shelby County, Alabama.

All situated in Shelby County, Alabama, and containing 198.5 acres,-