20061215000612550 1/4 $20.50
Shelby Cnty Judge of Probate,AL
12/15/2006 03:29:05PM FILED/CERT

This Instrument Prepared by: Teresa W. Fulmer
Source of Title: 2006-0310000112870 (Shelby Co., AL)
Producers 88 (9/70)-With Pooling Provision
Mississippi-Alabama-Florida
Alabama Special CB Form
Revised (Paid-Up)

GAS LEASE

THIS AGREEMENT made this 15th day of December, 2006 between KAREN R. JENNEY, a married woman dealing in her sole and separate property, Lessor, whose address is 940 County Road 54, Montevallo, AL 35115 and CDX Gas, LLC, Lessee, whose address is 5485 Beltline Road, Suite 190, 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 extracting and owning conventional gas, coal bed methane gas and gob gas (hereinafter, together with casinghead gas, collectively referred to as "gas") from one or more wells on adjacent lands and with no other rights including any right to enter upon the land covered hereby. The land covered hereby, hereinafter called "said land", is located and described as follows:

Shelby County, Alabama
Township 22South, Range 4 West

Section 3: Tract 14: Lot #1, according to the survey of Falling Rock Phase Two, as recorded in Map Book 20, Page 89 in the Probate Office of Shelby County, Alabama, containing 3.00 acres, more or less.

It is hereby understood and agreed by both parties, no surface use operations will be performed on the said land.

(A) The hereinafter described property does not constitute homestead property of Lessor or Lessor's spouse. (B) For recording purposes only, this Lease is deemed to contain (3.00) net mineral acres, more or less. (C) It is the intention of the Lessor to and Lessor does hereby include in this Gas 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 or not. (D) This Lease does not grant unto Lessee the rights for any 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 3.00 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 adjacent land with no cessation for more than one hundred eighty (180) consecutive days.

3. *Royalty.* As royalty, Lessee covenants and agrees to pay Lessor on gas produced from said land (1) when sold by Lessee, three sixteenth (3/16) 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, three sixteenth (3/16) of such gas. Lessee covenants and agrees to use reasonable diligence to produce, utilize or market the gas capable of being produced from said wells, but in the exercise of said 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. 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 in part. In the event of assignment of this Lease in whole or in part, liability to 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 gas, 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. 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 gas 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 from a well on the unit shall satisfy any limitation of term requiring production of gas. The formation of such unit shall not have the effect of changing the ownership of any 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 the effect, if at that time no operations are being conducted thereon for unitized gas. 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 in 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 and thereby be relieved of all obligations as to the released acreage or interest. If this Lease is so released 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, the 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 Lessee is conducting operations or the provisions in 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 gas or production of gas, whether or not in paying quantities. In the event a well or wells is drilled and completed on the lands

7. ***Ancillary Rights.*** Lessee is granted no ancillary rights under this Lease. Lessee shall pay for damages caused by its operation 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 . 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. 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.

9. ***Non Compliance.*** In the event Lessor considers that Lessee has not complied with all of 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 noncompliances 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 noncompliances 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.

10. ***Warranty of Title.*** Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. 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.*** Lessor grants Lessee no indemnification rights under this Lease.

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 lands with which said land, or any portion thereof has been unitized, capable of producing gas and Lessee is not conducting operations on said land solely 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 its removal of such delaying cause, and this Lease may be extended thereafter by operations as if such delay had not occurred.

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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.

KAREN R. JENNEY

STATE OF ALABAMA
COUNTY OF SHELBY

I, TERESA W. FULMER, the undersigned, a Notary Public in and for said County in said State, here certify that KAREN R. JENNEY, a married woman dealing in her sole and separate property, 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 she executed the same voluntarily on the day the same bears date.

Given under my hand and official this 15th day of December, 2006.

Teresa W Fulmer
, Notary Public
State of Alabama at Large
My Commission Expires: 5/5/2010

Shelby County, AL 12/15/2006
State of Alabama

Deed Tax:$.50