

STATE OF ALABAMA §

COUNTY OF SHELBY §

800.00

AMENDMENT TO OIL, GAS, AND MINERAL LEASE

WHEREAS, on March 20, 1990, John E. Shepherd and his wife, Anne T. Shepherd (hereinafter the "Lessors") executed an Oil, Gas and Mineral Lease (hereinafter the "Lease") to McKenzie Methane Corporation; and,

WHEREAS, a copy of said Lease is attached hereto, marked as Exhibit "A", and is incorporated herein by reference as if fully set out herein verbatim; and,

WHEREAS, for valuable consideration the Lessors have agreed to amend and modify said Lease to extend the term thereof for an additional five (5) years; and,

WHEREAS, the Lessors wish to execute this Amendment To Oil, Gas, and Mineral Lease to evidence their granting said five (5) year extension to the lease and their acknowledgement and agreement that all other terms, conditions, and provisions of the Lease shall remain in full force and effect for the five (5) year extended term.

NOW, THEREFORE, in consideration of ten dollars (\$10.00) and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged by the Lessors, the lessors do hereby acknowledge, agree, consent, grant and convey as follows:

1. Paragraph 2 of that certain Oil, Gas, and Mineral lease attached hereto as Exhibit "A" and incorporated herein shall be amended to read as follows:

"Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in full force for a term of ten (10) 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."

2. All other terms, conditions and provisions of that certain Oil, Gas, and Mineral lease attached hereto as Exhibit "A" and incorporated herein shall remain in full force and effect for the extended term of said Lease as amended in Paragraph 1 above.

06/16/1995-15721
09:05 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
006 MCD 52.00

Inst # 1995-15721

3. The due execution of this Amendment to Oil, Gas, and Mineral Lease shall be conclusive evidence that the same has been delivered to the Lessee, or its agent, successors, and/or assigns as provided by law.

4. This document shall in all respects be governed by the laws of the State of Alabama.

5. Lessors hereby warrant and certify that they have, to the exclusion of all other persons, the full right, power, legal capacity, and authority to enter into this lease amendment.

6. This Amendment To Oil, Gas, and Mineral lease shall be binding upon and enure to the benefit of the Lessors, Lessee, and their respective heirs, executors, administrators, successors, and assigns.

7. To effectuate the purposes and intent of the parties hereto, there is hereby leased and let unto the Lessee and its successors and assigns of the Oil, Gas, and Mineral Lease attached hereto as Exhibit "A" all the oil, gas, and minerals including, but not limited to, all coalbed methane gas in, on and under said land for and during the term of said lease as herein amended and extended and subject to the provisions thereof.

8. The undersigned hereby certify that said Oil, Gas, and Mineral Lease attached hereto as Exhibit "A" is in full force and effect at the time of the execution of this document.

9. This amendment shall be effective as of March 20, 1995.

IN WITNESS WHEREOF, the parties hereto have executed this document on the 6TH day of JUNE, 1995.

LESSORS:

Instrument prepared by:
Joseph W. Cade
Rosen, Cook, Sledge, Davis, Carroll
& Jones, P. A.
P. O. Box 2727
Tuscaloosa, AL 35403-2727


John E. Shepherd
SSN: 


Anne T. Shepherd
SSN: 

ACKNOWLEDGEMENT

STATE OF ALABAMA

§

COUNTY OF JEFFERSON

§

I, the undersigned authority, a Notary Public, in and for said County, in said State, hereby certify that JOHN E. SHEPHERD, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before on this day, that, being informed of the contents of this instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and official seal on this 6th day of June, 1995.

Kimberl C. Stewart
Notary Public

My Commission Expires:

1-31-99

STATE OF ALABAMA

§

COUNTY OF JEFFERSON

§

I, the undersigned authority, a Notary Public, in and for said County, in said State, hereby certify that ANNE T. SHEPHERD, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before on this day, that, being informed of the contents of this instrument, she executed the same voluntarily on the day the same bears date.

Given under my hand and official seal on this 6th day of June, 1995.

Kimberl C. Stewart
Notary Public

My Commission Expires:

1-31-99

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 20th day of March 1990 between

John E. Shepherd and wife, Anne T. Shepherd

lessor (whether one or more), whose address is: 1708 Kestwick Drive, Birmingham, Alabama 35226
and McKenzie Methane Corporation, San Felipe Road, Suite 100, Houston, Texas 77063
Ten and no/100 and other valuable considerations

1. Lessor, in consideration of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land 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 purposes 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:

SEE EXHIBIT "A" ATTACHED TO AND MADE A PART HEREOF FOR DESCRIPTION AND 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 (a) 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 determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 80 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 (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 well 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 mouth 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 mouth 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 lands, 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 tender, by check or draft of lessee, at the expiration of said ninety day period if upon such anniversary this lease is being continued in force 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

AmSouth Bank (Hoover Branch) 1900 5th Avenue North
Birmingham, Alabama Bank

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 drilled, 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 by its operations to growing crops and timber on said land.

Karl Kramer 35403
P.O. Box 631392 Tuscaloosa, AL 35403

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8. The right and estate of any par... be assigned from time to time in whole or in part... to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall be binding upon the parties hereto, their 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 obligations or diminish the rights of leasee, 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 in 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 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 said judicially ascertained 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 the 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 thereon. 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 delaying 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.

John E. Shepherd (SEAL)
JOHN E. SHEPHERD #SS- [redacted]

(SEAL)

Anne T. Shepherd (SEAL)
ANNE T. SHEPHERD #SS- [redacted]

JOINT OR SINGLE ACKNOWLEDGMENT
(MISSISSIPPI-ALABAMA-FLORIDA)

STATE OF Alabama
COUNTY OF Jefferson
Notary Public

I hereby certify, that on this day, before me, a _____
duly authorized in the state and county aforesaid to take acknowledgments, personally appeared _____
John E. Shepherd and wife, Anne T. Shepherd
to me known to be the person _____ 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 20th day of March, A.D. 1990
(Affix Seal) [Signature] Notary Public
State-At Large (Title of Official) Jefferson County, Alabama
My commission expires 2-15-93 in and for _____ County, _____

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 88 (9-70) Paid Up with Pooling Provision Mississippi-Alabama-Florida	
No. _____	
Oil, Gas and Mineral Lease	
FROM _____ TO _____	
Dated _____ 19____	
No. Acres _____	
County, _____	
Term _____	
This instrument was filed for record on the _____ day of _____ 19____ at _____ o'clock _____ and duly recorded in Book _____ Page _____ of the _____ record of this office.	
By _____	County Clerk
When recorded return to _____	Deputy
Hederman Brothers-Jackson, Mississippi	

56 019818

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated the 20th day of March, 1990, by and between John E. Shepherd and wife Anne T. Shepherd, as Lessor and McKenzie Methane Corporation, as Lessee.

TOWNSHIP 21 SOUTH, RANGE 4 WEST

SECTION 34: The South Half (S $\frac{1}{2}$) of the Northeast Quarter (NE $\frac{1}{4}$)

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.

SIGN FOR IDENTIFICATION:

John E. Shepherd
JOHN E. SHEPHERD

Anne T. Shepherd

ANNE T. SHEPHERD

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

90 AUG 15 PM 2:40

Thomas A. Brantley, Jr.
JUDGE OF PROBATE

1. Doc. Tax	1.00
2. State Tax	4.00
3. Local Tax	2.50
4. Int. Tax	3.00
5. Notary Fee	1.00
6. Certified Copy	1.00
Total	12.50

Inst # 1995-15721

SG 019819

06/16/1995-15721
09:05 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
006 MCD 52.00

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