

16 Moss Forest
Jackson, MS

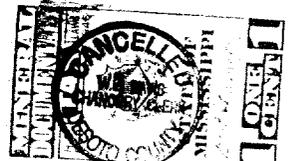
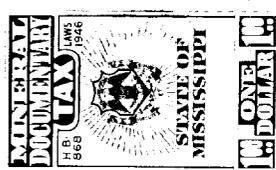
OIL, GAS AND MINERAL LEASE

39211 THIS AGREEMENT made this 24th day of October 19 2001, between Gail Smith

lessor (whether one or more), whose address is: 3540 Bridgforth Rd., Olive Branch, Mississippi, 38654
and W.M.Morgan, PO Box X 13856, Jackson, Mississippi, 39236, lessee, WITNESSETH:

1. Lessor, in consideration of Ten Dollars and Other Valuable Consideration Dollars, receipt of which is hereby acknowledged, and of the covenants and agreements of lessee hereinafter contained, does hereby grant, lease and let unto lessee the land covered hereby for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing and owning oil, gas, sulphur and all other minerals (whether or not similar to those mentioned), together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, power lines, telephone lines, employee houses and other structures on said land, necessary or useful in lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby or any other land adjacent thereto. The land covered hereby, herein called "said land", is located in the County of DeSoto, State of Mississippi, and is described as follows:

SEE ATTACHMENT A



This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus, delay rental or other payment hereunder, said land shall be deemed to contain 54 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus and agrees to accept the delay rental as lump sum considerations for this lease and all rights, and options hereunder.

2. Unless sooner terminated or longer kept in force under other provisions hereof, this lease shall remain in force for a term of ten (10) years from the date hereof, hereinafter called "primary term", and as long thereafter as operations, as hereinafter defined, are conducted upon said land with no cessation for more than ninety (90) consecutive days.

3. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, in the pipe line to which lessee may connect its wells, the equal one-eighth part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such one-eighth part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear one-eighth of the cost of treating oil to render it marketable pipe line oil; (b) To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, one-eighth of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-eighth of such gas and casinghead gas; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing gas or any other mineral covered hereby, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, lessee shall pay or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in a depository bank provided for below. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as to acreage owned by each.

4. Lessee is hereby granted the right, at its option, to pool or unitize all or any part of said land and of this lease as to any or all minerals or horizons thereunder, with other lands, lease or leases, or portion or portions thereof, or mineral or horizon thereunder, so as to establish units containing not more than 80 surface acres plus 10% acreage tolerance; provided, however, a unit may be established or an existing unit may be enlarged to contain not more than 640 acres plus 10% acreage tolerance, if unitized only as to gas or only as to gas and liquid hydrocarbons (condensate) which are not a liquid in the subsurface reservoir. If larger units are required, under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded. Each of said options may be exercised by lessee from time to time, and whether before or after production has been established either on said land or on the portion of said land included in the unit or on other land unitized therewith and any such unit may include any well to be drilled, being drilled or already completed. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be land or mineral, royalty or leasehold interests in land within the unit which are not pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, except the payment of royalty, operations conducted under this lease. There shall be allocated to the land covered by this lease included in any such unit that proportion of the total production of unitized minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, overriding royalty, and any other payments out of production, to be the entire production of unitized minerals from the portion of said land covered hereby and included in such unit in the same manner as though produced from said land under the terms of this lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of such unit shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this lease. Neither shall it impair the right of lessee to release from this lease all or any portion of said land, except that lessee may not so release as to lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 4, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. A unit may be so established, modified or dissolved during the life of this lease.

5. If operations are not conducted on said land on or before the first anniversary date hereof, this lease shall terminate as to both parties, unless lessee on or before said date shall, subject to the further provisions hereof, pay or tender to lessor or to lessor's credit in the

Pay Directly to Lessor at above ~~Bar~~ address

or its successors, which shall continue as the depository, regardless of changes in ownership of delay rental, royalties, or other moneys, the sum of

\$ 27.03, which shall operate as delay rental and cover the privilege of deferring operations for one year from said date. In like manner and upon like payments or tenders, operations may be further deferred for like periods of one year each during the primary term. If at any time that lessee pays or tenders delay rental, royalties, or other moneys, two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender such rental, royalties, or moneys, in the manner herein specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to lessor or to a depository bank on or before the last date of payment. Said delay rental shall be apportionable as to said land on an acreage basis, and a failure to make proper payment or tender of delay rental as to any portion of said land or as to any interest therein shall not affect this lease as to any portion of said land or as to any interest therein as to which proper payment or tender is made. Any payment or tender which is made in an attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depository, shall nevertheless be sufficient to prevent termination of this lease and to extend the time within which operations may be conducted in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof from lessor. Lessee may at any time and from time to time execute and deliver to lessor or file for record a release or releases of this lease as to any part or all of said land or of mineral or horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this lease is so released as to all minerals and horizons under a portion of said land, the delay rental and other payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this lease immediately prior to such release.

6. If at any time or times during the primary term operations are conducted on said land and if all operations are discontinued, this lease shall thereafter terminate on its anniversary date next following the ninetyth day after such discontinuance unless on or before such anniversary date lessee either (1) conducts operations or (2) commences or resumes the payment or tender of delay rental; provided, however, if such anniversary date is at the end of the primary term, or if there is no further anniversary date of the primary term, this lease shall terminate at the end of such term or on the ninetyth day after discontinuance of all operations, whichever is the later date, unless on such later date either (1) lessee is conducting operations or (2) the shut-in well provisions of paragraph 3 or the provisions of paragraph 11 are applicable. Whenever used in this lease the word "operations" shall mean operations for and any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil, gas, sulphur or other minerals, excavating a mine, production of oil, gas, sulphur or other mineral, whether or not in paying quantities.

7. Lessee shall have the use, free from royalty of water, other than from lessor's wells, and of oil and gas produced from said land in all operations hereunder. Lessee shall have the right at any time to remove all machinery and fixtures placed on said land, including the right to draw and remove casing. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the lessor. Lessee shall pay for damages caused by its operations to growing crops and timber on said land.

8. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. All of the covenants, obligations, and considerations of this lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, delay rental, or other moneys, or any part thereof, howsoever effected, shall increase the obligations actual or constructive knowledge or notice thereof or to lessee, its successors or assigns, no change or division in the ownership of said land or of the thirty (30) days after there has been furnished to such record owner at his or its principal place of business by lessor or lessor's heirs, successors, or assigns, evidence such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, lessee may, nevertheless, pay or tender such royalties, delay rental, or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above. In the event of assignment of this lease as to any part (whether divided or undivided) of said land, the delay rental payable hereunder shall be apportionable as between the several leasehold owners, ratably according to the surface area or undivided interests of each, and default in delay rental payment by one shall not affect the rights of other leasehold owners hereunder.

9. In the event lessor considers that lessee has not complied with all its obligations hereunder, both express and implied, lessor shall notify lessee in writing, setting out specifically in what respects lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all of its obligations hereunder. Should it be asserted in any notice given to the lessee under the provisions of this paragraph that lessee has failed to comply with any implied obligation or covenant hereof, this lease shall not be subject to cancellation for any such cause except after final judicial ascertainment that such failure exists and lessee has then been afforded a reasonable time to prevent cancellation by complying with and discharging its obligations as to which lessee has been judicially determined to be in default. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

10. Lessor hereby warrants and agrees to defend title to said land against the claims of all persons whomsoever. Lessor's rights and interests hereunder shall be charged primarily with any mortgages, taxes or other liens, or interest and other charges on said land, but lessor agrees that lessee shall have the right at any time to pay or reduce same for lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to lessor and/or assigns under this lease. Lessee is hereby given the right to acquire for its own benefit, deeds, leases, or assignments covering any interest or claim in said land which lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to lessor. If this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not), or no interest therein, then the royalties, delay rental, and other moneys accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as lessor.

11. If at, or after the expiration of the primary term hereof, and while this lease is in force, there is no well on said land, or on lands with which said land or any portion thereof has been unitized, capable of producing oil or gas, and lessee is not conducting operations on said land by reason of (1) any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of lessee, the primary term and the delay rental provisions hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

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

SSN# 431-78-8294 Gail Smith (SEAL)
Gail Smith (SEAL)
(SEAL)

STATE OF Mississippi JOINT OR SINGLE ACKNOWLEDGMENT
COUNTY OF DeSoto (MISSISSIPPI-ALABAMA-FLORIDA)

I hereby certify, that on this day, before me, a Notary Public Gail Smith
duly authorized in the state and county aforesaid to take acknowledgments, personally appeared

to me known to be the person described in and who executed the foregoing instrument and She
acknowledged before me that, being informed of the contents of the same, She voluntarily signed and delivered
the within and foregoing instrument on the day and year therein mentioned.

Given under my hand and official seal, this 12th day of November, A.D., 2001
(Affix Seal) Regina Ann Jewell

MY COMMISSION EXPIRES MARCH 17, 2004 (Title of Official)

My commission expires in and for DeSoto County,

STATE OF Mississippi WITNESS ACKNOWLEDGMENT
COUNTY OF DeSoto (MISSISSIPPI-ALABAMA-FLORIDA)

I, a _____ in and for the aforesaid jurisdiction, hereby certify that _____

a subscribing witness to the foregoing instrument, known to me, appeared before me on this day, and being sworn, stated that _____

the grantor(s) having been informed of the contents thereof, voluntarily executed and delivered the same in his presence, and in the presence of the other
subscribing witness, on the day the same bears date; that he attested the same in the presence of the grantor(s), and of the other witness, and that such other
witness subscribed his name as a witness in his presence.

(Subscribing Witness)
Given under my hand and official seal, this 12th day of November, A.D., 2001
(Affix Seal) Regina Ann Jewell

MY COMMISSION EXPIRES MARCH 17, 2004 (Title of Official)

My commission expires in and for DeSoto County,

Oil, Gas and Mineral Lease
FROM TO
No. _____
Special Producers 88 (9-70) with Pooling Provision
Mississippi-Alabama-Florida
Dated _____ 19____
No. Acres _____
County _____
Term _____
This instrument was filed for record on the _____
day of _____, 19____, at _____
o'clock _____ and duly recorded in
Book _____ Page _____
of the _____ record of this office.
County Clerk
By _____ Deputy
When recorded return to _____
Hederman Brothers—Jackson, Mississippi

ATTACHMENT A:

Attached to and made a part of that certain Oil, Gas and Mineral lease dated October 24, 2001 between Gail Smith as Lessor and W.M. Morgan as Lessee.

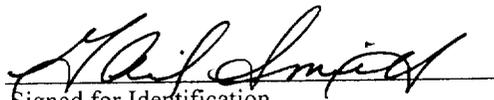
Township 4 South, Range 8 West

Section 2: Begin at the northwest corner of Section 2 and run thence east 1847.02 feet to a point; thence run South 53.19 feet to an iron pin; thence South 89 degrees 33 minutes 54 seconds east, 830.53 feet to an iron pin; thence South 01 degrees 36 minutes 29 seconds East 2625.57 feet to an iron pin; thence North 89 degrees 31 minutes 05 seconds West 1318.05 feet to an iron pin; thence North 01 degrees 04 minutes 01 seconds West 1013.97 feet to an iron pin; thence North 00 degrees 16 minutes 10 seconds West 293.40 feet to an iron pin; thence North 01 degrees 37 minutes 30 seconds East 63.13 feet to an iron pin; thence North 08 degrees 00 minutes 36 seconds West 60.67 feet to an iron pin; thence North 04 degrees 17 minutes 04 seconds West 116.07 feet to an iron pin; thence South 89 degrees 34 minutes 00 seconds East 479.67 feet to an iron pin; thence North 01 degrees 36 minutes 29 seconds West 1077.68 feet to the point of beginning.

LESS AND EXCEPT a tract described as beginning at the northwest corner of Section 2 and run East 1876.30 feet to a point; thence South 53.41 feet to a point to point of beginning; thence run South 01 degrees 35 minutes 56 seconds east 1077.67 feet to a point; thence run North 89 degrees 34 minutes 00 seconds West 508.68 feet to a point; thence run North 04 degrees 17 minutes 04 seconds West 5.70 feet to a point; thence run North 04 degrees 01 minutes 42 seconds East 61.33 feet to a point; thence run North 04 degrees 05 minutes 55 seconds West 154.75 feet to a point; thence run North 01 degrees 51 minutes 01 seconds West 46.92 feet to a point; thence North 08 degrees 01 minutes 26 seconds West 25.50 feet to a point; thence North 04 degrees 31 minutes 22 seconds West 87.06 feet to a point; thence run South 89 degrees 34 minutes 00 seconds East 341.92 feet to a point; thence run North 06 degrees 12 minutes 41 seconds East 74.19 feet to a point; thence North 00 degrees 37 minutes 26 seconds East 156.14 feet to a point; thence run North 10 degrees 58 minutes 50 seconds East 289.21 feet to a point; thence North 01 degrees 36 minutes 29 seconds West 90.12 feet to a point; thence run South 89 degrees 33 minutes 54 seconds East 79.29 feet to the point of beginning.

ALSO, LESS AND EXCEPT A tract described as beginning at the northwest corner of Section 2 and run east 1876.30 feet to a point; thence run South 53.41 feet to a point; thence run north 89 degrees 33 minutes 54 seconds west 79.29 feet to the point of beginning; thence run South 01 degrees 36 minutes 29 seconds East 90.12 feet to a point; thence run South 10 degrees 58 minutes 50 seconds West 289.21 feet to a point; thence run South 00 degrees 37 minutes 26 seconds West 156.14 feet to a point; thence run South 06 degrees 12 minutes 41 seconds West 74.19 feet to a point; thence run North 89 degrees 34 minutes 00 seconds West 341.92 feet to a point; thence run North 04 degrees 31 minutes 22 seconds West 73.56 feet to a point; thence run North 04 degrees 19 minutes 41 seconds West 446.94 feet to a point; thence run North 00 degrees 15 minutes 41 seconds East 178.24 feet to a point; thence run South 89 degrees 33 minutes 54 seconds East 457.27 feet to the point of beginning and containing less exceptions, 54.05 acres, more or less.

It is the intention of the lessors to lease and lessor does hereby lease and let unto all lands owned by lessor in Section 2, Township 4 South, Range 8 West, Desoto County County, Mississippi, wherein is correctly identified or not.


Signed for Identification

-PART NE/4 + SE/4
Sec 2 - 45 BOW

STATE MS. - DESOTO CO.
FILED

JAN 18 2 07 PM '02 *AK*

BK 409 PG 273
W.E. DAVIS, CH. CLK.