

STATE OF MISSISSIPPI  
MISSISSIPPI MAJOR ECONOMIC IMPACT AUTHORITY  
ONSHORE OIL AND GAS LEASE NO.

THIS AGREEMENT, made and entered into this the \_\_\_\_\_ of \_\_\_\_\_ by and between the STATE OF MISSISSIPPI, hereinafter called "LESSOR", acting by and through the MISSISSIPPI MAJOR ECONOMIC IMPACT AUTHORITY (MMEIA), and \_\_\_\_\_ hereinafter called "LESSEE", whose mailing address is \_\_\_\_\_.

WITNESSETH:

1. For and in consideration of the payment by LESSEE to LESSOR of \_\_\_\_\_ cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, and further in consideration of the rentals, royalties, covenants, stipulations, and conditions contained herein agreed to be paid, observed and performed by LESSEE, LESSOR hereby grants, subject to the conditions and limitations prescribed hereinafter, and leases and lets exclusively unto LESSEE, for the sole purpose of drilling for and producing by any method (including enhanced recovery methods) oil, gas, or any other liquid or gaseous mineral producible through the bore of any well drilled hereunder, and their respective constituent products, the following described real property located in \_\_\_\_\_ County, Mississippi, (hereinafter called the "leased premises") and described as follows, to-wit:

For the purpose of determining the amount of any bonus, rental, or other payment follows, to-wit: hereunder, the leased premises shall be deemed to contain \_\_\_\_\_ acres whether actually containing more or less.

2. The rights of LESSEE, in addition to those rights to drill for and produce the minerals specified in Paragraph I, above, shall also include:

(a) the nonexclusive right to conduct within the leased premises geophysical testing operations, provided that such operations shall be conducted as provided by and subject to the provisions of state statutes and regulations governing such activities.

(b) the nonexclusive right to drill water wells within the leased premises and to use the water produced therefrom for operations conducted hereunder free of cost, on the condition that the drilling is conducted in accordance with the requirements and procedures of the Mississippi Department of Environmental Quality, Office of Land and Water Resources;

(c) the nonexclusive right: to build telephone, telegraph, power, and other utility lines and platforms, to lay collection and gathering pipelines on or under the leased premises (but not such pipelines for which easements must be obtained from the Secretary of State of the State of Mississippi under the provisions of Mississippi Code Annotated S29-1-101 (1972); and to erect tanks and other structures and to dredge and maintain canals necessary to explore or drill for, produce, save, treat, or transport the minerals covered hereby, all subject to applicable statutes and regulations of the State of Mississippi pertaining to the conduct of such activities in tidal areas and upon submerged water bottoms.

3. Subject to the other provisions herein contained, this lease shall be for a term of \_\_\_\_\_ year/s from the date hereof (herein called the "primary term") and as long thereafter as oil, gas, or other mineral covered hereby is produced in paying quantities from the leased premises or areas pooled therewith, or this lease is held in force otherwise as provided for hereinafter.

4. Wherever used in this lease, "drilling operations" means actual physical operations on the leased premises commenced in good faith, or the good faith deepening, sidetracking, or the plugging back or attempted recompletion in a separate interval of an existing well or the entering of an old well previously drilled on the leased premises or on acreage pooled therewith in a good faith effort to complete same as a producer (all such operations being commenced by actual downhole operations) 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) consecutive days. 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 minerals or to complete a well as a producer. Reworking operations shall be deemed to terminate on the last day such operations are conducted in good faith for the purpose of establishing, maintaining, increasing, or restoring production.

5. If drilling operations are not commenced on the leased premises or areas pooled therewith on or before one year from the date hereof, this lease shall terminate as to both parties unless on or before the expiration of said period LESSEE shall pay or tender to LESSOR the sum of (not applicable for one year lease) \_\_\_\_\_ dollars (\$ \_\_\_\_\_) hereinafter called "rental", which shall extend for one year the time within which drilling operations may be commenced. Thereafter, annually, in like manner and upon like payments or tenders, the commencement of drilling operations on the leased premises or acreage pooled therewith may be further deferred for successive periods of one year each

during, but not to exceed, the primary term. Payment or tender of rental may be made by check or draft of LESSEE made payable to the order of the MMEIA-Mineral Lease P.O. Box 849 Jackson, Ms. 39205-0849 and duly mailed or delivered on or before the rental payment date.

6. Royalty shall be as follows:

(a) On oil (which includes condensate and other liquid hydrocarbons):

(1) \_\_\_% of the market value at the well as hereinafter defined of all oil produced and marketed hereunder and not used for fuel in conducting operations on the land leased hereunder or pooled herewith or in treating to make marketable the products therefrom. Market value for oil is hereby defined as the current prevailing price for oil of like grade and quality currently prevailing in the field or area on the date it is run into the pipeline, barge, or other conveyance used in transporting oil from the well without any deductions whatsoever except applicable severance taxes paid on production and processing costs, as defined in subsection (d) hereinafter.

(2) Lessor shall have the option to take in kind its royalty on oil at any time upon LESSOR giving LESSEE ninety (90) days written notice to that effect. The acceptance by LESSOR of a royalty other than in kind shall not be construed as a waiver of LESSOR'S option to take its oil royalty in kind at a later date or time. Upon ninety (90) days written notice to LESSEE, LESSOR may revoke such election so as to again require LESSEE to handle and dispose of LESSOR'S share of all oil royalty. Provided, however, no option by the LESSOR hereunder shall be exercised at time intervals less than one year so that once an election is made and executed, the option hereunder cannot be again exercised for a period of at least one year. LESSOR'S portion of oil produced when LESSOR elects to take in kind shall be delivered to LESSOR at LESSOR'S option either (1) into LESSOR'S field storage facilities, or (2) to LESSOR'S credit into any pipeline or other facility into which the oil is delivered to a purchaser.

(b) On gas (including casinghead gas or other gaseous substances produced and saved from said land):

(1) On gas in its natural state or otherwise, not sold but rather utilized off the premises by LESSEE for purposes other than the recovery, extraction or manufacture of gasoline or other products therefrom, \_\_\_ of the market value of the gas at the well.

(2) On gas marketed in its natural state or otherwise, \_\_\_ of the net proceeds received by LESSEE from such sale; and if processed by an unaffiliated third party on behalf of LESSEE for the recovery, extraction or manufacture of gasoline, sulphur or other products therefrom in any plant, \_\_\_ of the proceeds received by LESSEE (1) under the agreement or contract governing such processing on behalf of LESSEE, or (ii) from the sale by LESSEE of the products delivered or allocated to LESSEE thereunder, subject to LESSOR'S rights to review any gas contract as hereinafter provided in (b) (5) below.

(3) On gas processed by LESSEE itself or any of LESSEE'S wholly or partially owned affiliates or subsidiaries for the recovery, manufacture or extraction of gas, gasoline, sulphur or other products therefrom in any plant: (i) \_\_\_ of the net proceeds derived from the sale of such gas, gasoline, sulphur or other product so recovered, extracted or manufactured, or (ii) at LESSOR'S election \_\_\_ of the gasoline, sulphur or other products in kind, so recovered, extracted or manufactured and \_\_\_ of the net proceeds at the outlet side of such plant of any residue gas, subject to sales contract review by LESSOR as hereinafter set forth in (b) (5) below. In the event of LESSOR'S election to take in kind its \_\_\_ share of gasoline, sulphur or other products so recovered or manufactured, LESSOR shall be charged its proportionate share of the direct cost and expenses of recovering, extracting and manufacturing such gas, gasoline, sulphur or other products. Nothing herein shall be construed as obligating the LESSEE to recover, extract or manufacture gasoline, sulphur or other products in any plant.

(4) "Net proceeds" as used herein shall be defined as the proceeds remaining after deducting from the sales price received under any bona fide contract for sale of gas, gasoline, sulphur, or other products, applicable severance tax and processing costs, as defined in subsection (d) hereinafter.

(5) Upon entering any gas sales contract, LESSEE shall submit said contract to LESSOR who shall have six months to elect to ratify said contract and be governed by its provisions or to reject said contract, market or process its own gas, and by so doing release LESSEE from its obligations to market hereunder. Failure to take any action shall constitute ratification of the contract. By ratifying the contract, LESSOR agrees to accept all clauses in the contract including the pricing provisions thereof.

(6) Nothing contained in this lease shall be interpreted as limiting the right of LESSOR to take its gas royalty in kind; provided, however, the election to take gas royalty in kind is a one time election which the LESSOR must elect within the above described six-month period (see (b)(5) above) or forever waive its right to take in kind the gas which is the subject of such contract so ratified by LESSOR. Failure to make an election shall constitute an election not to take in kind.

(c) (1) On minerals covered hereby other than oil and gas, \_\_\_ of the market value at the well of said minerals. Market value is hereby defined as to such other minerals as the proceeds LESSEE receives for any such minerals under a bona fide sale less any applicable severance tax on production and processing costs, as defined in subsection (d) hereinafter.

(2) LESSOR reserves the right to take his royalty on minerals other than oil and gas in kind at any time upon ninety (90) days written notice to LESSEE; provided, however, LESSEE shall not be obligated to transport, process or market any such minerals taken in kind by LESSOR.

(d) In all cases under paragraphs (a), (b) and (c) hereinabove wherein LESSEE is allowed to deduct certain specified costs from the amounts due LESSOR as royalty, such deductions are hereby termed to be "Processing costs." Processing costs shall mean all of the cost and expense incurred in connection with transporting, compressing, and treating to make marketable the minerals covered by this lease from the time they are produced at the wellhead until the products extracted therefrom are ready for sale at the tailgate of any treating facility. Such processing costs shall be limited to the following items: (1) cost incurred in transporting the mineral from the wellhead to any treating facility; (2) direct operating cost for stabilization, sulphur recover, compression and gas treating, and overhead directly related to the processing of the minerals taken from the leased premises; and (3) depreciation on the facilities used for transporting the minerals, stabilization, sulphur recovery, compression and gas treating, at a rate not to exceed ten percent (10%) per annum based upon the useful life of the facility and the gross investment therein of the LESSEE, subject to the limitations set forth hereinafter.

In no event shall processing costs, including depreciation costs, include any profit on processing operations or return on capital investment. All of the processing costs specified in subparagraphs (1), (2) and (3) above will be on an actual year's experience basis. At the end of each year, the costs will be tabulated and if there is any overpayment by LESSOR, the same will be repaid by LESSEE within sixty (60) days; if there is any underpayment by LESSOR, the same will be deducted from future royalty. Any fuel from the well stream used in processing attributable to the LESSOR'S royalty interest share of the minerals, will be provided free of charge from royalty obligation.

All depreciation and processing costs will be calculated on a pro rata basis for the total production of the plant and will be allocated back to the share of production attributable to LESSOR'S royalty and shall be limited to that percent of the total plant production attributable to production under this lease.

LESSEE shall provide, on a monthly basis, a recapitulation depicting all costs, including processing and depreciation costs, deducted from LESSOR'S royalty.

Nothing expressed or implied by this lease shall obligate LESSEE to transport or process minerals produced under this lease.

7. (a) If on any rental payment date there be neither drilling nor reworking operations as hereinabove defined, in progress on the leased premises or areas pooled therewith, nor production in paying quantities therefrom, this lease shall terminate unless LESSEE, on or before said date, makes or resumes the payment of rental as herein set forth; provided, if drilling or reworking operations cease at any time within a period of ninety (90) consecutive days prior to any rental payment date or if production ceases within such ninety (90) consecutive day period, LESSEE shall have a period of ninety (90) consecutive days after the date of such cessation of operations or of production within which to commence or resume production, commence actual drilling or reworking operations on the leased premises or areas pooled therewith, 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) consecutive day period shall have the same effect as though resumed, commenced, or paid on or before said rental payment date.

(b) If at the expiration of the primary term oil or gas is not being produced hereunder but on or before that date (or on or before the end of ninety (90) consecutive days following cessation of production or of operations, if same should cease within ninety (90) consecutive days prior to the expiration of the primary term) LESSEE commences drilling or reworking operations on the leased premises or areas pooled therewith in an effort to make the same produce any such mineral (or production is commenced or resumed during such ninety (90) consecutive day period), then this lease shall continue in force so long as such operations are being conducted without any lapse of more than ninety (90) consecutive 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.

(c) If at any time or times after the expiration of the primary term production from the leased premises or from acreage pooled therewith hereunder should for any reason cease or terminate, LESSEE shall have the right at any time within ninety (90) consecutive days from any such cessation or termination of production to resume production or commence drilling or reworking operations in an effort to make the leased premises or acreage pooled therewith again produce any of such minerals, in which event this lease shall remain in force so long as such operations, whether on the same well or on different wells successively, are continued without any lapse of more than ninety (90) consecutive days as above provided. If, as a result of any such operations, any mineral or constituent product covered hereby 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 from the leased premises or acreage pooled therewith in paying quantities or this lease is otherwise being maintained as herein provided.

8. (a) This lease may be maintained in force by directional drilling operations (deviation from vertical), from surface locations on adjoining tracts in which event actual drilling operations shall be considered to have commenced on the leased premises when actual drilling operations commence for the purpose of directionally drilling under the leased premises.

(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 lands unitized or pooled with any or all of the lands leased hereby, 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.

9. (a) It is understood and agreed by LESSEE that all drilling operations, including the locations therefor, on the leased premises must first be approved in writing by the agencies of the State of Mississippi having jurisdiction over the conduct of such operations in said area. 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 any operations conducted hereunder, including but not limited to, seismic testing, site preparation, drilling, reworking, or other use of the leased premises or any acreage pooled therewith, such permits shall be obtained before commencement of said activities. LESSEE agrees and acknowledges that such required permits are in no wise waived by the granting of this lease by LESSOR.

(b) In connection with all its operations hereunder, LESSEE agrees to fully comply with all applicable statutes and rules, regulations and orders of governmental authorities having jurisdiction over said operations, or any portion thereof, reference to which is hereby made for all pertinent purposes.

10. (a) If at any time during or after the primary term there is completed on adjoining privately owned or State property (if such State property has a lower royalty burden) a well located closer to the leased premises than the regular minimum distance from unit boundaries as required by the Oil and Gas Board, and such well produces oil, gas, or other liquid or gaseous hydrocarbons in paying quantities for twenty (20) days (which need not be consecutive) during any period of thirty (30) consecutive days, or produces its monthly allowable during such thirty (30) consecutive day period, rebuttable presumptions will arise: (i) that the leased premises are thereby being drained; (ii) that the leased premises are not being reasonably protected from drainage by any well or wells on the leased premises or land pooled therewith; and (iii) that an offsetting well on the leased premises would be economically feasible. If LESSEE is the operator or has a working interest in the adjoining property, LESSEE will begin drilling operations for a well on the leased premises within ninety (90) consecutive days after the end of the thirty (30) consecutive day period specified above. In all other cases LESSEE shall be required to begin such operations only within ninety (90) consecutive days after receipt of written notice from the Commission of the expiration of the above thirty (30) consecutive day period. No offset well shall be necessary if, on or before the maturity date as hereinafter provided, the stated presumptions are rebutted or a unit for the well in question embracing all or part of the leased premises is formed by agreement with the LESSOR or by filing a petition for a unit order with the Oil and Gas Board.

(2) In lieu of commencing operations for an offset well to State lands having a lower royalty burden or to private lands, as above provided, LESSEE may, at LESSEE'S option, commence compensatory payments equal to the royalties herein provided, computed on the value of one-half (1/2) of the oil, gas, or other liquid or gaseous hydrocarbons produced by the well in question, on and after the date operations would have otherwise been commenced, value to be determined in accordance with the provisions of Article 6 of this lease. Such payments may be commenced on or before sixty (60) consecutive days after the date operations would otherwise have been commenced, but shall include any accrued compensatory payments. Thereafter, payments shall be due monthly in accordance with Article 14. LESSEE shall not be in default in either commencing compensatory payments or in making further payments as above provided if despite good faith and due diligence LESSEE is unable timely to obtain the production information on which such payments are to be based. If any such case, however, LESSEE must on or before the due date of the payments, notify the Commission in writing of LESSEE'S inability to make such payment, the reasons therefor, and LESSEE'S intent to make such payment at the earliest reasonable time. Compensatory payments may be continued, at LESSEE'S discretion, for not more than one year from the date on which offset operations would otherwise have been commenced. At the end of that time, or within thirty (30) consecutive days from the end of any lesser period for which payments are made, LESSEE shall comply with this offset obligation if the producing well continues to produce in paying quantities or to produce its allowable and the other conditions making this obligation operative are existent.

The compensatory payments required hereby are in addition to, and not in lieu of, any rental or other payment required by any other provision of this lease. The right to make compensatory payments is intended to permit LESSEE to evaluate further the producing well, and the making of such payments shall not of itself be sufficient to maintain this lease in force and effect during the period allowed therefor if other payments required during this same period are not made; however, the making of any such compensatory payments shall not prejudice LESSEE'S right to rebut any of the above enumerated presumptions.

(b) In addition to the specific offset drilling obligation above provided, LESSEE agrees to drill any and all wells necessary to protect the leased premises from drainage of oil, gas, or other liquid or gaseous hydrocarbons by a well or wells on adjoining property or to take any other steps reasonably necessary to protect the leased premises against such drainage, including, but not limited to, obtaining the formation of appropriate drilling or production units. If LESSEE is the operator of or has a working interest in any well on adjoining property LESSEE shall be obligated to begin drilling operations for, or the reworking of, a well on the leased premises or on acreage pooled therewith or to take such other steps as may be reasonable necessary to protect the leased premises within ninety (90) consecutive days from the time LESSEE knows or reasonably should know that drainage is occurring. In all other cases LESSEE shall be obligated to begin such operations or take such other steps only within ninety (90) consecutive days after receipt of written notice from the Commission.

(c) In those instances in which notice is expressly required under paragraph (a) or (b), above, damages, if due, shall be computed only from the date on

which notice is received or, if LESSEE commences compensatory payments, the date on which such payments are discontinued. In those instances in which there is no requirement of notice under (a) or (b), above, damages, if due, shall be computed from the time LESSEE knew or reasonably should have known drainage was occurring. Written notice containing a demand for performance shall be necessary as a prerequisite to any action for cancellation of the lease by LESSOR for nonperformance of any obligations of LESSEE to protect the leased premises against drainage.

11. (a) If at any time or times (during or after the primary term) there is on the leased premises or on acreage pooled therewith a well or wells capable of producing gas in paying quantities, which fact has been duly verified and confirmed in accordance with LESSOR'S requirements for proof thereof, but gas is not being sold or used therefrom, and if this lease is not then being maintained by some other provision hereof this lease shall nevertheless remain in full force and effect as to all acreage in the unit held by the non-producing well, and for such acreage and such acreage only shall be considered to be producing in paying quantities for all purposes hereof if, on or before sixty (60) consecutive days after the date of shutting in of or cessation of production from such well, LESSEE pays as shut-in royalty \_\_\_\_\_/acre, calculated on the acreage in the unit held by the non-producing well. This payment shall maintain this lease, as to all acreage that may hereby be held by the making of such payment, in full force and effect, except as hereinafter provided, for one year after the date of the shutting in of or cessation of production from such well. Like shut-in royalty payments may be made, on or before the end of the shut-in period, for a maximum of three one-year periods. It is understood that this shut-in clause or provision shall apply to any wells 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, gas should be sold or used in paying quantities from a well or wells completed in the same producing reservoir on adjacent State-owned lands having a lower royalty burden or on adjacent private lands and draining the leased premises, 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 premises 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 premises, nor of the obligation to drill offset wells as required by Article 10 above.

12. All royalties not taken in kind shall be paid to the MMEIA-Mineral Lease P.O. Box 849 Jackson, Ms. 39205-0849, 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 a recapitulation of the LESSEE, or LESSEE'S authorized agent, showing: (a) the official state lease number; (b) the gross amount of production; (c) disposition, and (d) 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 amounts 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 MMEIA or Oil and Gas Board may require to verify said gross production, disposition and gross sales values or proceeds received; and all such records shall at all reasonable times be subject to inspection and examination by the Executive Director of the MMEIA, the Supervisor of the Oil and Gas Board, the State Auditor, the Chairman of the State Tax Commission, or their duly authorized representatives. The LESSEE shall bear all responsibility for paying or causing all royalties to be paid as prescribed by the due date provided herein.

13. Notwithstanding anything elsewhere herein to the contrary, except the force majeure provisions of Article 15, in the event oil or gas is produced in paying quantities from the leased premises or areas pooled therewith, LESSEE shall, from and after the later of (i) the date of the first such production or (ii) the date the primary term ends (which later date being called the "Continuous-development Starting Date") either: (1) fully develop the leased premises in accordance with the continuous-development program hereinafter set forth; (2) commence making the deferred development payments hereinafter provided; or (3) surrender and release this lease as to the acreage, and at the time, hereinafter specified.

(a) Operations for drilling the first well in said continuous-development program shall be commenced on the leased premises ( or areas pooled therewith) within 120 days after the Continuous-development Starting Date and LESSEE shall thereafter continue to conduct additional drilling operations and to drill successive wells upon the leased premises with not more than 180 days elapsing between completion or abandonment of one well on the leased premises and the commencement of drilling operations for another well until full development of the leased premises has been completed. "Full development," as that term is herein used, shall mean that all acreage in the leased premises has been included (or is properly includable) under applicable State Oil and Gas Board regulations in a drilling or spacing unit for a well on the leased premises or areas pooled therewith.

(b) In the event LESSEE fails to commence -- or, having commenced the same, is in default with respect to some provision of -- the continuous-development program provided for hereinabove, LESSEE shall thereupon promptly surrender and release this lease

as to all acreage save and except: (1) such acreage as may then be included or includable in a drilling or spacing unit as required or permitted by the State Oil and Gas Board for a well that is then either producing or capable of producing; or (2) such acreage with respect to which operations hereunder are being conducted.

(c) From and after the date of such surrender and release, this lease shall continue in full force and effect, as to all such remaining acreage and rights, in accordance with all the other provisions hereof exclusive of this paragraph, but without any reduction in the total amount of delay rental payments provided for in Article 5, which shall not be affected by such surrender and release.

14. The State of Mississippi shall have a first lien upon all production from the leased premises to secure payment of all royalty and other sums of money that may become due under this lease.

15. (a) If, prior to discovering oil, gas, or other minerals covered hereby, LESSEE is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations thereon, or from attempting to produce oil or gas therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, vandalism, acts of God, or any valid order, rule or regulation of government authority, including regulations for obtaining required federal or state environmental or other permits, then while so prevented, LESSEE'S obligation to comply with such covenant shall be suspended and this lease, and the time for complying with any provision hereof, shall be extended while and so long as LESSEE is prevented, by any such cause, from drilling, reworking operations or attempting to produce oil or gas from the leased premises; provided, however, that nothing herein shall be construed to suspend the payment of delay rentals in order to maintain this lease in effect during the primary or extended term in the absence of such drilling or reworking operations or production of oil or gas; and further provided, that in the event LESSEE invokes the provisions of this paragraph to excuse performance by reason of failure or inability to obtain required Federal or State permits or authorizations LESSEE shall produce and submit to LESSOR all data, documents or other information required by LESSOR to establish the good faith attempts of LESSEE to obtain said permits or authorizations.

(b) If oil, gas or any other mineral covered hereby is discovered but production is prevented by any of the causes in Article 15 (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: (i) for an oil or other liquid hydrocarbon well, the sum of \_\_\_\_\_ per annum for each acre of the leased area; or (ii) for a gas well, the shut-in gas royalty specified in Article 10 above, payment on both cases to be made within ninety (90) consecutive days from the date that production is prevented and annually upon such payment date until production is resumed.

16. Written notice of operations hereunder shall be submitted to the Oil and Gas Board by LESSEE within fifteen (15) consecutive days after spud date, cessation of production, workover, re-entry, temporary abandonment or abandonment of any well and shall include copies of Oil and Gas Board forms for application to drill, completion tests and plugging reports. The Department of Environmental Quality and the Oil and Gas Board shall have the right to require LESSEE to furnish, through submission to the Oil and Gas Board, all logs on all oil, gas, and water wells drilled on said land.

17. 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 with the Department of Environmental Quality within ninety (90) consecutive 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 total amount of rental provided for in Article 5 of this lease.

18. LESSEE, at its option, and subject to the provision of Article 22 hereinafter, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, or leases in the immediate vicinity thereof, when in LESSEE'S judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any lawful spacing rules which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of LESSEE, promote the conservation of the oil and gas in and under and that may be produced from said premises. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, LESSOR shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of LESSOR'S acreage placed in the unit or LESSOR'S royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved. Upon application by LESSEE to the Oil and Gas Board for a new unit or a revised unit for a well, the acreage and leases encompassed within said unit shall constitute the pooled acreage and leases, until the Oil and Gas Board designates a different unit for such well.

If a unit is revised to exclude acreage and leases previously included in a pooled unit, it will be considered that such acreage excluded has ceased production of oil and gas as of the date the unit is revised.

19. In the event of cancellation or forfeiture of this lease for any cause, LESSEE may, nevertheless, retain hereunder around each producing oil or gas well (including wells drilled under this lease by directional drilling), the acreage allowed by the Oil and Gas Board as a production unit around said well, 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 or gas, LESSEE may

retain around such well the acreage allowed by the Oil and Gas Board as a production unit 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 already 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. In addition, Lessee shall only retain lease rights down to the base of the deepest producing reservoir.

20. This lease is granted and accepted without any warranty of title or accuracy of description, either express or implied, and without any recourse against LESSOR for return of any payments, once made by LESSEE.

21. It is understood and agreed that the rights of LESSEE may be assigned in whole or in part, but no transfer, whether in whole or in part, of the leased premises shall be valid unless such transfer or assignment be approved by LESSOR, which approval shall not be unreasonably withheld. The provisions hereof shall extend to and be binding upon the heirs, devisees, successors and assigns of the parties hereto.

22. LESSEE shall have the right at any time until one hundred twenty (120) days after the expiration or termination of this lease to remove all machinery and fixtures placed by LESSEE on said premises, including the right, except as hereinafter provided, to draw and remove all casing; provided, however, that casing shall not be drawn and removed until receipt of written approval from the Supervisor of the Oil and Gas Board and, provided further, that LESSEE shall not remove casing with respect to any well thereon capable of producing oil and/or gas in paying quantities. In any event LESSOR shall have the right and option to require LESSEE to lease the casing in any well, upon the condition that LESSOR shall pay to LESSEE the reasonable salvage value of said casing.

23. In the event LESSOR considers that LESSEE has not complied with any express or implied obligation or covenant hereof, including but not limited to the making of all payments due hereunder, LESSOR shall notify LESSEE in writing, setting out specifically the claimed non-compliance and LESSEE shall have sixty (60) days from receipt of said notice in which to meet or commence to meet the claimed non-compliance. The service of such notice shall be precedent to the bringing of any action by LESSOR for damages, for cancellation of the lease or for any other cause of action.

24. The MMEIA, Department of Wildlife, Fisheries and Parks, or their authorized representatives or agents shall at all reasonable times have, for inspection purposes, access to the leased premises and to wells, gauges, books, oil and gas meters, tanks, reservoirs, stump holes, buildings and other structures and appliances placed upon the leased premises by LESSEE.

25. The LESSEE hereby covenants and 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 Mississippi and the MMEIA and its authorized employees, representatives or agents from any and all such claims, actions, lawsuits and demands of any kind or nature arising out of LESSEE'S operations hereunder.

26. Upon request by LESSOR, LESSEE shall furnish LESSOR any or all of the following types of data relating to oil, gas or water wells drilled on the leased premises or lands pooled therewith: (a) all wire line surveys in open or cased holes, including, but not limited to, all electrical and radioactivity logs, porosity logs of all types, and directional surveys; (b) core descriptions and material from both sidewall samples, conventional cores, drill cuttings, and mudlog if available; (c) drill stem and production test data; (d) production data, current and cumulative, including oil, gas and water production, and surface and subsurface pressures; (e) the LESSEE shall also provide to the LESSOR a shallow electrical log on each oil and/or gas test well drilled on this lease. The log shall be an induction-electric type to allow for interpretation of the sediments to determine aquifers, aquitards and water quality. Each log shall cover the interval from the base of the drive casing to the base of the surface casing. This requirement may be waived by the LESSOR during the development program; and (f) upon completion of the drilling operations for any well, the LESSEE shall provide the LESSOR with a complete suite of wireline logs and mudlogs for that well. At the LESSEE'S request the LESSOR will retain the logs as confidential for a period equal to that of the Oil and Gas Board's confidential period. LESSEE shall also furnish LESSOR with any other information and data requested by LESSOR, except interpretative data, to keep LESSOR fully informed that LESSEE is complying with the provisions of this lease in good faith, and developing and operating the leased premises as a reasonably prudent operator for the mutual benefit of LESSOR and LESSEE. Any information furnished by LESSEE to LESSOR or otherwise examined and studied by LESSOR shall be retained in confidence for a period equal to the confidential period observed by the Mississippi Oil and Gas Board. Nothing in this Article shall require that LESSEE furnish or permit inspection of any interpretations of any of the types of data referred to above.

27. LESSEE shall be obligated to plug and abandon all wells on the premises or acreage pooled therewith no longer necessary for operations or production on this lease, and to remove from the premises all structures and facilities serving said wells, all at LESSEE'S sole risk, cost and expense and subject to compliance with laws, rules and regulations.

28. (a) LESSEE hereby agrees, as one of the obligations of this lease, that in exercising the rights granted it under the lease, it will comply with and be subject to all applicable environmental laws and regulations validly adopted or issued by the State of Mississippi, or its agencies, or by the United States, or its agencies. LESSEE further agrees that it will comply with all minimum water quality standards validly adopted or issued by the State of Mississippi, or its agencies, or by the United States, or its agencies. LESSEE further agrees that it will comply with all minimum water quality standards validly adopted by said governmental authorities with respect to oil pollution and noxious chemicals and waste being introduced into affected waters of the State, as defined by the Mississippi Air and Water Pollution Control Law. Further, in conducting

all operations under this lease requiring dredging, filling, or local navigation in order to explore, develop or exploit shallow water areas, LESSEE shall comply with the applicable requirements of the appropriate supervising agency charged with the environmental management of said area. Finally, it is understood and agreed that on depletion of production or completion of operations under this lease, the LESSEE shall remove all structures which would impede commercial fishing and trawling, including, without limitation, all submerged materials, equipment or debris placed on the leased premises by or for the account of LESSEE; and the affected water bottoms shall, to the extent reasonably possible of accomplishment, be returned or restored to a condition as nearly equivalent to that which existed before said operations were conducted and/or structures were constructed.

(b) LESSEE agrees to comply fully with the Rules and Regulations of the Mississippi Oil and Gas Board.

(c) LESSEE shall immediately report all spills or leakage of oil, gas, or other liquid or gaseous hydrocarbons covered hereby to the MMEIA and to the appropriate supervising agency overseeing the surface property.

29. No express obligation imposed hereunder on LESSEE shall relieve it of any otherwise existing duty of exploration, development, operation, marketing, production, 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.

30. This lease is issued under authority of Mississippi Code Annotated Section 29-7-3 (Supp. 1983), and should there be any provision herein not in conformity with said statutes, the law is recognized and understood to prevail notwithstanding anything in this lease to the contrary.

31. In the event that any provision hereof is declared illegal or unconstitutional, its nullity shall in no way impair the validity of any other portion of the lease not declared illegal or unconstitutional; provided that LESSEE shall not directly or indirectly institute or cause to be instituted any action seeking to declare the nullity or the unenforceability of this lease as a whole.

32. Additional or special provisions:

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed, sealed, and delivered on this the \_\_\_ day of \_\_\_\_\_, 20\_\_.

LESSOR:

STATE OF MISSISSIPPI

Mississippi Major Economic Impact Authority

BY

Executive Director