

Standard Oil and Gas Lease Form
February, 1981, Revised February 2022

**STATE OF ALABAMA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
OIL AND GAS LEASE NUMBER XX**

**STATE OF ALABAMA
XX COUNTY**

This Lease, entered into by and between the State of Alabama, Department of Conservation and Natural Resources, State Lands Division, acting by and through its Commissioner (hereinafter "Lessor"), and XX (hereinafter "Lessee") (Lessor and Lessee collectively hereinafter "Parties"), is made on the following terms, conditions, and covenants:

NOW, THEREFORE, in consideration of the payment by Lessee of the sum of XX AND XX/100 DOLLARS (\$XX), the receipt and sufficiency of which is hereby acknowledged, and of the royalties, covenants, stipulations, and conditions contained herein and hereby agreed to be paid, observed and performed by Lessee, Lessor grants, leases, and lets unto Lessee, for the purpose of exploring and drilling for and producing oil, gas or any other liquid or gaseous hydrocarbon mineral, and their respective constituent products, and conducting therefore enhanced recovery operations, the following described property, to-wit:

[Invitation to Bid beds and bottoms to be inserted as "Leased area"]

1. Lessor's Reservation of Rights

All rights within the Leased Area not expressly granted to the Lessee by this Lease or necessarily implied are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights include the right to authorize geochemical and geophysical explorations in the Leased Area which do not unreasonably interfere with or endanger actual operations under the lease; the right to grant such easements or rights-of-way upon, through, or in the Leased Area as may be necessary or appropriate to the management of other lands by or under authority of the Lessor, or to the removal of production therefrom; and the right to grant leases for any mineral other than oil, gas or any other liquid or gaseous hydrocarbon mineral within the Leased Area, except that such operations shall not unreasonably interfere with or endanger operations under this Lease.

2. Term

It is understood and agreed that this Lease is for a term beginning on the date of the Governor's signature and ending five (5) years from the date hereof (called "Primary Term") and as long thereafter as oil, gas or other liquid or gaseous hydrocarbon mineral is produced in paying quantities from the Leased Area.

3. Rental Payments

(a) If actual drilling operations are not commenced on the Leased Area in good faith on or before one year from the date hereof, unless otherwise approved in writing by Lessor in its sole discretion, this Lease shall terminate as to both parties unless Lessee on or before the expiration of said period shall pay or tender to Lessor the sum of TEN AND 00/100 DOLLARS (\$10.00) per acre per year (hereinafter called "Rental"), which shall extend for one year the time within which actual drilling operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders, the commencement of actual drilling operations may be further deferred for successive periods of twelve (12) months each during the Primary Term. Payment or tender of Rental may be made by check or draft of Lessee made payable to the order of State Lands Division, on or before the Rental payment date.

(b) If on any Rental payment date there be neither actual drilling, nor reworking operations, in progress on the Leased Area, nor production in paying quantities therefrom, unless otherwise approved in writing by Lessor in its sole discretion, this Lease shall terminate unless Lessee, on or before said date, makes or resumes the payment of Rental as herein set forth; provided, if actual drilling or reworking operations are abandoned at any time within a period of ninety (90) days prior to any Rental payment date or if production ceases within such ninety (90) day period, Lessee shall have a period of ninety (90) days after the date of such abandonment of operations or cessation of production within which to commence or resume production, commence actual drilling operations on the Leased Area, or make the Rental payment, and the commencement or resumption of production, the commencement of such operations, or the payment of such Rental within said ninety (90) day period shall have the same effect as though resumed, commenced, or paid on or before said Rental payment date.

4. Production

(a) If at the expiration of the Primary Term oil, gas or any other liquid or gaseous hydrocarbon mineral is not being produced hereunder but on or before that date (or on or before the end of ninety (90) days following cessation of production or abandonment of a well, if a well be abandoned or production shall cease within ninety (90) days prior to the expiration of the Primary Term) Lessee commences actual drilling or reworking operations on the Leased Area in an effort to make the area produce any such mineral (or production is commenced or resumed during such ninety (90) day period) then this Lease shall continue in force so long as such operations are being conducted with due diligence and good faith without lapse of more than ninety (90) days between cessation of operations and their recommencement whether on the

same well or on different wells successively or so long as the production so commenced or resumed is obtained in paying quantities.

(b) If at any time or times after the expiration of the Primary Term production hereunder should for any reason cease or terminate, Lessee shall have the right at any time within ninety (90) days from cessation of production to resume production or actual drilling or reworking operations in an effort to make the Leased Area again produce any of such minerals, in which event this Lease shall remain in force so long as such operations are continued as above provided. If, as a result of any such operations, oil, gas or any other liquid or gaseous hydrocarbon mineral be found and produced, or the production of any of the same be restored, this Lease shall continue in force so long as any of them is produced hereunder in paying quantities or this Lease is otherwise being maintained as herein provided.

5. Royalty Payments

When production of oil, gas or any other liquid or gaseous hydrocarbon mineral from the Leased Area is obtained, Lessee agrees to pay or cause to be paid to Lessor, during the term hereof, the following royalties:

(a) The value of 25% of the gross proceeds from all oil, distillate, condensate, gas, natural gasoline, or other product covered by this Lease, produced and sold from the Leased Area at the price received therefore or at the best price realizable in the exercise of reasonable diligence, whichever is higher; however, if any oil or gas is produced from any well drilled, whether or not sold or used off the Leased Area, Lessee agrees to pay to Lessor royalty on the oil or gas produced on the above basis, except that no royalty shall be due for gas produced and flared for well testing purposes.

(b) If gas, of whatsoever nature or kind, including oil well or casinghead gas and any gaseous substance produced from any well, is used, on or off the Leased Area, by the Lessee for purposes (including the manufacture or extraction therefrom of gasoline or other products not covered by the royalty provisions of subparagraph (a) above) other than solely in the development and operation of the Leased Area as provided herein, Lessee shall pay 25% of the net amount realized by Lessee or affiliate from the sale or disposition of the manufactured or extracted products and 25% of the best price realizable in the exercise of reasonable diligence for all gas used and not sold. On all residue gas sold by Lessee or affiliate after manufacture or extraction of products, royalty shall be paid under subparagraph (a) in addition to the royalty on manufactured or extracted products. For purposes of this provision "affiliate" shall mean a company, firm or business unit which is: (1) a direct part of Lessee's corporate or other business structure; (2) a wholly owned or actually controlled subsidiary corporation or other business unit of Lessee; (3) a parent corporation of Lessee; or (4) a wholly owned or actually controlled subsidiary of LESSEE's parent corporation. The phrase "net amount realized" shall be arrived at by establishing the gross sales values of the manufactured or extracted products realized by Lessee or affiliate and deducting therefrom the reasonable direct costs of manufacture and transportation from the Leased Area incurred by Lessee or affiliate; provided, (though not to be construed as all inclusive) amortization of pipelines, processing plants or other facilities owned entirely or in part by Lessee or affiliate and rate of return thereon are specifically excluded as deductible items of cost.

(c) Notwithstanding anything contained herein to the contrary, Lessor may at its option, upon not less than sixty (60) days-notice in the case of oil, or six (6) months-notice in the case of gas or products extracted therefrom, to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under the lease be made in kind. If, and whenever, Lessor elects to exercise this option to take royalty in kind, Lessee, shall deliver same to Lessor either at the Leased Area or the recycling or processing plant as the case may be, or to the credit of Lessor in pipelines to which these points are connected, free of costs except as provided for hereinabove Lessor reserves the right to maintain on the Leased Area tanks or other containers for the purpose of storing in kind royalty, and Lessee shall deliver such in kind royalty, free of costs, into said tanks or other containers, and such in kind royalty may be stored therein without charge for a period of not to exceed sixty (60) days, but at Lessor's sole risk.

(d) Notwithstanding anything contained herein to the contrary, and subject to the written consent of the Commissioner of Conservation and Natural Resources, Lessee may recycle gas for gas lift purposes on the Leased Area or for injection into any oil or gas producing formation underlying the Leased Area after the liquid hydrocarbons contained in the gas have been removed and no royalty shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this Lease.

(e) Lessor, in its sole discretion, may at any time require Lessee to establish a form of escrow or other type of account, according to terms satisfactory to Lessor, for the deposit of any or all payments due to Lessor pursuant to this Paragraph 5. Any expenses, costs or fees associated with the establishment, maintenance, management and proceeds distribution as to such account shall be the sole responsibility of Lessee.

6. Royalty Payment Due Date / Reports

All royalties not taken in kind shall be paid to the Director, State Lands Division, Department of Conservation and Natural Resources, at Montgomery, Alabama, and shall be due and payable on or before the 15th day of the second month next following the month of production. Each payment shall be accompanied by the affidavit of the Lessee, or Lessee's authorized agent, showing (1) the gross amount of production, (2) disposition, and (3) the gross sales value or proceeds received, of all oil, gas or any other liquid or gaseous hydrocarbon mineral, and their respective constituent products, produced from the Leased Area or acreage pooled therewith. Lessee shall retain for not less than two (2) years a copy of all documents, records or reports confirming the gross production, disposition and gross sales values or proceeds received, including gas meter readings (corrected to standard temperature and pressure),

pipeline receipts, gas line receipts, and other checks or memoranda of amount produced and put into pipelines, tanks or pools and gas lines or gas storage, all gas contracts (whether for sale or process) and amendments thereof, and any other reports or records which the State Lands Division may require to verify said gross production, disposition and gross sales values or proceeds received, method used to determine net amount realized; and all such records shall at all times be subject to inspection and examination by the Commissioner of Conservation and Natural Resources or his duly authorized representative. The Lessee shall bear all responsibility for paying or causing all royalties to be paid as prescribed by the due date provided herein. Lessee agrees and acknowledges that Lessor shall be entitled to rely upon the accuracy of information, materials, reports, records, documents or data provided by Lessee to Lessor substantiating Lessee's royalty payment associated with the Leased Area.

7. Shut-Ins

(a) If, at the expiration of the Primary Term or at any time thereafter, there is located on the Leased Area or acreage pooled therewith a well or wells capable of producing gas in paying quantities, but such gas is not being sold or used and this Lease is not otherwise being maintained in force and effect, Lessee may pay as royalty a sum of money equal to twice the Rental provided for in Paragraph 3 above. Such payment shall be made prior to the expiration of the Primary Term of this Lease or, if the Primary Term has expired, within sixty (60) days after Lessee shuts in such well or ceases to produce gas therefrom, or within sixty (60) days after this Lease ceases to be otherwise maintained in force and effect; and if such payment is made, this Lease shall be considered to be a producing lease and such royalty payment shall extend the term of this Lease for a period of one (1) year from the end of the Primary Term or, if after the Primary Term, from the first day of the month next succeeding the month in which such well was shut in or production ceased or this Lease ceased to be otherwise maintained in force and effect; and thereafter, Lessee may extend this Lease for two (2) additional and successive periods of one (1) year each by the payment of a like sum of money each year as above provided, on or before the expiration of the extended term. It is understood that this provision or shut-in clause shall apply to any well where the gas/oil ratio is such that the State Oil and Gas Board will not permit the operation of such well without the use or sale of the gas.

(b) However, if at any time while this Lease is being maintained in force and effect under the provisions of this Paragraph 7, gas should be sold or used in paying quantities from a well or wells completed in the same producing reservoir, and draining the Leased Area, the right to extend this Lease by the shut-in gas well royalty payments shall cease at the expiration of the 12-month period for which payment has been made; and thereafter, Lessee may maintain this Lease in force and effect only by paying compensatory royalty to the Lessor, equal to that which would be realized at the rate provided in this Lease, from a well or wells on the Leased Area offsetting such draining wells, with an equivalent production, such payments to be made monthly. Provided, further, should the compensatory royalties paid in any 12-month period be less than the annual shut-in gas well royalty payments, Lessee shall pay a sum equal to the difference within thirty (30) days from the end of the 12-month period.

(c) Nothing herein shall relieve Lessee of the obligation of reasonable development of the Leased Area, nor of the obligation to drill offset wells as required in Paragraph 8 below.

8. Offset Drilling

(a) If at any time during or after the Primary Term oil, gas or any other liquid or gaseous hydrocarbon mineral should be produced in paying quantities in a well on land privately owned or on State land leased at a lesser royalty, which well is within six hundred and sixty (660) feet (or within any spacing or pooling unit distance established by the State Oil and Gas Board) of, and draining, the area included herein, the Lessee shall, within sixty (60) days after such initial production of such other land, begin in good faith and prosecute diligently the drilling of an offset well on the Leased Area, and such offset well shall be drilled to such depth as may be necessary to prevent undue drainage of the Leased Area, and Lessee shall use all means necessary in a good faith effort to make such offset well produce oil, gas or other liquid or gaseous hydrocarbon minerals in paying quantities.

(b) In addition to the specific offset drilling obligation above provided, Lessee agrees to drill any and all wells necessary to protect the Leased Area from drainage of oil, gas or other liquid or gaseous hydrocarbon minerals by a well or wells on adjoining land privately owned or on State land leased at a lesser royalty, or to take any other steps reasonably necessary to protect the Leased Area against such drainage including, but not limited to obtaining the formation or appropriate drilling or production units.

(c) In the event such adjoining well produces gas only, Lessee, in lieu of drilling an offset well, may pay to Lessor the same amount of royalty and within the same time from completion of said well as is herein provided for a shut-in gas well on the Leased Area.

9. Pooling by Assignment

In the event the Leased Area shall be separated or divided into two or more horizons, levels or formations by assignments, or shall be pooled or unitized with other premises, in whole or in part, such event or events shall constitute a severance of the Leased Area, and thereafter the acreage, or horizons, or the acreage and horizons so separated, or the acreage, or horizons, or the acreage and horizons included in such separate pool or unit and the acreage, or horizons, or the acreage and horizons not included within any pool or unit each shall be treated as though covered by a separate lease containing the provisions and stipulations of this instrument.

10. Directional Wells

(a) This Lease may be maintained in force by directional wells drilled under the Leased Area from a surface location on land not covered by this Lease, in which event actual drilling operations shall be

considered to have commenced on the Leased Area when drilling operations commence for the purpose of directionally drilling under the Leased Area. Nothing contained in this Paragraph 10 shall be construed as granting to the Lessee any interest, license, easement or other right in the land serving as a surface location for such directional wells.

(b) Lessee shall have the right and privilege to set up any necessary surface equipment and installations on the land covered by this Lease for the purpose of drilling a directional well or wells in search of oil, gas or any other liquid or gaseous hydrocarbon mineral under an oil and gas lease or leases covering adjoining or adjacent land granted by Lessor and owned in whole or in part by Lessee, and to erect, construct and use such additional installations as are necessary or convenient in connection with the development, production, transportation and marketing of any and all said minerals from such adjoining or adjacent land. Such rights and privileges shall remain in full force and effect so long as this Lease, or any such adjacent or adjoining lease, is in force.

(c) It is specifically understood and agreed by Lessee that all drilling locations on the Leased Area must first be approved in writing by the Commissioner of Conservation and Natural Resources before same will be permitted, which approval shall not be unreasonably withheld.

(d) Notwithstanding the foregoing, no drilling operations will be permitted on submerged lands within the Leased Area except by directional drilling from lands adjacent thereto.

11. Care of Lease Area / Spills / Leakage

Lessee shall use the highest degree of care and all proper safeguards to prevent land or water pollution resulting from the drilling for or production, storage and removal of oil, gas, or other liquid or gaseous hydrocarbon minerals pursuant to this Lease. Lessee shall use all means at its disposal to recapture all escaped hydrocarbon minerals or other pollutants and shall be liable for all damages to aquatic or marine life, wildlife, birds, and any public or private property. Lessee shall not be responsible for such damages if Lessee establishes that the prohibited discharge or other polluting condition was the result of any of the following: (a) Act of War, (b) an act of government, either federal, state or local; (c) an act of God, which shall be construed to mean an unforeseeable act exclusively occasioned by the violence of nature without the intervention of any human agency; or (d) an act of omission of a third party, provided such third party shall not be acting with the consent of the Lessee, express or implied.

Lessee shall report to the State Lands Division all spills or leakage of oil, gas or other liquid or gaseous hydrocarbon minerals, or other waste material within twenty-four (24) hours of such spills or leakage.

12. First Lien

The State of Alabama shall have a first lien upon all production from the Leased Area to secure payment of all unpaid royalty and other sums of money that may become due under this Lease.

13. Compliance with Laws

The obligation to obtain all required permits and approvals from federal, state, and local governmental agencies shall at all times rest exclusively with the Lessee. In addition, Lessee agrees at all times to maintain compliance with requirements of such permits and approvals associated with the Leased Area and to maintain compliance with all federal, state, and local laws. Lessee shall not knowingly permit or suffer any nuisances or illegal operations of any kind on the Leased Area. Any unlawful activity which occurs on the Leased Area or in conjunction with the use of the Leased Area, shall be grounds for the termination of this Lease by the Grantor.

It is further understood and agreed by Lessee that in the event any permit, license or other authorization is required from any State or Federal governmental agency to effect drilling, site preparation or other use of the Leased Area, same will be formally obtained and had before such activity begins. Lessee understands and agrees that it must obtain such other governmental permits as may be indicated or required in any drilling or production activity on the Leased Area and Lessee further acknowledges that no such required permits are waived by the granting of this Lease by the Lessor.

14. Force Majeure

(a) All express or implied covenants of this Lease shall be subject to all valid and irremediable Federal and State Laws, Executive Orders, Rules or Regulations, and this Lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or failure is the result of, any such valid and irremediable Law, Order, Rule or Regulation, or if prevented by an Act of God, rebellion, riot, strike or public enemy. "Irremediable" means that either (i) the Lessee has sought unsuccessfully to have the Law, Order, Rule or Regulation set aside, modified or held unconstitutional or inapplicable insofar as necessary to enable the Lessee to fulfill its obligations to the Lessor and has pursued its efforts to the last tribunal having jurisdiction, or (ii) a competent lawyer, paying due regard to the interests of both Lessor and Lessee, would adjudge such an attempt to be clearly useless. Nothing herein shall be construed to suspend the payment of Rental during the Primary Term.

(b) If oil, gas or any other liquid or gaseous hydrocarbon mineral is discovered but production is prevented by any of the causes in Paragraph 14(a), this Lease shall be considered producing and shall continue in full force and effect until Lessee is permitted to produce said minerals, and as long thereafter as same actually is produced in paying quantities, provided, however that Lessee, as an express condition for the extension of the lease without production, shall pay to Lessor the sum of Ten Dollars (\$10.00) per annum for each acre of the Leased Area, payment to be made within ninety (90) days from the date that production is prevented and annually upon such payment date until production is resumed.

15. Notice

Written notice of all Petitions submitted to the State Oil and Gas Board related to the Leased Area shall be submitted to the Lessor within five (5) days and thereafter written notice of all operations on the Leased Area shall be submitted to Lessor within five (5) days of spud date, workover, reentry, temporary abandonment or plug and abandonment of any well or wells. Lessee shall give written notice to the Lessor within five (5) days of any cessation of production from the Leased Area. Lessee shall supply Lessor with any records, memoranda, accounts, reports of other information relative to the operation of the Leased Area or acreage pooled therewith which may be requested by the Lessor whether or not expressly provided for herein.

All sums becoming due and all notices from Lessee to Lessor shall be addressed to Lessor at:

Department of Conservation and Natural Resources
Director, State Lands Division
64 North Union Street, Suite 464
Montgomery, Alabama 36130

A copy of all notices shall be addressed to:

Department of Conservation and Natural Resources
General Counsel, Legal Section
64 North Union Street, Suite 474
Montgomery, Alabama 36130

All notices required to be given to the Lessee under this Lease, applicable law or administrative rules shall be sufficient if sent by U.S. Mail or overnight courier at Lessor's discretion to the following address:

Attention: XX
XX

The Lessee shall notify the Lessor by certified mail of any change to this address at least ten (10) days before the change is effective.

16. Surrender / Relinquishment

Lessee may surrender all or any portion of the Leased Area at any time by recording the relinquishment in the county where this area is situated and filing the recorded relinquishment or certified copy of same in the State Lands Division Office within seven (7) days after its execution. Such relinquishment will not have the effect of releasing Lessee from any liability theretofore accrued in favor of the State, nor shall such partial release or surrender, reduce or otherwise affect the amount of Rental provided for in Paragraph 3 of this Lease.

17. Pooling

Lessor agrees that the acreage covered by this Lease or any parts thereof may be pooled or unitized with other land, lease or leases in the immediate vicinity thereof (whether State land, Federal land or privately owned land), and in such event, operations for drilling, reworking or production on any part of such pooled or unitized unit shall be considered as operations for drilling, reworking or production on the land so pooled covered by this Lease and the entire acreage constituting such unit or units shall be treated for all purposes as if the same were included in this Lease except that in lieu of the royalties elsewhere herein specified, Lessor shall receive on production from each of such units the proportion of the royalties herein stipulated that the amount of Lessor's ownership in the mineral interest in the acreage placed in the particular unit involved bears to the entirety of the mineral interest in such unit.

18. Assignments

No assignment of any interest granted herein will be effective without the prior written approval of the Commissioner of the Department of Conservation and Natural Resources, and the payment of such assignment fee as may be required by the Department of Conservation and Natural Resources. Assignment approval will not be unreasonably withheld.

19. Property Rights

Lessee understands and agrees that this Lease grants no right to Lessee to construct or lay pipe on the bed or bottom of any state-owned water areas whether same are included in this Lease or not, and that such authorization must be obtained from Lessor by separate agreement and Lessor may require from Lessee in making such application any information it may deem necessary.

It is further understood by Lessee that this Lease in no way passes title to any portion of the water bottom or real property of any kind, nor does this Lease grant to the Lessee any riparian right or privilege not specifically provided for by law.

20. Entry by Lessor / Right to Inspect

Lessor reserves to itself through its officers, agents, and employees the right at all times to enter said Leased Area for any purpose. Furthermore, and in addition to rights as set forth pursuant to Paragraph

6, Lessor or its authorized representatives or agents shall at all reasonable times have access to the wells, gauges, books, oil and gas meters, tank reservoirs, sump holes, buildings and other structures and appliances placed upon the land leased or owned by Lessee or any of its operators within the applicable unit.

21. Indemnification

Lessee agrees to investigate all claims of every nature arising out of Lessee's operations hereunder and to indemnify, protect, defend, hold and save harmless the State of Alabama, the Commissioner of Conservation and Natural Resources, its authorized representatives, officers, agents, and employees from any and all such claims, actions, lawsuits, and demands of any kind or nature arising out of Lessee's operations hereunder. This paragraph shall survive the termination, expiration or cancellation of this Lease.

22. No Warranty of Title

Notwithstanding any provisions to the contrary in this Lease, this Lease is granted and accepted without any warranty of title or accuracy of acreage described as constituting the Leased Area and without any recourse against Lessor whatsoever, either express or implied, it being expressly agreed that the Lessor shall not be required to return any payments received hereunder or be otherwise responsible to Lessee therefor. This paragraph shall survive the termination, expiration or cancellation of this Lease.

23. Termination

(a) If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning operations or production, or if Lessee should fail to give or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or if Lessee should knowingly violate any of the material provisions of this Lease, the rights acquired hereunder shall be subject to termination by the Commissioner of Conservation and Natural Resources. Upon such termination, the Leased Area shall again be subject to lease as provided by the laws of the State of Alabama.

(b) Prior to any such termination, Lessor shall notify Lessee in writing setting forth the matters as to which Lessor considers Lessee in default. Lessee shall have forty-five (45) days from date of receipt of said notice within which to take reasonable action to remedy any such default or to demonstrate to the Commissioner of Conservation and Natural Resources' satisfaction that no such default exists.

(c) In the event of termination, Lessee may, nevertheless, retain hereunder 40 acres around each well producing oil and 160 acres around each well producing gas (including wells drilled under this Lease by directional drilling), and in the case of any well being worked on or being drilled Lessee shall have the right to complete such operations or reworking or drilling, and in the event any such well results in a producer of oil, Lessee may retain 40 acres around such well and if any such well results in a producer of gas, Lessee may retain 160 acres around such well, such acreage to be reserved in as near a square tract as practicable with the well or wells to be as near the center of said acreage so selected as practicable; provided that if a drilling or proration unit has been assigned to any such well by the State Oil and Gas Board, Lessee may retain the acreage fixed for such drilling or proration unit.

24. Late Fee

There shall be a late payment assessment for payments which are received by Lessor after the applicable due date established pursuant to this Lease. Unless otherwise specifically provided herein, this assessment shall be computed at the rate of 12 percent per annum, calculated on a daily basis for every day the payment is late.

25. Removal of Equipment / Abandonment

Upon the expiration or termination of this Lease for any cause, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells without the written consent of the Commissioner of the Department of Conservation and Natural Resources or his authorized representative; nor shall Lessee without the written consent of said Commissioner or his authorized representative remove from the Leased Area the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of oil or gas therefrom until all dry or abandoned wells have been plugged.

26. Conflict of Lease Provisions

Notwithstanding any of the provisions, covenants or stipulations contained in this Lease, should there be any conflict in any of the provisions of this Lease with the law governing the issuance and operation of leases on the area herein described, in that event the provisions of such law shall be deemed written into this Lease and shall control.

27. Lessee Obligations

No express obligation imposed upon Lessee shall relieve it of any otherwise existing duty of exploration, development, operation, marketing or protection, except to the extent of direct conflict with such express obligation, and all such express obligations shall be construed as providing minimal standards only. In case of ambiguity, this Lease always shall be construed in favor of Lessor and against Lessee.

28. Definition of Terms

Whenever used in this Lease, "actual drilling operations" means actual drilling (commenced by spudding in) of a new well, or the good faith deepening, sidetracking, or the plugging back or attempted recompletion in a separate interval of an existing well (all such operations being commenced by actual downhole operations with adequate tools); and "reworking operations" means reconditioning, cleaning out, or otherwise attempting in good faith to establish, increase or restore production in an existing well by downhole operations. Once commenced, any such operations shall be deemed to continue so long as they are conducted in good faith without lapse of more than ninety (90) days. Actual drilling operations shall be deemed to terminate on the last day actual operations of any kind (such as drilling, testing or installation of equipment) are conducted in good faith for the purpose of attempting to discover oil, gas or any other liquid or gaseous hydrocarbon mineral as a producer of same. Reworking operations shall be deemed to terminate on the last day such operations are conducted in good faith for the purpose of establishing, increasing or restoring production.

29. Activities Not Permitted

Lessee shall not deposit on the lands leased hereby any hazardous or nuclear waste now or hereafter, defined as such by applicable law, nor shall any petroleum products be stored in an underground storage tank on the premises. All waste and garbage must be removed by a licensed contractor. Upon written request, during the term of this Lease and at the termination of this Lease for any cause, the Lessee shall furnish to Lessor a representation and warranty that the property shall not have been used to store or dispose of toxic or other hazardous waste or material or medical waste or any other substances that would either constitute a violation of any environmental or health law or regulation ("Hazardous Materials") and which would subject the Lessor or the Lessee to fines or clean up expense or otherwise require the removal of such substances. Lessee agrees to fully indemnify Lessor against any loss, damage or liability, including, without limitation, reasonable attorney's fees, expert witness fees, and clean-up costs arising out of Lessee's activities on the property leased hereby for any inaccuracies in any of the warranties made therein. Lessee further warrants and agrees that any hazardous waste, hazardous substances, Hazardous Material, toxic substances, hazardous air pollutants, as those terms may be defined as of the termination of this Lease, shall expressly be subject to the aforementioned warranties and the Lessee shall not permit any such material to be brought on the property; or, if so brought on, so brought on or found located thereon, Lessee shall immediately remove the same with the proper disposal and perform all required environmental clean-up procedures of any nature which shall be diligently undertaken pursuant to all of such laws, ordinances, and regulations. The above representations and warranties shall survive the termination of this Lease, shall expressly be binding upon Lessee and any assignee of Lessee and shall be in addition to and not be limited by any other warranty or representation herein made. Lessee shall additionally indemnify Lessor, its officers, agents, and employees against all liability, claims, demands, loss, costs, damages, and expenses resulting from any act or omission of Lessee or its agents, servants, employees, or licensees in connection with operations under this Lease; and, further, Lessee shall pay Lessor upon demand for any loss or damages to Lessor's timber, trees, growing crops or other property caused by any such act or omission. This Lease and the Lessee's rights hereunder are subject to all rights-of-way, easements, roadways, leases, and other matters now affecting the leased property or the use thereof now of record or visible on the ground.

30. Use of Lease Area

Lessee agrees to develop the Leased Area for oil, gas, and other minerals covered hereby with due diligence consistent with practical operation and development in accordance with interest of both Lessor and Lessee and in a manner recognized as adequate and proper in order that Lessor may receive as early as possible the royalties provided in this Lease.

31. Successors and Assigns

All of the provisions of this Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, administrators, successors, and assigns.

32. Choice of Law / Venue

Lessee agrees that the Laws of the State of Alabama shall govern and be controlling and binding over the provisions of the rights herein granted, and that, notwithstanding any provision to the contrary, the venue of any legal action brought in connection herewith shall be the Circuit Court of Montgomery County, Alabama.

33. Nondiscrimination

Lessee will not discriminate on the basis of race, color, religion, age, sex, pregnancy, national origin, genetic information, veteran status or disability in its hiring or employment practices nor in admission to, access to, or operations of its programs, services or activities.

34. Immigration

By signing this Lease, the Lessee affirms, for the duration of the Lease, that it will not violate federal immigration law or knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama. Furthermore, if found to be in violation of this provision, Lessee shall be deemed in breach of the Lease and shall be responsible for all damages resulting therefrom.

35. Amendments

This Lease is the entire and only agreement between the Parties. Any amendment or modification to this Lease must be in writing, must be accepted, acknowledged, and executed by the Lessee and Lessor.

36. Not a Debt

It is agreed that the terms and commitments contained herein shall not be constituted as a debt of the State of Alabama in violation of Article 11, Section 213 of the Constitution of Alabama, 1901, as amended by Amendment Number 26. It is further agreed that if any provision of this Lease shall contravene any statute or constitutional provision or amendment, either now in effect or which may, during the course of this Lease, be enacted, then that conflicting provision in the Lease shall be deemed null and void.

37. No Waiver

The failure of Lessor to insist upon strict performance of any of the covenants or conditions of this Lease or to exercise any option herein conferred in any one or more instances shall not be construed as a waiver or relinquishment of any such covenants, conditions or options, but the same shall be and remain in full force and effect. The receipt by Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provisions hereof shall be deemed to have been made unless expressed in writing.

38. Alternative Dispute Resolution

In the event of any dispute between the Parties, senior officials of both Parties shall meet and engage in a good faith attempt to resolve the dispute. Should that effort fail and the dispute involves the payment of money, the Lessee's sole remedy is the filing of a claim with the Board of Adjustment of the State of Alabama. For any and all other disputes arising under the terms of this Lease which are not resolved by negotiation, the Parties agree to utilize appropriate forms of non-binding alternative dispute resolution including, but not limited to, mediation. Such dispute resolution shall occur in Montgomery, Alabama, utilizing where appropriate, mediators selected from the roster of mediators maintained by the Center for Dispute Resolution of the Alabama State Bar.

39. No Agency

By entering into this Lease, the Lessee is not an agent of the State, its officers, employees, agents or assigns. The Lessee is an independent entity from the State and nothing in this Lease creates an agency relationship between the Parties.

40. Not Entitled to Merit System

Lessee understands and agrees that nothing in this Lease entitles Lessee, or any of its guests (or members), to any benefits of the Alabama State Merit System.

41. Boycott

In compliance with Act 2016-312, Lessee hereby certifies that it is not currently engaged in, and will not engage in, the boycott of a person or an entity based in or doing business with a jurisdiction with which the State can enjoy open trade.

42. Severability

In the event any terms or provisions of this Lease are deemed to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms or provisions hereof.

43. Lease Supersedes

Lessor and Lessee represent that this Lease supersedes all proposals, oral and written, all previous contracts, agreements, negotiations, and all other communications between the Parties with respect to the subject matter hereof.

44. Governing Law / Sovereign Immunity

This Lease and related matters shall be construed in accordance with and governed by the substantive and adjective laws of the State of Alabama, including but not limited to the State's right of immunity from suit as provided by Article 1 Section 14 of the Official Recompilation of the Constitution of Alabama of 1901, as amended, without regard to its conflicts of law provisions.

45. Review and Execution

THIS IS A LEGAL, BINDING DOCUMENT. LESSEE HAS BEEN AFFORDED THE RIGHT TO SEEK LEGAL COUNSEL AND REVIEW THIS LEASE AND THE TERMS SET FORTH HEREIN. BY EXECUTING THIS LEASE, LESSEE ACKNOWLEDGES AND UNDERSTANDS THE TERMS AND CONDITIONS OUTLINED HEREIN AND AFFIRMS LESSEE'S ASSENT TO THE CONTENTS OF THIS LEASE.

46. Additional / Special Provisions

In addition to provisions set forth in Paragraph 22, Lessee hereby acknowledges and agrees that it has been provided notice by Lessor as to pending litigation in the Circuit Court of Conecuh County, Alabama, CV-2014-900113, and further understands that Lessor does not, pursuant to the execution of this Lease, or otherwise, provide any representation, warranty or guarantee as to potential outcomes including, but not limited to, resulting consequences to Lessee resulting from the execution of this Lease. With this knowledge, Lessee hereby releases Lessor, including its officers and employees, from any claims of damages associated with the rights granted hereunder.

IN WITNESS WHEREOF, the Parties hereto have caused this Lease to be executed.

RECOMMENDED:

STATE OF ALABAMA
Department of Conservation and Natural Resources

Patricia Powell McCurdy
Director
State Lands Division

Christopher M. Blankenship
Commissioner

TERMS ACCEPTED:
XX

Signature: _____

Printed Name: _____

Title: _____

APPROVED:

ATTEST:

Kay Ivey
Governor of Alabama

John H. Merrill
Secretary of State

Date: _____

STATE OF ALABAMA)
)
MONTGOMERY COUNTY)

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that **Christopher M. Blankenship**, whose name as **Commissioner** of the Department of Conservation and Natural Resources of the State of Alabama is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, that, being informed of the contents of the foregoing instrument, he, in his official capacity and with full authority executed the same voluntarily on the day the same bears date.

Given under my hand and seal this the _____ day of _____, _____.

Notary Public

STATE OF _____)
)
_____ COUNTY)

I, the undersigned authority, a Notary Public in and for said State and County, hereby certify that XX, whose name as XX of XX is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, that, being informed of the contents of the foregoing instrument, in their official capacity and with full authority executed the same voluntarily on the day the same bears date.

Given under my hand and seal this the _____ day of _____, _____.

Notary Public

SAMPLE