

\$242,055.00

210

MEMORANDUM OF LEASE

3728

THE STATE OF ALABAMA
COUNTY OF SHELBY

KNOW ALL MEN BY THESE PRESENTS:

THAT, this Memorandum of Lease is executed as of the 1st day of June, 1989, between SOUTHERNELECTRIC GENERATING COMPANY, an Alabama corporation, (hereinafter called "Lessor") and MCKENZIE METHANE CORPORATION, a Texas corporation, (hereinafter called "Lessee").

WITNESSETH:

1.

By instrument (the "Lease") dated as of June 1, 1989, Lessor has leased, let and demised unto Lessee, for the purposes of investigating, exploring and prospecting for coalbed methane gas, all of those certain lands situated in Bibb and Shelby Counties, Alabama, as described in Exhibit "A" attached hereto and a part hereof for all purposes.

2.

This Lease shall terminate thirty (30) years after the date of the Lease. Under this Lease, Lessors granted Lessee the option, under certain circumstances, to extend the Lease for two (2) successive renewal terms of thirty (30) years each.

3.

Reference is hereby made to the Lease for all purposes including a further description of the terms and provisions of said Lease and obligations and liabilities of Lessor and Lessee thereunder. The parties agree that this Memorandum of Lease is executed and recorded solely for the recording purposes and shall not amend, alter or otherwise affect the terms, provisions, conditions, and covenants of the Lease.

EXECUTED as of the date first set forth above.

LESSOR:

SOUTHERN ELECTRIC GENERATING COMPANY

By *Elmer B. Harris*
Name: Elmer B. Harris
Title: President

LESSEE:

MCKENZIE METHANE CORPORATION

By *Michael McKenzie*
Name: Michael McKenzie
Title: President

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, *Baris L. Ingram*, a Notary Public in and for said County in said State, hereby certify that Elmer B. Harris, whose name as President of Southern Electric Generating Company, a corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such officer and with full authority, executed the same voluntarily for and as the act of such corporation.

Given under my hand this 25th day of July, 1987.

[NOTARIAL SEAL]

Baris L. Ingram
Notary Public
My commission expires: 4-8-92

BOOK 254 PAGE 560

STATE OF Texas)
COUNTY OF Harris)

I, Tammy M. Webster, a Notary Public in and for said County in said State, hereby certify that Michael McKenzie, whose name as President of McKenzie Methane Corporation, a corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he as such officer and with full authority, executed the same voluntarily for and as the act of such corporation.

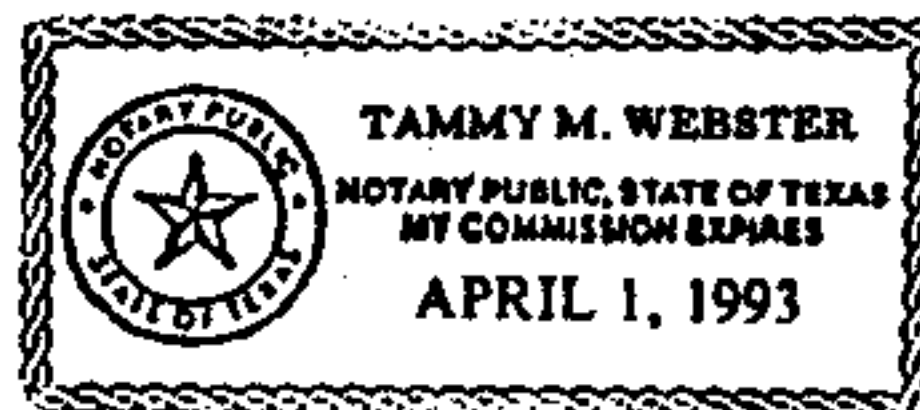
Given under my hand this 8th day of August, 19 89

Tammy M. Webster

Notary Public

My commission expires: _____

[NOTARIAL SEAL]



BOOK 254 PAGE 561

EXHIBIT A

SHELBY COUNTY

3728

TOWNSHIP 21 SOUTH, RANGE 3 WEST

SECTION 18 - Northwest Quarter of Southwest Quarter;
North Half of North Half of Southwest Quarter of Southwest
Quarter; Southwest Quarter of Northwest Quarter

SECTIONS 19, 29, AND 30 - Start at a point 140.0 feet
north along the east boundary from the southeast corner of
SW1/4 of SW1/4 Section 29, known as the point of beginning.
Thence from the said point of beginning on the following metes
and bounds:

Course No.	Distance	Bearing
1	890'	N 82 00 W
2	1720'	N 49 05 W
3	2215'	N 27 25 W
4	405'	N 4 15 W
5	430'	N 33 10 W
6	405'	N 4 35 E
7	180'	N 66 20 W
8	498'	N 1 10 E
9	775'	N 25 15 E
10	542'	N 51 35 E
11	364'	N 78 05 E
12	483'	N 25 55 E
13	703'	N 48 15 E
14	435'	S 2 45 E
15	360'	S 48 15 W
16	585'	S 25 55 W
17	460'	S 78 05 W
18	375'	S 51 35 W
19	620'	S 25 15 W
20	200'	S 1 10 W
21	195'	S 66 20 E
22	530'	S 4 35 W
23	403'	S 33 10 E
24	445'	S 4 15 E
25	2075'	S 27 25 E
26	1540'	S 49 05 E
27	820'	S 82 00 E
28	345'	S 3 35 E

(Arriving at the point of beginning)

SECTION 19 - Beginning at the northwest corner of
Section 19, thence in a southerly direction with a bearing of
S 18 31 E a distance of 1120.1 feet to the point of beginning;
thence in a westerly direction with a bearing of S 79 17 30 W
a distance of 216 feet; thence in a southerly direction with a
bearing of S 10 42 30 E a distance of 276.0 feet; thence in an
easterly direction with a bearing of N 79 17 30 E a distance
of 216.0 feet; thence in a northerly direction with a bearing
of N 10 42 30 W a distance of 216.0 feet to the point of
beginning.

SECTION 31 - Start at southwest corner of NW1/4 of
SE1/4 of Section 31, proceed on a bearing, of N 5 49 E for a
distance of 1318.30 feet to the point of beginning. Thence
westerly 660 feet, thence northerly 660 feet, thence easterly
660 feet, thence southerly 660 feet to the point of beginning.
Also: Start at the Southwest corner of the Northwest Quarter
of the Southeast Quarter, thence proceed North 82 degrees 46
minutes 18 seconds West a distance of 587.50 feet to the point
of beginning; from such point of beginning proceed North 70
degrees 43 minutes West a distance of 236 feet; thence proceed
South 19 degrees 17 minutes West a distance of 236 feet;
thence proceed South 70 degrees 43 minutes East for a distance
of 236 feet; thence proceed North 19 degrees 17 minutes East
for a distance of 236 feet to the point of ending.

TOWNSHIP 21 SOUTH, RANGE 4 WEST

SECTION 13 - Northeast Quarter of Southwest Quarter; Northeast diagonal half of Southeast Quarter of Southwest Quarter; South 26.1 acres of the Southeast Quarter of Southeast Quarter; Starting at the northeast corner of the Southeast Quarter of the Southeast Quarter of Section 13, as a point of beginning, thence northerly along the section line a distance of 466.69 feet, thence westerly a distance of 466.69 feet, thence southerly a distance of 933.38 feet, thence easterly a distance of 466.69 feet to the section line, thence northerly along the section line a distance of 466.69 feet to the point of beginning. Beginning at the northwest corner of SE1/4 of SE1/4 of Section 13; thence east along the north line of said 1/4-1/4, a distance of 858.0 feet to a point; thence south with an interior angle of 88 degrees 11 minutes a distance of 451.9 feet to a point; thence west with an interior angle of 91 degrees 49 minutes a distance of 857.4 feet to a point on the west line of said 1/4-1/4; thence north along said west line a distance of 451.9 feet to the point of beginning. Beginning at the northwest corner of the NE1/4 of SE1/4, Section 13; run thence east along the north line of said NE1/3 of SE1/4 a distance of 1325.9 feet more or less to the east line of said 1/4-1/4; thence south along said east line a distance of 849.6 feet to a point; thence west with an angle of 90 degrees a distance of 466.7 feet to a point; thence south with an angle of 90 degrees a distance of 481.2 feet more or less to a point on the south line of said 1/4-1/4; thence west along said line a distance of 858.0 feet more or less to the southwest corner of said 1/4-1/4; thence north along the west line of said 1/4-1/4 a distance of 1318.3 feet more or less to the point of beginning. Beginning at the southeast corner of the NW1/4 of NE1/4 of Section 13, run thence north along the east line of said 1/4-1/4 a distance of 548.2 feet more or less to a point on Southern Railway Company's south right of way line, said point being 50 feet from center line of and measured perpendicular to the main track; thence in a westerly direction along said right of way line, said line being 50 feet from and parallel to center line of main track, a distance of 352.5 feet; thence south with an interior angle with the right of way line of 109 degrees 46 minutes a distance of 438.4 feet to a point on the south line of said 1/4-1/4; thence east along said line a distance of 331.8 feet to the point of beginning. Beginning at the southeast corner of the NE1/4 of NE1/4, Section 13; thence run north along the east line of said 1/4-1/4 a distance of 954.7 feet to a point on Southern Railway Company's South right of way line, said point being 50 feet from center line of and measured perpendicular to the main track; thence west along the said south right of way line, said line being 50 feet from and parallel to center line of said track, a distance of 1410 feet more or less to a point on the west line of said 1/4-1/4; thence south along said west line a distance of 548.2 feet more or less to the southwest corner of said 1/4-1/4; thence east along the south line of said 1/4-1/4 a distance of 1327.3 feet to the point of beginning. Southwest Quarter of Southeast Quarter; Northwest Quarter of Southeast Quarter; Southwest Quarter of Northeast Quarter; Southeast Quarter of Northeast Quarter

TOWNSHIP 21 SOUTH, RANGE 3 WEST

SECTION 17 - Northeast Quarter of Southeast Quarter, less one acre near the northwest corner, and less 1.29 acres being that portion of the Kendrick-Holcomb Lot as described by deed recorded in the office of the Judge of Probate of Shelby County, Alabama, in Deed Book 139 at page 299; Southwest Quarter of Southeast Quarter, less .50 acre as described by deed recorded in such office at Deed book 26 at page 394.

SECTION 18 - Northeast Quarter of Northwest Quarter and 1/3 interest in the Northwest Quarter of Northwest Quarter;

SECTION 19 - North Half of North Half and South Half of Northwest Quarter less part described in Fee ownership above; West Half of Southwest Quarter

SECTION 20 - Northeast Quarter of Northeast Quarter; Northeast Quarter of Southeast Quarter

SECTION 21 - That part of the Northwest Quarter of Northwest Quarter lying west of the Montevallo-Bessemer road, less lots described as follows: Lot described in Deed Book 148 at page 178; Lot described in Deed Book 163 at page 553; Lot described in Deed Book 173 at page 463; also less, begin at the intersection of the north line of Section 21 and the west boundary of the right of way of the Montevallo-Bessemer road and run along the north line of said Section 21 a distance of 300 feet; run thence south 100 feet; run thence east 320 feet to the west boundary of said road; run thence north along the west boundary of said road; run thence north along the west boundary of said road 100 feet to the point of beginning. That part of the Southwest Quarter of Northwest Quarter lying west of the Montevallo-Bessemer Road and West of Lots 39, 40, and 41, as shown by G.F. Peter's Map of the Town of Maylene, drawn on Nov. 13, 1946 and surveyed by I.E. Gillespie. Northwest Quarter of Southwest, less a portion of the Jacob Zeiderhook, P.C. Means, and Lon Nabors Lots, all in the northeast corner of said forty and described by deeds recorded in such office in Deed Book 25, page 270, Deed Book 62, page 339, and Deed Book 62, page 436, respectively

SECTION 29 - South Half of Northwest Quarter; North Half of Southwest Quarter; Southwest Quarter of Northeast Quarter; Northwest Quarter of Southeast Quarter

SECTION 30 - South Half of North Half less part described in Fee ownership above; North Half of Northwest Quarter; Northwest Quarter of Southwest Quarter

SECTION 32 - Northwest Quarter of Northwest Quarter

TOWNSHIP 21 SOUTH, RANGE 4 WEST

SECTION 14 - East Half of Southeast Quarter

SECTION 24 - East Half

SECTION 25 - Northeast Quarter

TOWNSHIP 22 SOUTH, RANGE 4 WEST

SECTION 3 - North Half of Northeast Quarter; Southeast Quarter of Northeast Quarter; North Half of Northwest Quarter; Southeast Quarter of Southeast Quarter

SECTION 9 - West Half of Northwest Quarter

SECTION 10 - Southeast Quarter of Southwest Quarter; Southeast Quarter

SECTION 11 - West Half of Southwest Quarter; South Half of Southwest Quarter of Southeast Quarter

SECTION 14 - West Half of Northwest Quarter; East Half of Northwest Quarter; West Half of Northeast Quarter

SECTION 15 - East Half of Northeast Quarter; Northeast Quarter of Northwest Quarter; West Half of Northwest Quarter; Southeast Quarter of Northwest Quarter; South Half of Southwest Quarter; South Half of Southeast Quarter

SECTION 16 - Northwest Quarter

TOWNSHIP 21 SOUTH, RANGE 4 WEST

SECTION 29 - 1/2 interest, Northwest Quarter of Northwest Quarter

SECTION 30 - 1/3 interest, Northeast Quarter of Northwest Quarter and in the west 270 feet of the Northwest Quarter of Northeast Quarter

TOWNSHIP 21 SOUTH, RANGE 5 WEST

SECTION 36 - 1/3 interest, Southwest Quarter of Northwest Quarter

TOTAL ACREAGE SHELBY COUNTY - APPROXIMATELY 3,728

In addition to the above-described property, the parties intend to include in the Leased Premises "A" described in the Coalbed Methane Gas Lease dated as of June 1, 1989, between Southern Electric Generating Company (the "Lessor") and McKenzie Methane Corporation ("McKenzie") (this "Agreement") all of the lands, in which Lessor owns all surface and mineral rights, which lands are included within the area outlined in red on the plat attached to this Agreement as Exhibit "C", whether such are incorrectly described herein or whether descriptions thereof be completely omitted. Lessor agrees to supplement or amend the foregoing legal description of the Leased Premises in the event it is determined that there exist within said area any additional lands in which Lessor owns all surface and mineral rights. McKenzie and Lessor agree that any such additional lands so included in the Leased Premises shall be subject to all the terms and conditions of this Agreement.

In addition to the above-described property, the parties intend to include in the Leased Premises "B" described in the Coalbed Methane Gas Lease dated as of June 1, 1989, between Southern Electric Generating Company (the "Lessor") and McKenzie Methane Corporation ("McKenzie") (this "Agreement") all of the lands, in which Lessor owns (i) all mineral rights, or (ii) all of the coal and coal rights, and a party other than Kimberly-Clark Corporation owns the surface rights and/or all other mineral rights, which lands are included within the area outlined in red on the plat attached to this Agreement as Exhibit "C", whether such are incorrectly described herein or whether descriptions thereof be completely omitted. Lessor agrees to supplement or amend the foregoing legal description of the Leased Premises in the event it is determined that there exist within said area any additional lands in which Lessor owns (i) all mineral rights, or (ii) all of the coal and coal rights, and a party other than Kimberly-Clark Corporation owns the surface and/or all other mineral rights. McKenzie and Lessor agree that any such additional lands so included in the Leased Premises shall be subject to all the terms and conditions of this Agreement.

EXHIBIT A

BIBB COUNTY

TOWNSHIP 22 SOUTH, RANGE 4 WEST

SECTION 5 - All

SECTION 6 - All, except undivided 1/2 interest in Southwest Quarter of Northwest Quarter

SECTION 7 - Southwest Quarter; South Half of Southeast Quarter; North Half

SECTION 8 - Northwest Quarter of Northwest Quarter; Southwest Quarter of Southwest Quarter; East Half of Southeast Quarter

SECTION 17 - Northeast Quarter of Southwest Quarter; Southeast Quarter; North Half

SECTION 18 - East Half of Northeast Quarter

SECTION 29 - North Half of Northeast quarter, fractional

TOWNSHIP 22 SOUTH, RANGE 5 WEST

SECTION 1 - Southeast Quarter; North Half

SECTION 3 - Northeast Quarter of Northeast Quarter; South Half of Northeast Quarter; West Half of Southeast Quarter; West Half

SECTION 5 - All

SECTION 9 - All

SECTION 11 - Northeast Quarter; West Half of Northwest Quarter; Southwest Quarter; West Half of Southeast Quarter

SECTION 12 - North Half of Northeast Quarter

SECTION 15 - All

SECTION 26 - All, fractional

SECTION 27 - All, fractional

TOWNSHIP 24 NORTH, RANGE 11 EAST

SECTION 3 - Northeast Quarter of Northeast Quarter; West Half of Northwest Quarter

SECTION 5 - Northwest Quarter of Southeast Quarter; North Half

SECTION 7 - Northeast Quarter of Northeast Quarter; Northwest Quarter of Southwest Quarter

TOWNSHIP 24 NORTH, RANGE 10 EAST

SECTION 1 - All

SECTION 3 - Northeast Quarter of Northeast Quarter; South Half of Northeast Quarter; Southeast Quarter; West Half

SECTION 11 - All

SECTION 15 - North Half of Northeast Quarter;
Southwest Quarter of Northeast Quarter; West Half of Southeast
Quarter; Southeast Quarter of Southeast Quarter; West Half

TOWNSHIP 24 NORTH, RANGE 9 EAST

SECTION 1 - Southeast Quarter of Northeast Quarter;
Southeast Quarter; Southeast diagonal Half of Southwest
Quarter of Northeast Quarter; Southeast diagonal Half of
Northeast Quarter of Southwest Quarter

SECTION 3 - Southeast Quarter

SECTION 10 - North Half of Northeast Quarter

SECTION 11 - All

SECTION 12 - West Half of Northwest Quarter; Southeast
Quarter of Northwest Quarter; Northeast Quarter of Southwest
Quarter; West Half of Southwest Quarter; West Half of
Northeast Quarter

SECTION 13 - Northeast Quarter of Northeast Quarter;
South Half of Northeast quarter; Northeast Quarter of
Southeast Quarter; West Half of Southeast Quarter; West Half,
except part of Northeast Quarter of Northwest Quarter West of
Highway, and except 5 acres more or less located East of new
Highway 5 in Northeast Quarter of Northeast Quarter

SECTION 14 - East Half of Northwest Quarter

SECTION 15 - Northeast Quarter; North Half of
Northwest Quarter; Southeast Quarter of Northwest Quarter;
East Half of Southwest Quarter; Southeast Quarter

SECTION 23 - North Half of Northwest Quarter;
Northeast Quarter of Southwest Quarter; South Half of
Southwest Quarter; East Half

SECTION 24 - North Half of Northwest Quarter;
Southwest Quarter of Northwest Quarter; Northwest Quarter of
Southwest Quarter; South Half of Southwest Quarter

SECTION 27 - South Half of Northeast Quarter

TOTAL ACREAGE BIBB COUNTY - APPROXIMATELY 12,409

In addition to the above-described property, the parties intend to include in the Leased Premises "A" described in the Coalbed Methane Gas Lease dated as of June 1, 1989, between Southern Electric Generating Company (the "Lessor") and McKenzie Methane Corporation ("McKenzie") (this "Agreement") all of the lands, in which Lessor owns all surface and mineral rights, which lands are included within the area outlined in red on the plat attached to this Agreement as Exhibit "C", whether such are incorrectly described herein or whether descriptions thereof be completely omitted. Lessor agrees to supplement or amend the foregoing legal description of the Leased Premises in the event it is determined that there exist within said area any additional lands in which Lessor owns all surface and mineral rights. McKenzie and Lessor agree that any such additional lands so included in the Leased Premises shall be subject to all the terms and conditions of this Agreement.

In addition to the above-described property, the parties intend to include in the Leased Premises "B" described in the Coalbed Methane Gas Lease dated as of June 1, 1989, between Southern Electric Generating Company (the "Lessor") and McKenzie Methane Corporation ("McKenzie") (this "Agreement") all of the lands, in which Lessor owns (i) all mineral rights, or (ii) all of the coal and coal rights, and a party other than Kimberly-Clark Corporation owns the surface rights and/or all other mineral rights, which lands are included within the area outlined in red on the plat attached to this Agreement as Exhibit "C", whether such are incorrectly described herein or whether descriptions thereof be completely omitted. Lessor agrees to supplement or amend the foregoing legal description of the Leased Premises in the event it is determined that there exist within said area any additional lands in which Lessor owns (i) all mineral rights, or (ii) all of the coal and coal rights, and a party other than Kimberly-Clark Corporation owns the surface and/or all other mineral rights. McKenzie and Lessor agree that any such additional lands

1. Deed Tax	242.50
2. Mfg. Tax	5.42
3. Recording Fee	67.50
4. Indexing Fee	3.00
5. L.S. Tax Fee	1.00
6. Certified Stamp Fee	
Total	873.20

STATE OF ALA. SHELBY
I CERTIFY THIS
INSTRUMENT WAS FILED
89 SEP -5 PM 1:37
JUDGE OF PROBATE