

STATE OF ALABAMA

COUNTIES OF BIBB & SHELBY

1414

MEMORANDUM OF OIL & GAS LEASE

This Memorandum of Oil & Gas Lease shall serve to evidence the execution by Gulf States Paper Corporation, P.O. Box 3199, Tuscaloosa, Alabama 35401, as Lessor, and Meridian Oil Inc., 400 North Sam Houston Parkway East, Houston, Texas 77060, as Lessee of an Oil and Gas Lease (hereinafter referred to as the "Lease") dated effective as of July 7, 1989 in which Gulf States Paper Corporation (hereinafter referred to as Lessor) does lease and let unto Meridian Oil Inc. (hereinafter referred to as Lessee) all of Lessor's rights in and to the lands described in Exhibit "A" attached hereto and incorporated herein by reference (said lands hereinafter referred to as the "Premises") for the purpose of investigating, exploring, prospecting, drilling and operating for, producing and owning oil and gas along with all hydrocarbon and non-hydrocarbon substances produced in association therewith (hereinafter referred to as "Subject Minerals") together with the right of ingress and egress, laying gathering lines, installing all necessary production and water disposal facilities, roads, structures, electric lines and pipelines necessary to produce, save, take care, treat, transport and market the Subject Minerals produced under the Lease and dispose of produced water, subject to the following provisions:

- 1.) The term "gas" as used in the Lease includes, but is not limited to, helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases including, but not limited to, casinghead gas, coalbed methane gas, coalbed gas, methane gas, gob gas, occluded natural gas and any formation or other naturally occurring gases contained in or associated with any coal seam and all zones in communication therewith and all associated natural gas and other hydrocarbons contained therein and all gas originating or produced from coal seam to coal seam and all gas which is released by horizontal ventilation holes ("HVVH") and/or vertical ventilation holes ("VVH") in preparation for and/or during the course of a coal lessee's mining operations in the Premises under a coal lease.
- 2.) The effective term of the Lease shall be for a period of 18 months from the effective date of the Lease, subject to Lessee's right to extend the Lease for additional periods by commencing operations pursuant to the provisions of the Lease.
- 3.) Lessee, at its option, is given the right and power to pool or combine the Premises, or any portion thereof, with other land, lease or leases in the immediate vicinity thereof, when, in Lessee's judgement, it is necessary or advisable to do so in order to develop properly and operate the Premises in compliance with any lawful spacing rules which may be prescribed for the field or unit in which the Premises are situated by any duly authorized authority, or when to do so would, in the judgement of the Lessee, promote the conservation of gas in, under and that may be produced from the Premises.
- 4.) Any coal mining lease or other mineral lease, whether it be for surface mining or underground operations, executed subsequent to the Lease shall be expressly subject to the rights of Lessee under the terms and conditions of the Lease.
- 5.) All of the other terms and provisions of the Lease.

In witness whereof, this Memorandum of Oil and Gas Lease is executed this 25th day of AUGUST, 1989.

ATTEST:

By: Donald I. Starn

Its: Assistant Secretary

ATTEST:

By: _____

Its: Meridian Oil

LESSOR:

GULF STATES PAPER CORPORATION

By: F. J. Nixon

Its: Vice-President

LESSEE:

MERIDIAN OIL INC.

By: W. J. Scarff

Its: Attorney in Fact

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, a Notary Public in and for said County and State, hereby certify that J. J. Nixon, whose name as Vice President of GULF STATES PAPER CORPORATION, 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 the same voluntarily for and as the act of said corporation.

Given under my hand this 25th day of August, 1989.

Sandra Garner
Notary Public

My Commission Expires:

April 22, 1992

SANDRA GARNER
NOTARY PUBLIC
Alabama State at Large
My Commission Expires
April 22, 1992

STATE OF Alabama

COUNTY OF Tuscaloosa

I, a Notary Public in and for said County and State, hereby certify that W. J. SCARFF, whose name as Attorney in Fact of MERIDIAN OIL INC., 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 the same voluntarily for and as the act of said corporation.

Given under my hand this 25th day of August, 1989.

Sandra Garner
Notary Public

My Commission Expires:

April 22, 1992

SANDRA GARNER
NOTARY PUBLIC
Alabama State at Large
My Commission Expires
April 22, 1992

Exhibit "A"

(Attached to and made a part of the Memorandum of Oil & Gas Lease entered into by Gulf States Paper Corporation and Meridian Oil Inc. on the 25th day of August, 1989)

<u>Property Description</u>	<u>Number of Acres</u>		
	<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
<u>Township 24 North, Range 8 East</u>			
Section 14: S/2 of SE/4	80		
Section 15: S/2 of SW/4 less 3 acres in NE corner	77		
Section 22: N/2	320		
N/2 of SW/4	80		
W/5 of NW/4 of SE/4	8		
Section 23: NE/4	160		
E 3/4 of SE/4 of SE/4		30	
Section 24: All fractional Section 24 except 20 acres in south part	184		
Section 25 S/2 of fractional section		128	
Section 26: NE/4 of SW/4 less 3 acres in SW corner	37		
SE/4 of SW/4 less 3 acres in NW corner	37		
Section 35: NE/4 of NW/4	40		
Section 36: Beginning at the NE corner of fractional Section 36, thence S 86 degrees W run 2,381 feet to the NW corner of said fractional section; thence S 1 degree 45 minutes W run 565 feet; thence with an agreed line S 85 degrees 45 minutes E run 525 feet; thence N 84 degrees E run 530 feet; thence S 30 degrees 15 minutes E run 1,790 feet; thence N 86 degrees E run 1,090 feet to a point in the section line; thence N 3 degrees 15 minutes W run 2,195 feet to the point of beginning			68

<u>Township 24 North, Range 9 East</u>	<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
Section 9: S/2 of SE/4	80		
Section 17: SE/4 of SW/4 SW/4 of SW/4	40	40	
Section 19: S/2 of NW/4 of NW/4	20		
SW/4 of NW/4	40		
NW/4 of SW/4 less 1 acre in NE corner		39	
SE/4 of SW/4	40		
S/2 of SE/4	80		
NE/4 of SE/4	40		
SE/4 of NE/4		40	
Section 20: S/2 of NW/4	80		
SW/4	160		
SW/4 of NE/4	40		
N/2 of SE/4 less 2 acres to M&O RR	78		
SW/4 of SE/4	40		
SE/4 of SE/4		40	
Section 21: S/2 of SW/4		80	
SW/4 of SE/4	40		
E/2 of E/2	160		
Section 22: NW/4	160		
W/2 of SW/4	80		
W/2 of E/2 of SW/4	40		
E/2 of E/2 of SW/4		40	
W/2 of SE/4		80	
SE/4 of SE/4		40	
W/2 of NE/4 of SE/4		20	
E/2 of NE/4 of SE/4	20		
N/2 of NE/4	80		
W/2 of SW/4 of NE/4	20		
E/2 of SW/4 of NE/4		20	
W/2 of SE/4 of NE/4		20	
E/2 of SE/4 of NE/4	20		
Section 23: S/2 of NW/4	80		
NW/4 of SW/4	40		
Section 24: NE/4 of SW/4	40		
W/2 of SE/4	80		
Section 27: W/2 of NW/4	80		
W/2 of E/2 of NW/4	40		
E/2 of E/2 of NW/4		40	
NE/4		160	
W/2 of W/2 of SW/4 west of creek	22		
Section 28: E/2	320		
E/2 of W/2	160		
NW/4 of NW/4		40	
SW/4 of NW/4	40		

<u>Township 22 South, Range 4 West</u>		<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
Section 4:	NE/4 of SE/4	40		
Section 8:	SW/4 of NW/4	40		
	NE/4 of NW/4	40		
	SE/4 of NW/4		40	
	N/2 of NE/4	80		
	SE/4 of NE/4	40		
	W/4 of SW/4 of NE/4		10	
	E 3/4 of SW/4 of NE/4	30		
	E/2 of SW/4	80		
	W/2 of SE/4	80		
Section 9:	SW/4	160		
	NW/4 of SE/4	40		
	S/2 of SE/4		80	
	NE/4 of SE/4		40	
	SE/4 of NE/4		40	
Section 10:	N/2 of NW/4		80	
	SW/4 of NW/4		40	
	SW/4 of SW/4		40	
<u>Township 21 South, Range 5 West</u>				
Section 13:	NE/4	160		
	E/2 of NW/4	80		
	W/2 of SW/4	80		
	E/2 of SE/4	80		
	SW/4 of SE/4	40		
Section 14:	N/2 of SE/4	80		
	SE/4 of SE/4	40		
	E/2 of SW/4	80		
	SW/4 of SW/4	40		
	NW/4 of NE/4	40		
	NE/4 of NW/4 east of creek	27		
	SE/4 of NW/4 less NW corner north and west of creek	37		
Section 21:	W/2	320		
	SE/4	160		
	N/2 of NE/4	80		
	SE/4 of NE/4	40		
Section 22:	SE/4	160		
Section 23:	S/2 of SW/4	80		
	W/2 of NW/4	80		
	NE/4 of NW/4	40		
	NE/4	160		
	E/2 of SE/4	80		

Township 21 South, Range 5 West

	<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
Section 24: NE/4 of NW/4	40		
S/2 of N/2	160		
NW/4 of SE/4	40		
NE/4 of SE/4		40	
S/2 of SW/4	80		
SE/4 of SE/4	40		
Section 25: E/2 of NE/4		80	
E/2 of SE/4	80		
NW/4 of SE/4		40	
NE/4 of SW/4	40		
Section 26: E/2 of NE/4 east of river	75		
N/2 of NW/4	80		
SW/4 of NW/4	40		
SW/4	160		
SW/4 of SE/4	40		
Section 27: E/2	320		
NW/4	160		
W/2 of SW/4	80		
SE/4 of SW/4	40		
NE/4 of SW/4		40	
Section 28: E/2 of SE/4	80		
Section 29: W/2	320		
SE/4 less 1 acre in SE corner	159		
S/2 of NE/4	80		
NE/4 of NE/4	40		
NW/4 of NE/4		40	
Section 30: SE/4	160		
SW/4 of NE/4	40		
NE/4 of NE/4	40		
W/2 of SE/4 of NE/4	20		
Section 31: W/2 of NW/4		80	
E/2 of NW/4	80		
NW/4 of SW/4	40		
E/2 of NE/4	80		
SE/4	160		
Section 32: W/2 of NW/4	80		
SE/4 of NW/4	40		
SW/4	160		
1 acre in SW corner of NW/4 of SE/4	1		
S/2 of SE/4	80		
S/2 of NE/4 of SE/4	20		
Section 33: N/2 of NW/4	80		
SE/4 of NW/4		40	
NE/4	160		
S/2 of S/2	160		
NE/4 of SE/4	40		
NW/4 of SE/4		40	

Township 24 North, Range 9 East

	<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
Section 29: NE/4 of NE/4		40	
W/2 of NE/4	80		
SE/4 of NE/4	40		
W/2	320		
NW/4 of SE/4	40		
NE/4 of SE/4 less 7 acres in SE corner	33		
W/2 of SW/4 of SE/4	20		
E/2 of SW/4 of SE/4		20	
SE/4 of SE/4		40	
Section 30: E/2	320		
NW/4	160		
SW/4		160	
Section 31: N/2 of NW/4		80	
SE/4 of NW/4		40	
N 4/5 of SW/4 of NW/4		32	
NW/4 of NE/4		40	
Section 32: N/2 of NE/4	80		
SE/4 of NE/4	40		
Section 33: N/2 of N/2	160		
SW/4 of NW/4	40		
NW/4 of SW/4	40		
S/2 of SE/4	80		
Section 34: SE/4	160		
Section 36: SW/4			80

Township 22 South, Range 5 West

Section 2: W/2 of W/2	160
NE/4 of NW/4	40
W/2 of SE/4	80
Section 3: E/2 of SE/4	80
NW/4 of NE/4	40
Section 4: E/2	320
NW/4	160
Section 10: W/2	320
NE/4	160
Section 16: Entire Section	640

Township 21 South, Range 5 West

	<u>Fee</u>	<u>MRO</u>	<u>1/2 MRO</u>
Section 34: W/2 of W/2	160		
SE/4 of NW/4	40		
NW/4 of NE/4	40		
SE/4	160		
Section 35: S/2	320		
NW/4	160		
W/2 of NE/4	80		
SE/4 of NE/4	40		
Section 36: W/2 of SW/4	80		
Total	14,224	2,108	80
Total Net Acres	<u>16,412</u>		

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

89 NOV 22 PM 12:14

Thomas A. Snowden, Jr.
JUDGE OF PROBATE

1. Deed Tax	\$ 36.00
2. Unit Tax	\$ 89.75
3. Ad Val Tax	\$ 60.00
4. Misc Fee	\$ 3.00
5. Notary	\$ 0.00
6. Other	\$ 1.00
Total	\$ 189.75