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This Instrument Prepared by: DEANNA E. HALLMAN
Producers 88 (9/70)-With Pooling Provision
Mississippi-Alabama-Florida
Alabama Special CB Form
Revised (Paid-Up)

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AL/WOC/16-02

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this the 4th day of April, 2005 between **Donia R. Dismukes, a single woman,** Lessor (whether one or more), whose address is 416 Mulligan Drive, Montgomery, Al 36117 and **CDX Sequoya, L. L. C.**, Lessee, whose address is 5485 Beltline Rd., Ste. 280, Dallas, TX 75240-7656, **WITNESSETH:**

1. Description. Lessor, in consideration of ten and no/100 ($10.00) dollars, receipt 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 (either horizontally, vertically or directionally), venting, mining and operating for, producing and owning oil, conventional and non-conventional gas, specifically including but not limited to coalbed methane gas and gob gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, conduct geophysical operations, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of produced water (including the drilling and/or operating of injection wells), whether such water comes from lands covered hereby or from other lands operated in conjunction therewith, construct roads and bridges, dig canals, drill core holes, build tanks, power stations, power lines, telephone lines, 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 other lands adjacent thereto or lands operated in conjunction therewith. The land covered hereby, hereinafter called "said land", is located and described as follows:

Township 21 South, Range 4 West, Shelby County, Alabama

Section 36: One acre of land in the SE ¼ of SE ¼ of Section 36, described as follows: Commence at the NE corner of said ¼ ¼ Section; thence run West along the North ¼ ¼ line 267.0 feet to the point of beginning; thence continue last course 150.00 feet; thence turn left 88 degrees 16 min. 17 sec. and run South 235.26 feet to the NE right of way of Shelby County Highway No. 22; thence turn left 08 degrees 30 min. 15 sec. and run SE along said right of way 12.13 feet; thence turn left 98 degrees 53 min. 03 sec. and run East 252.12 feet; thence turn left 100 deg. 13 min. 54 sec. and run North 199.16 feet to the point of beginning.

This lease form is altered and amended to extent that in each and every place in paragraph three (3) herein below, where the fraction one-eighth (1/8th) appears, the same shall herein be changed to read three-sixteenths (3/16ths).

Lessee shall not conduct operations on the surface of the leased premises without express written consent from lessor, such permission shall not be unreasonably withheld.

Should Lessee's operations on the leased premises be proven to cause damage to the water well(s) of Lessor, Lessee agrees to repair the damaged water well or pay for a new water well on the leased premises.

(A) For recording purposes only, this lease is deemed to contain **(1.00) net mineral acres**, more or less. (B) It is the intention of the Lessor to and Lessor does hereby include in this Oil, Gas and Mineral Lease and does hereby Grant, Lease and Let unto the Lessee for the herein stated purposes all of Lessor's interest in the herein described section(s), township(s) and range(s) whether correctly described herein or not. (C) This lease does not grant unto Lessee the rights for actual coal mining operations.

This lease also covers and includes in addition to that herein described, all lands, if any, contiguous or adjacent to or adjoining the land herein described and (a) owned or claimed by Lessor (including any interests therein which Lessor may hereafter acquire) by limitation, prescription, possession, reversion, unrecorded instrument or otherwise and/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 and/or interest or ownership in said land. For the purpose of determining the amount of any bonus or other payment hereunder, except royalty payment wherein said acreage figure may be revised by Lessee to comport with actual acreage owned by Lessor, said land shall be deemed to contain **1.00 acres,** whether actually containing more or less, and the herein recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum considerations for this lease and all rights, and options hereunder.

2. Term of Lease. This lease which is a paid-up lease requiring no rentals shall be in force for a term of 5 years from the date hereof, hereinafter called "primary term" and for as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than one hundred eighty (180) consecutive days.

3. Royalty. As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipeline to which Lessee may connect its wells, (b) To pay Lessor on gas (including casinghead gas), coalbed methane gas and gob gas produced from said land (1) when sold by Lessee, one-eighth (1/8) of the amount realized by Lessee, computed at the mouth of the well(s), or (2) when used by Lessee off said land or in the manufacture of gasoline or other produces, the market value, at the mouth of the well, one-eighth (1/8) of such gas, (c) To pay Lessor on all other minerals mined and marketed or utilized by Lessee from said land, one-tenth (1/10), either in kind or value at the well or mine at Lessee's election. If at the expiration of the primary term or at any time or times thereafter, there is a well(s) on said land or on lands with which said land or any portion thereof has been pooled, and (i) said well(s) is capable of producing gas or any other mineral covered hereby, or (ii) operations, as hereinafter defined, are being conducted on said well(s) as a part of a project to develop coalbed methane gas, and all such well(s) are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as such 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 wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than 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 one hundred eighty (180) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said one hundred eighty (180) 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 net acre of land covered hereby. Lessee shall make like payments or tenders at or before the end of each following lease anniversary if upon such anniversary this lease is being continued in force solely by reason of the provisions of this 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, and may be deposited to such parties credit **BY PAYING DIRECTLY TO LESSOR AT THE ABOVE ADDRESS** or its successors, which shall continue as the depositories, regardless of change 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 herein specified, either jointly to such parties or separately to each in accordance with their respective ownership 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 herein on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. Lessee shall have the exclusive right to assign its rights hereunder in whole or part. In the event of assignment of this lease in whole or 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. Pooling. 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 more than eighty (80) surface acres plus ten percent (10%) acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than six hundred forty (640) acres plus ten percent (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 surface reservoir. If larger units are permitted, 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 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 delay rental or 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, 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. Release of Lease. 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 operations during the primary term. Any payment or tender which is made in an attempt to make payment, but which is erroneous in whole or part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, Lessee shall correct such error within thirty (30) days after lessee has received written notice from Lessor. 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 mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, other payments computed in accordance therewith shall be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. Operations. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the one hundred eightieth day after such discontinuance unless on or before such anniversary date Lessee either (1) conducts operations or (2) if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the one hundred eightieth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) Lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provision of paragraph 12 are applicable. Whenever used in this lease the word "operations" shall mean operations for any of the following: drilling, testing, completing, reworking, 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 minerals, whether or not in paying quantities. In the event a well or wells is drilled and completed on the lands, or lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding sentence, (i) operation of said well(s) to remove water or other substances from the coalbed, or to dispose of such water or other substances, even thought such operations do not result in the production of hydrocarbons in paying quantities, (ii) shutting-in said well(s) as a part of an effort to achieve or enhance production of coalbed gas from other wells completed in the coalbed(s), (iii) shutting-in or otherwise discontinuing production from said well(s) to allow for surface or underground mining affecting the drillsite or well bore, or (iv) such other activities, whether on or off the lands, which are in Lessee's judgment necessary to achieve or enhance production of coalbed methane gas.

7. Ancillary Rights. Lessee shall have the use, free from royalty, of water, other than from Lessor's wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time, but not the necessity, to remove or abandon in place all machinery, fixtures and pipelines placed on or in 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.

8. Change of Ownership. 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, delay rental or other moneys, or any part thereof, howsoever affected, shall increase the obligation 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 of or to Lessee, its successors or assigns, no change or division in the ownership of said land, or of the royalties, delay rental, or other moneys, or the right to receive the same, howsoever affected, 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, delay rental, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for herein. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the rights of other leasehold owners hereunder.

9. Noncompliance. 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 not complied with said obligations. 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 noncompliance's 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 noncompliance's shall be deemed an admission or presumption that Lessee has failed to perform all of 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 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 canceled 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 (40) 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. Lessee shall have complete rights of ingress and egress to the entire leased premises notwithstanding any release or other termination affecting any portion thereof.

10. Warranty of Title. 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, delay rental, 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. Indemnification. It is understood and agreed that in order to obtain maximum efficient recovery of coalbed gas, Lessee may treat and stimulate the coal seam(s) and adjacent stratum. Such treatment and stimulation may include, but shall not be limited to, hydraulic stimulation, injection of gas, water brine, and/or other fluids into the subsurface strata, and other means. Lessor hereby releases, indemnifies

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and holds Lessee harmless from and against any and all claims, actions, damages, liability and expense which may arise in connection with any damage or injury to any coal seam or adjacent strata as a result of such activities by the Lessee.

12. Regulation and Delay. If at, or after the expiration of the primary term hereof, and while this lease is in force, there is no well on said land, or on lands with which said land or any portion thereof has been unitized, capable of producing oil or gas, 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 and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring one hundred eighty (180) 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.

13. Subsequent Leases. 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.

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

Christine E. Berry

Valarie J. Johnston

Donia R. Dismukes
DONIA R. DISMUKES

[redacted]
S.S.#

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STATE OF ALABAMA
COUNTY OF MONTGOMERY

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that DONIA R. DISMUKES, a single woman, whose name is signed to the foregoing, and who is known to me, acknowledged before me on this day that, being informed of the contents of the foregoing, he/she executed the same voluntarily on the day the same bears date.
Given under my hand and official seal, this the 11th day of April 2005 ~~, 2004.~~

(Affix Seal)

Brenda Hancock
Notary Public

My commission expires 9-10-07 in and for the State of Alabama at Large.

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Shelby County, AL 04/13/2005
State of Alabama

Deed Tax:$.50