$ 5,300.00 Bonus Paid

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Shelby Cnty Judge of Probate,AL
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3rdaProducers 88
(4/2002) PAID-UP
Mississippi-Alabama-Florida

# OIL, GAS AND MINERAL LEASE

**THIS AGREEMENT** made and entered into this the **20th** day of **September, 2006,** by and between, **Ray Sisco, a married man dealing in his sole and separate property,** whose address is 15321 Montevallo Road, Brierfield, AL 35035, hereinafter called **Lessor** (whether one or more) and **Pitts Landman Services, Inc.**, whose address is 2717 Piedmont Drive, Bessemer, AL 35022, hereinafter called **Lessee:**

**WITNESSETH,** Lessor, in consideration of ten and no/100 ($10.00) dollars, in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements contained in this lease, including the royalty provisions herein provided, hereby grants, leases and lets exclusively unto Lessee the lands hereinafter described for the purpose of investigating, exploring, prospecting, drilling and operating for and producing and owning oil, gas of whatsoever nature and kind (including gas well gas, casinghead gas, methane and gas from coal seams, carbon dioxide, and other gas, whether of commercial value or not, hereinafter referred to as "gas"), together with all associated hydrocarbons produced in a liquid or gaseous form, and sulfur, all such substances are hereinafter referred to as the "leased substances", and for injecting waters and other fluids, gas, air and other gaseous substances into subsurface strata, together with the right to make surveys on said land, conduct geophysical operations, lay pipelines, construction of roads and bridges, power lines, telephone lines, and other structures and facilities thereon to produce, save, take care of, treat, process, store, and transport said leased substances and products manufactured therefrom, and when it relates to operations on or production from the leased premises or lands adjacent thereto, for the housing and care of Lessee's employees, contractor, subcontractors, and agents, said leased premises are located in and described as follows, **Shelby County, Alabama**, to-wit:

**SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR LEGAL DESCRIPTION OF PROPERTY.**

**SEE EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL PROVISIONS TO THIS LEASE.**

**NOTWITHSTANDING** any other particular description, it is nevertheless the intention of Lessor to include within this lease and Lessor does hereby lease, let, and demise only the lands described above, and easements and rights-of-way which traverse or adjoin the described lands and which are owned or claimed by Lessor (all the foregoing lands, together with any lands communitized, unitized, or pooled therewith being hereinafter referred to as "said land" or the "leased premises"). Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land and/or to cure any title defects in said land. The rights granted Lessee to investigate, explore, and prospect (whether by geophysical, seismic, or other means), to drill, mine for, and produce leased substances, and all other rights of Lessee, shall be exclusive, and no other person shall have the right to conduct similar activities on the leased premises during the term of this lease. Said land shall be deemed to contain **106.00 acres**, whether actually containing more or less, for purposes of calculating any payments due under the terms of this lease.

**1.** It is agreed that this lease shall remain in force for a primary term of **five (5) years** from this date and as long thereafter as leased substances are produced from the leased premises, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, leased substances are not being produced on the leased premises, but Lessee is then engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of leased substances on the leased premises, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from the date of completion of a dry hole. If leased substances shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as leased substances are produced from the leased premises, or drilling operations are continued as hereinabove provided. The term "operations" as used herein shall include, in addition to those matters provided for in connection with developing coalbed gas and without limitation of other matters that would reasonably be embraced by the term, any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing a well in search for or in an endeavor to obtain production of any leased substances, or producing any leased substances, whether or not in paying quantities. For the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered elsewhere herein, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

**2.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases; and be relieved of all obligation thereafter accruing as to the acreage surrendered.

**3.** In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal **three sixteenths (3/16ths)** of all oil produced and saved from the leased premises.

2nd. To pay Lessor on gas produced from said land (1) when sold by Lessee, **three sixteenths (3/16ths)** of the net proceeds realized by Lessee at the well for such sale or (2) when used by Lessee in the manufacture of gasoline or other products, the market value, at the mouth of the well, of **three sixteenths (3/16ths)** of such gas; Lessor's interest, in either case, to bear **three sixteenths (3/16ths)** of all post-production costs, including, but not limited to, costs of compressing, dehydrating and otherwise treating such gas to render it marketable or usable and **three sixteenths (3/16ths)** of the cost of gathering and transporting such gas from the mouth of the well to the point of sale or use.

3rd. On all sulfur produced, mined, manufactured and marketed, the royalty shall be One Dollar ($1.00) for each long ton (2,240 pounds) of sulfur when marketed.

Notwithstanding the foregoing provisions, Lessee shall have the right to use, free of cost, any leased substance produced, and any water, except water from Lessor's wells and ponds, from the leased premises for the Lessee's operations which benefit the leased premises.

**4.** If during or after the primary term one or more wells on the leased premises are capable of producing gas, but such well or wells are either shut-in or gas therefrom is not being sold or used, such well or wells shall nevertheless be

deemed to be producing for purposes of maintaining this lease. If for a period of ninety (90) consecutive days such well or wells are shut-in or gas therefrom is not being sold or used, then Lessee shall pay or tender as royalty to the royalty owners One Dollar ($1.00) per net mineral acre per year then retained hereunder, such payment or tender to be made on or before the anniversary date of the lease next ensuing after the expiration of ninety (90) days from the date such well is shut-in and thereafter on or before the anniversary date of this lease during the period such well is shut-in; provided, however, that if such well or wells are shut-in or gas therefrom is not being sold or used during the primary term of this lease, no shut-in royalty shall be payable during the primary term (this being a **PAID-UP** lease). If at the end of the primary term such well or wells are still shut-in or gas therefrom is still not being sold or used, the first shut-in royalty payment shall be due ninety (90) days after the expiration of the primary term; provided further that if this lease is otherwise being maintained by operations, or if gas is being sold or used from another well or wells on the leased premises, no shut-in royalty shall be due until the end of the ninety (90) day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

**5.** If said Lessor owns an interest in the leased premises less than the entire and undivided fee simple estate therein, then the rentals and royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

**6.** When requested by Lessor, Lessee shall bury Lessee's pipeline(s) below plow depth.

**7.** No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said land without written consent of Lessor.

**8.** Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

**9.** 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.

**10.** The rights of the Lessor and Lessee hereunder may be assigned in whole or part as to any mineral or horizon and shall inure to the benefit of the parties hereto, their respective heirs, successors, devises, assigns and successive assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereinafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

**11.** Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of said land and as to any one or more of the formations hereunder, to pool, unitize, or communitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such nonproducing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, form time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, expressed or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said land or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated.

**12.** Lessor agrees that, should Lessee be prevented from complying with any expressed or implied covenant of this agreement (except payment of money to Lessor) by reason of scarcity of or inability to obtain or use labor, water, equipment or material (including drilling rig), strike or differences with workmen, failure of carriers to transport or furnish facilities for transportation, wars, fires, storms, storm warnings, floods, riots, epidemics, compliance with or obedience to any Federal or State law or any regulation, rule or order of any governmental authority having jurisdiction, including but not limited to inability (except through Lessee's lack of reasonable diligence) to obtain any license, permit, or other authorization that may be required to conduct operations on or in connection with the leased premises or lands pooled or unitized therewith, or any cause whatsoever (other than financial), beyond its control, whether similar of dissimilar from those enumerated, any such reason shall be deemed an "event of force majeure" and then, while Lessee is so prevented, its obligation to comply with such covenant shall be suspended and excused and the period for performance and the term of this lease shall be extended for an additional period equal to the duration of the event of the force majeure, and Lessee shall not be liable in damages for failure to comply therewith. Upon the occurrence and upon the termination of the event of the force majeure, Lessee shall promptly notify Lessor. Lessee shall use reasonable diligence to remedy the event of force majeure, but shall not be required against its better judgment to settle any labor dispute or contest the validity of any law or regulation of any action or inaction of civil or military authority.

**13.** Lessor hereby warrants and agrees to defend the title to the land herein described against the claims of all persons whomsoever, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on said land, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves, and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made.

**14.** Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

**15.** This is a **PAID-UP LEASE**. In consideration of the cash down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. In the event that payments are necessitated by other provisions of this lease, any such payments may be made by check or draft of Lessee deposited in the mail or delivered to Lessor or to Lessor's credit in the **PAY DIRECT TO LESSORS AT ABOVE**

**ADDRESS** or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land, on or before the last date of payment. 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 of all of said land or any 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 or horizons under a portion of said land, the payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage bears to the acreage, which was covered by this lease immediately prior to such release.

**16.** Any coal mining lease, whether it be for surface mining operations or underground operations, executed during the term of this lease, shall be expressly subject to the rights granted Lessee by this lease, especially including those set forth in paragraph 17. Furthermore, any subsequent coal mining lease shall expressly exclude occluded natural gas or methane in coal seams. Lessee expressly agrees to fully cooperate with subsequent surface and underground coal lessees in an effort to maximize the development of natural resources in the leased premises.

**17.** In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both expressed and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects 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 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 then 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 fault. 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 that 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.

**18.** Notwithstanding any provision herein contained to the contrary, Lessee shall have the exclusive right and option to renew this lease, in whole or in part, and extend the primary term for an additional **five (5) years** commencing on the expiration date of the initial primary term by paying or tendering to Lessor as consideration for exercising such option, **seventy five dollars ($75.00) per net mineral acre** on or before the expiration date of the primary term or, if drilling or reworking operations are being conducted on the leased premises or lands pooled therewith on the expiration date of the initial primary term and such operations do not result in a commercial well and ninety (90) days after cessation of the prior operations, payment or tender may be made within ninety (90) days after the cessation or any drilling or reworking operations which would otherwise hold this lease in effect. If Lessor owns an interest in the leased premises less than the entire mineral estate and/or if Lessee should renew this lease only in part, the renewal amount set out hereinabove may be reduced proportionately to accord with the interest actually owned by Lessor and/or to accord with the actual acreage renewed. In the event this lease is renewed and extended in part only, Lessee shall promptly file for record an instrument, in the County, in which the land is situated, designating the acreage released and the acreage extended. If this option is exercised by Lessee, the lease as extended will thereafter be treated as if the original primary term had been **ten (10) years**.

**IN WITNESS WHEREOF**, this instrument is executed as of the date first above written.

Ray Sisco

**Ray Sisco**

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Shelby Cnty Judge of Probate, AL
01/29/2007 08:23:50AM FILED/CERT

**STATE OF ALABAMA**

**ACKNOWLEDGMENT**

**COUNTY OF** Bibb

I hereby certify, that on this day, before me, a Notary Public duly authorized in the state and county aforesaid to take acknowledgments, personally appeared **Ray Sisco, a married man dealing in his sole and separate property,** to me known to be the person described in and who executed the foregoing instrument and he acknowledged before me that, being informed of the contents of the same, he voluntarily signed and delivered the within and foregoing instrument on the day and year therein mentioned.

Given under my hand and official seal, this the 20th day of Sept, 2006.

(Seal)

My Commission Expires:
8-14-2010

Nancy Hubbard
NOTARY PUBLIC

# EXHIBIT "A"

Attached hereto and made a part hereof hat certain Oil, Gas and Mineral Lease made and entered into by and between **Ray Sisco, a married man dealing in his sole and separate property**, as Lessor(s), and **Pitts Landman Services, Inc.,** as Lessee, and dated September 20, 2006.

SHELBY COUNTY, ALABAMA

**PARCEL ONE**

**TOWNSHIP 24 NORTH, RANGE 11 EAST**

**Section 13:** All that portion of the W/2 of the NW/4 lying North of Shoal Creek and all that portion of the NW/4 of the SW/4 lying North of Shoal Creek in Section 13, Township 24 North, Range 11 East, Shelby County, Alabama, containing **79.00 acres**, more or less.

RPB 80 Page 68

(Also herein identified by Tax Assessor's Office in Shelby County, Alabama as parcel number 003.000)

Reference of Title: (Bibb County)
RPB 80 Page 62
RPB 80 Page 65
Book 88 Page 633

**PARCEL TWO**

**TOWNSHIP 24 NORTH, RANGE 11 EAST**

**Section 12:** The SW/4 of the SW/4 less that portion North of a public road, known as the George Mill Road, and less 8.00 acres in the Northeast corner lying South of the same public road in Section 12, Township 24 North, Range 11 East, Shelby County, Alabama, containing **27.00 acres**, more or less.

RPB 80 Page 68

(Also herein identified by Tax Assessor's Office in Shelby County, Alabama as parcel number 003.000)

Reference of Title: (Bibb County)
RPB 80 Page 62
RPB 80 Page 65
Book 88 Page 633

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**SIGNED FOR IDENTIFICATION:**

Ray Sisco

**Ray Sisco**

**This Instrument Prepared by:**
Patrick O. Kirby
1211 Riser Creek Road
Newton, MS 39345

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Shelby Cnty Judge of Probate,AL
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# EXHIBIT "B" - ADDITIONAL LEASE PROVISIONS

Attached hereto and made a part hereof that certain Oil, Gas and Mineral Lease made and entered into by and between, **Ray Sisco, a married man dealing in his sole and separate property,** as Lessor(s), and **Pitts Landman Services, Inc.**, as Lessee, and dated September 20, 2006.

**NOTWITHSTANDING ANYTHING CONTAINED IN THIS LEASE TO THE CONTRARY:**

1. Lessee agrees, upon the abandonment of any well drilled on the leased premises, whether it be abandoned as a dry hole or after cessation of production, to restore the surface of the ground to as near the same condition as it was prior to the drilling of said well as is practicable, including but not limited to the reseeding of well sites, access roads and other surface disturbances with native or improved grasses, and to remove all fences, equipment, machinery, tanks and all surface structures, concrete or other foundations or property of whatsoever nature as soon as practicable after operations cease.

2. a. Lessee shall be solely responsible for all damage to property and injury to persons, including death, by reason of, or in connection with, its operations hereunder and does hereby agree to protect, save harmless, and indemnify Lessor from and against any and all claims and liability for damages to property and injuries, including death, to persons, including, but not limited to, Lessee's employees, agents, and contractors, such damages or injuries arising out of, or in connection with Lessee's operations hereunder, and Lessee shall, at Lessee's sole expense, handle all such claims, defend lawsuits or other actions which may be brought against Lessor therein, pay all judgments rendered against Lessor therein, and reimburse Lessor for any expenditure which it may make on account thereof, including but not limited to Lessor's attorney fees, unless such damage or injury is caused solely by Lessor's acts, omissions, or negligence.

b. Lessee expressly indemnifies and agrees to hold Lessor harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses, fines, penalties and claims of any kind suffered by or asserted against Lessor as a result of the presence in, upon or under, or the escape, leakage, spillage, discharge or release from or upon the lands, leases and waters subject hereto by Lessee or anyone else or from the presence of any hazardous material, pollutant or contaminant under any federal, state or local law, in, upon or under such lands or waters or transportation or disposal of any such material to any location resulting from operations conducted by Lessee, its assigns, designees or subcontractors. Lessee shall also defend and hold Lessor harmless from and against any liability arising out of violations of the Clean Water Act, Federal Water Pollution Control Act, Safe Drinking Water Act, and any other Acts and/or Orders, or any permit issued by the U. S. Corp. of Engineers, or any other federal, state or other regulatory agency having jurisdiction thereof. Lessee's obligations pursuant to this paragraph 3b shall survive termination of this lease.

3. Lessee agrees to bury the pipeline to a minimum depth of thirty-six inches (36"), except where rock is encountered, then the pipeline shall be buried a minimum depth of eighteen inches (18") to the top of the pipe and agrees to properly backfill and grade the right-of-way area so that the construction or maintenance of such pipeline will cause no appreciable adverse change in the normal grade of the right-of-way area.

4. Lessee further understands that its rights under this lease insofar as the use of the surface is concerned are limited to those rights reasonably needed for the production of oil, gas or other gaseous hydrocarbons and are not exclusive.

5. It is the intent of Lessor to grant, lease and let unto Lessee all property owned or claimed by lessors in Sections 12 and 13 of Township 24 North, Range 11 East, Shelby County, Alabama whether correctly described herein or not.

**SIGNED FOR IDENTIFICATION:**

Ray Sisco

**Ray Sisco**