

37/25

Inst. prepared by  
G.S. BLANKENSHIP  
Box 535  
ONEIDA, TENN.

Form 11

# OIL AND GAS LEASE

Agreement: Made and entered into this 11<sup>th</sup> day of DECEMBER 1973 by and between

SAM C. GALLOWAY AND WIFE JUNE GALLOWAY  
R# 1 P.O. BOX - P -  
HARLENWOOD, TENNESSEE

hereinafter called lessor (whether one or more), and GILBERT S. BLANKENSHIP hereinafter called lessee: of Box 535 ONEIDA, TENNESSEE

Witnesseth: That the said lessor, for and in consideration of LEN Dollar 5 cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on part of lessee to be paid, kept and performed, has granted, demised, leased and let, and by these presents does grant, demise, lease and let unto the said lessee for the sole and only purpose of mining and operating for oil and gas and of laying of pipe lines, and of building tanks, power stations, and structures thereon to produce, save and take care of said products, all that certain tract of land situate in the Township of 3<sup>rd</sup> DISTRICT, County of SCOTT State of TENNESSEE, described as follows, to wit: BEGINNING AT A STAKE IN THE EAST RIGHT OF WAY LINE OF HIGHWAY # 27, THENCE

On the North by the lands of S 12° 30' E 200 FEET TO A STAKE, THENCE N 81 E 650 FEET TO A STAKE, THENCE N 12° 30' W 200 FEET TO A STAKE,  
On the East by the lands of THENCE S 81 W 650 FEET TO THE BEGINNING.

On the South by the lands of AND BEING LOT NO. 17 AS SHOWN ON MAP ENTITLED OAK HILLS COMMUNITY MAP RECORDED AT HUNTSVILLE - TENNESSEE BOOK NO. 76 PAGE NO. 144  
On the West by the lands of DEED RECORDED BOOK 83 PAGE 214 SCOTT COUNTY REGISTER OFFICE - HUNTSVILLE, TENN.

of Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, and containing THREE acres, more or less. It is agreed that this lease shall remain in force for a primary term of ONE years from this date and if lessee shall commence to drill within said primary term or any extension thereof, the said lessee shall have the right to continue drilling to completion with reasonable diligence and said term shall extend as long thereafter as oil and gas, or either of them, is produced by lessee from said land or from a communitized unit as hereinafter provided.

- In consideration of the premises the lessee covenants and agrees:
- 1st. To deliver to the credit of lessor, free of cost, into tank reservoirs or into the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
  - 2nd. To pay lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas. Where such gas is not sold or used for a period of one year, lessee shall pay or tender as royalty an amount equal to the yearly delay rental as provided by the provisions of this lease, payable annually at the end of each year during which such gas is not sold or used, and while such royalty is so paid or tendered this lease shall be held as a producing property under the above paragraph setting forth the primary term hereof. Lessor is to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making lessor's own connections with the well at lessor's own risk and expense.
  - 3rd. To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, payable monthly at the prevailing market rate at the mouth of the well.

If no well be commenced on said land on or before the 11<sup>th</sup> day of DECEMBER, 1973, this lease shall terminate as to both parties, unless the lessee shall on or before that date pay or tender to the lessor or the lessor's credit

~~to the \_\_\_\_\_ Bank at \_\_\_\_\_ or its successors, which shall continue as the depository regardless of changes in ownership of said land, the sum of \_\_\_\_\_ dollars which shall operate as a rental and cover the privilege of deferring the commencement of a well for \_\_\_\_\_ months from said date. The payment herein referred to may be made in currency, draft, or check at the option of the lessee and the depositing of such currency, draft or check in any postoffice, with sufficient postage and properly addressed to the lessor, or said bank, on or before said last mentioned date, shall be deemed payment as herein provided. In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid but also the lessee's option of extending that period as aforesaid and any and all other rights conferred.~~

Should the first well drilled on the above described land be a dry hole, then and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payments of rentals in the same amount and in the same manner as hereinabove provided. And it is agreed that on the resumption of the payments of rentals as above provided, the last preceding paragraph hereof governing the payment of rentals and the effect thereof shall continue in force as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals therein provided for shall be paid the lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon except water from the wells of lessor. When requested by lessor, lessee shall bury lessee's pipe line below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor. Lessee shall pay for damages caused by lessee's operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

For the purpose of oil and/or gas development and production under this lease, lessor does hereby grant to lessee the right to pool or communitize said premises, or any part thereof, with other land to comprise an oil development unit of not more than approximately forty (40) acres and/or a gas development unit of not more than approximately one hundred sixty (160) acres, but lessee shall in no event be required to drill more than one well on said unit. If such oil or gas well shall not be drilled on the premises herein leased it shall nevertheless be deemed to be upon the leased premises within the meaning of all the covenants, expressed or implied, in this lease, and lessor shall participate in the one-eighth (1/8) royalty from such oil and/or gas development unit only in the proportion that the number of acres owned by the lessor within the limitations of such development unit bears to the total number of acres included therein. At the option of lessee, a diagonal well spacing pattern may be followed.

Notwithstanding anything to the contrary herein contained or implied by law, all present and future rules and regulations of any governmental agency pertaining to well spacing, use of material and equipment or otherwise shall be binding on the parties hereto with like effect as though incorporated herein at length.

If the estate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly allowed—the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such defaults shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payments of said rentals.

If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. Provided, however, if the leased premises consist of two or more non-abutting tracts, this paragraph shall apply separately to each non-abutting tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one lease, this paragraph shall be inoperative as to such portion so consolidated. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

Lessor hereby warrants and agrees to defend the title to said lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payments, any mortgage, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors for themselves and their heirs, successors, and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made as recited herein.

Lessee may at any time surrender this lease as to all or any part of the lands covered thereby, by delivering or mailing a release thereof to the lessor, if lease is not recorded, or by placing a release thereof of record in the proper county, if lease is recorded; and if surrendered only as to a part of said lands, any delay rentals or acreage payments which may thereafter be payable hereunder shall be reduced proportionately.

IN TESTIMONY WHEREOF WE SIGN, This the 11th day of DECEMBER, 1972

Witnesses:

Witness lines with signatures of Sam C. Galloway and June S. Galloway, each followed by (SEAL). A circular notary seal is visible on the right side of the witness lines.

STATE OF TENNESSEE COUNTY OF SCOTT SS. ACKNOWLEDGMENT TO THE LEASE

On this 11th day of DECEMBER, A.D., 1972, before me, the undersigned, a Notary Public in and for said county, in the State aforesaid, personally appeared SAM C. GALLOWAY AND WIFE JUNE S. GALLOWAY

to me known as the person S described in and who executed the foregoing instrument and acknowledged that they had executed the same as THEIR free act and deed.

Notary Public Wilbert S. Blount County, SCOTT My Commission Expires 2-22-76 Acting Notary County, TENN.

STATE OF TENNESSEE, SCOTT COUNTY. REGISTER'S OFFICE DECEMBER 29 1972

I, Chester Reed, Register for said County do certify that the foregoing Oil lease instrument is registered in said Office in Map Book No. 37 Page 25; that they were received December 29 1972 at 1.46 P.M. and entered in Note Book "I" page 55. State Tax Pd. \$ — Fee \$ — Recording Fee \$ 4.00 Total Paid \$ 4.00, Receipt No. 3840.

Chester Reed  
Register