

**Ardeman Brothers—Jackson, Mississippi**

## OIL, GAS AND MINERAL LEASE

lessor (whether one or more), whose address is: 58 Fox Valley, Maylene, Alabama 35114 TX 77057  
and McKenzie Methane Corporation, 5847 San Felipe Rd., Suite 4300, Houston, James, WITNESSETH:

TOWNSHIP 20 SOUTH, RANGE 3 WEST

See EXHIBIT A attached hereto and made a part hereof for additional provisions.

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 (e) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of this lease, the description of the land shall be deemed to be the description in the instrument creating the lease.

pose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain \_\_\_\_\_ 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. 60.94

\_\_\_\_\_ Five (5) \_\_\_\_\_

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ~~ten~~ <sup>five (5)</sup> 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.

[illegible]

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 \_\_\_\_\_

Central State Bank

at Calera, Alabama 35040, 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 horizon 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 840 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. 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 in 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 be 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 this 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 royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so 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, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once 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 be 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

8. The rights and estate of any party hereto 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 hereto, 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, howsoever effected, shall increase the obligations or diminish the rights of lessee, 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 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, howsoever 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 at 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 lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee 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 lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder. Should it be asserted in any notice given to the lessee under the provisions of this paragraph that lessee 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 lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which lessee 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 lessee 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 lessee 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. Lessee is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessee 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 royalty 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 lessee 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 lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delay-cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

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

Frank Alan Griffin  
Frank Alan Griffin - S.S.# [redacted] (SEAL)

Susie Griffin  
Susie Griffin S. S.# [redacted] (SEAL)

JOINT OR SINGLE ACKNOWLEDGMENT  
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF Alabama  
COUNTY OF Shelby

I hereby certify, that on this day, before me, a Notary Public  
duly authorized in the state and county aforesaid to take acknowledgments, personally appeared  
Frank Alan Griffin and Susie Griffin

to me known to be the person g described in and who executed the foregoing instrument and the y  
acknowledged before me that, being informed of the contents of the same, the y voluntarily signed and delivered  
the within and foregoing instrument on the day and year therein mentioned.

Given under my hand and official seal, this 9th day of March, A.D., 1989

(Affix Seal)

Doris E. Pearson

Notary Public  
(Title of Official)

My commission expires June 28, 1991 in and for State of Large County, Alabama

WITNESS ACKNOWLEDGMENT  
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF  
COUNTY OF

I, a in and for the aforesaid jurisdiction, hereby certify that

a subscribing witness to the foregoing instrument, known to me, appeared before me on this day, and being sworn, stated that

the grantor(s), having been informed of the contents thereof, voluntarily executed and delivered the same in his presence, and in the presence of the other  
subscribing witness, on the day the same bears date; that he attested the same in the presence of the grantor(s), and of the other witness, and that such other  
witness subscribed his name as a witness in his presence.

(Subscribing Witness)

Given under my hand and official seal, this day of 19

(Affix Seal)

(Title of Official)

My commission expires in and for County,

Producers 86 (9-70) Put Up with Pooling Provision  
Mississippi-Alabama-Florida

No.

Oil, Gas and Mineral Lease

FROM

TO

County,

Dated 19

No. Acres

Turn

This instrument was filed for record on the

day of 19

o'clock and duly recorded in

Book Page

of the record of this office.

By

When recorded return to

County Clerk

Depos

Hederman Brothers-Jackson, Mississippi

EXHIBIT A

12. 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."

13. Lessor specifically grants to Lessee so much of the subsurface coal deposit as is reasonably necessary to drill and produce the occluded natural gas found in the coal seams. In addition, it is understood and agreed that in order to obtain maximum efficient recovery of occluded natural gas from coal seams, Lessee may hydraulically fracture or stimulate the coal seams and adjacent rock. 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.

14. 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.

15. This Lease shall cover only oil, gas, coalbed gas, methane, occluded natural gas, helium, associated hydrocarbons and sulphur, and does not cover coal, iron ore, or any other mineral in, on, or under said lands, except as set out in paragraph (13) above.

SIGNED FOR IDENTIFICATION AND APPROVAL:

Frank Alan Griffin  
Frank Alan Griffin

Susie Griffin  
Susie Griffin

NOTARY PUBLIC  
I CERTIFY THAT  
THE FOREGOING INSTRUMENT WAS  
DULY EXECUTED

89 JUL 12 PM 1:40

JUDGE OF PROBATE

1. Deed Tax	\$ .50
2. Min. Tax	.51
3. Recording Fee	22.50
4. Indexing Fee	4.00
TOTAL	\$ 27.51