

**STATE OF OHIO
DEVELOPMENTAL OIL & GAS LEASE**

Lease No. _____

This Developmental Oil & Gas Lease (hereinafter the "Lease"), including "Exhibit A"-- "Legal Description of the Property"; "Exhibit B" -- "Specific Terms and Conditions of the Grant of Lease"; "Exhibit C" -- "BMP's and Recommendations for Oil and Gas Activity on State Lands in Ohio" and "Exhibit D"-- "Release of Financial and Tax Records" which are attached and fully incorporated herein as if fully rewritten, is made this _____ day of _____, 20__, by and between the State of Ohio through the Department of Natural Resources, Division of _____, hereinafter "Lessor", and _____, IRS Tax Identification No. _____, with an address of _____, hereinafter "Lessee".

WHEREAS, Lessor is the owner of certain real estate located at _____, _____, Ohio, as is more fully described herein below; and

WHEREAS, Lessee desires to lease from Lessor the real estate described herein for the sole purpose of drilling for and producing oil, gas, condensate and/or liquid hydrocarbons on the Leased Premises and property pooled with the Leased Premises under the terms and conditions listed herein; and

WHEREAS, by authority of Section 1501.01, of the Revised Code, Lessor in its capacity as property owner of Leased Premises, has the authority to enter into this Lease.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, Lessor and Lessee agree as follows:

1. DESCRIPTION. The Leased Premises are located in the Township of _____, in the County of _____, in the State of Ohio, described as follows:

Township: _____, Range: _____ Section: _____, Tax Parcel No.: _____, Containing _____ acres as described in the legal description attached as Exhibit "A" including lands acquired from _____, by virtue of deed dated _____ and recorded in _____ Book _____, at Page _____, and described for the purposes of this Lease containing a total of _____ Leasehold acres, more or less.

2. GRANT AND USE OF LEASED PREMISES. Lessor, in its capacity as a property owner, in consideration of the payments described herein and the covenants and agreements herein, does hereby lease to Lessee the Leased Premises described above for the sole purpose of drilling for and producing oil, gas, condensate and/or liquid hydrocarbons only on the Leased Premises or property pooled with the Leased Premises and Lessee shall use the Leased Premises under the specific terms and conditions listed in this Lease and Exhibits "A," "B," "C" and "D" attached

hereto and made part hereof as if fully rewritten. Any seismic exploration shall be done under a separate agreement mutually agreed to by the parties. The term "Lessee" for purposes of this Lease and the Exhibits attached hereto and duties and obligations under this Lease and all applicable law, includes the Lessee, any of its subsidiaries, affiliates, employees, agents, assignees, lessees, successors-in-interest or other entities that may in the future claim or exercise rights over the oil, gas, condensate and/or liquid hydrocarbons subject to this Lease. References in this Lease and the attached Exhibits to "Lessee" automatically include Lessee and all of its subsidiaries, affiliates, employees, agents, assignees, lessees, successors-in-interest or other entities that may in the future claim or exercise rights over the oil, gas, condensate and/or liquid hydrocarbons subject to this Lease. A use of the term "Lessee" without listing any of the other entities shall not be interpreted to exclude the other entities from the obligations imposed by this Lease and the Exhibits attached hereto and duties and obligations under all applicable law.

(A) LESSOR'S RESERVED RIGHTS. Lessor reserves all rights not specifically granted to Lessee in this Lease.

(B) LESSOR STRUCTURES AND IMPROVEMENTS. Lessor reserves the right to construct any structure or other improvements at any location selected by Lessor anywhere on the Leased Premises provided the exercise of such reserved rights by Lessor does not unreasonably impair the exercise and enjoyment of rights granted Lessee hereunder. If prior to Lessee coordinating site location for any operations on the Leased Premises, Lessor commences construction of a structure or other improvement on the Leased Premises, Lessee shall not locate any equipment, nor conduct any operations without Lessor's prior written consent. This does not reduce the obligation for Lessee to follow the "Specific Terms and Conditions of the Grant of Lease" (Exhibit B) and the "BMP's and Recommendations for Oil and Gas Activity on State Lands in Ohio" (Exhibit C) and the Mutual Agreement as to Location of Operations requirements of Paragraph 14(M) of this Lease.

(C) AGRICULTURAL AND OTHER ACTIVITIES. Lessor reserves the right to continue all of its current activities and programs and to initiate additional activities and programs including, but not limited to, irrigation and agricultural activities (including timbering) on the Leased Premises. Lessee will reasonably accommodate Lessor's use of the Leased Premises.

(D) OTHER MINERALS RESERVED. This Lease does not include and there is excepted and reserved unto Lessor all other minerals and other material not explicitly leased to Lessee under the terms of this Lease. The mineral and other material excepted and reserved include, but are not limited to, sulfur, coal, lignite, uranium, and other fissionable material, geothermal energy, base and precious metals, rock, stone, gravel, and any other mineral substances (excepting those described above in the Grant of Lease) presently owned or subsequently acquired by Lessor or any successors-in-interest, lessees and/or assignees in, under or upon the Leased Premises, together with rights of ingress and egress and use of the Leased Premises by Lessor or its successors-in-interest, lessees and/or assignees for purposes of exploration for and production and marketing of the materials and minerals reserved hereby.

3. LEASE TERM. This Lease shall be for a primary term of _____ (___) years commencing 12:00 A.M. _____ (effective date) and terminating 11:59 P.M. _____ (last day of primary term) and shall continue beyond the primary term as to the entirety of the Leasehold so long after that as oil, gas, condensate

and/or liquid hydrocarbons are producing in paying quantities from the Leased Premises and property pooled with the Leased Premises. The term “producing in paying quantities” means that Lessee is deriving at least Three Hundred Dollars (\$300.00) per quarter from the oil, gas, condensate and/or hydrocarbons over and above operating expenses. “Quarter” means every three months and no one month of a specific year can be included in more than one quarter.

If at the end of the primary term, a part but not all of the land covered by this Lease, on a surface acreage basis, is not included within a unit or units on which a well has been drilled in accordance with the other provisions of this Lease, this Lease shall terminate as to such part or parts of the land lying outside such unit or units. For purposes of the preceding sentence, a “unit” is defined as the minimum acreage required by state law for the drilling of a well.

4. ADDITIONAL REQUIREMENTS. In addition to the requirements in the Lease, Lessee shall also comply with all requirements set forth in the Exhibits attached hereto and made part hereof as if fully rewritten as well as all applicable federal, state and local laws, regulations, ordinances and similar lawful enactments. To the extent that the terms and conditions of this Lease are in conflict with the terms and conditions of any attached Exhibit, the Exhibit shall control.

5. LESSEE COVENANTS. Any duty Lessee has under covenants implied to benefit Lessor in Ohio oil and gas law, including but not limited to, the covenant to operate the Lease with due diligence, the covenant to protect the Lease from drainage, the covenant of reasonable development, the covenant of further exploration, the covenant to market the product, and the covenant to conduct all operations that affect Lessor’s royalty interest with reasonable care and due diligence are express covenants under this Lease.

6. DEFAULT. If Lessee breaches or defaults on any of the terms or conditions of this Lease, and if the breach or default is not remedied within thirty (30) days, or within such other time period mutually agreed to by the parties, after written notification of the breach or default given by Lessor to Lessee sent by registered or certified mail to the last known business address provided to Lessor by Lessee, the Lessor may terminate this Lease upon ten (10) days written notice to Lessee sent by registered or certified mail to the last known business address provided to Lessor by Lessee. If registered or certified mail is returned by the postal authorities as being “refused” or “unclaimed,” Lessor may give written notice to Lessee by ordinary United States mail, postage prepaid, to the last known business address provided to Lessor by Lessee. For all notices given by registered or certified mail pursuant to this Lease, the applicable period begins to run on the day the registered or certified mail receipt is signed for by Lessee or any of Lessee’s employees, attorneys or other agents. For all notices sent by regular United States mail under the terms of this Lease the applicable time period will begin to run on the third day following the placement of the notice in the United States mail.

In the case of a breach or default termination, Lessee shall surrender possession of the Leased Premises to Lessor by the end of the ten (10) day period. In addition, Lessee shall remove all personal property, including but not limited to, wells, tanks and equipment, as well as structures and fixtures constructed on the Leased Premises by Lessee. Lessee is also obligated to perform plugging and reclamation requirements of Revised Code Chapter 1509 and the regulations and policies established thereunder and to take any other action required by any applicable federal, state or local statute, regulation, ordinance or similar lawful enactment within the ten (10) day

period. During the ten (10) day period, Lessee will also submit to the appropriate county office for the county or counties in which the Leased Premises are located required documentation reflecting termination of the Lease and a certified, time-stamped copy of the documentation will be provided to Lessor.

If Lessee fails to surrender possession of the Leased Premises and to remove its property as required when a breach or default termination occurs or to file and provide the Lease termination documentation, Lessor may institute proceedings necessary to clear title and to take possession of all oil, gas, condensate and/or liquid hydrocarbons to which it is entitled under this Lease.

If Lessee fails to remove any personal property, including but not limited to, wells, tanks, equipment, and/or structures and/or fixtures constructed on the Leased Premises by Lessee, Lessor may take appropriate action to remove and salvage such property. If this occurs, Lessee agrees that it will not seek payment for such property. In addition to all other relief that may be granted to Lessor, Lessor shall be entitled to recover against Lessee all attorney fees, investigation charges, court costs, expert fees, costs of removal, cost of reclamation and all other expenses expended by Lessor regarding this process. In addition, Lessor shall be entitled to exercise any and all other remedies available at law, in equity or otherwise. No single exercise of any remedy shall be deemed an election to forego any other remedy. A waiver by Lessor of any breach or default by Lessee under this Lease shall not constitute a continuing waiver by Lessor of any other existing breach or default or subsequent act in breach or in default.

If the Lease is terminated for other than a breach or default, within six (6) months of termination or expiration of this Lease, Lessee shall remove **all personal property, including but not limited to, wells, tanks and equipment, as well as structures and fixtures** which have been placed upon the Leased Premises by Lessee. Lessee is also obligated to perform plugging and reclamation requirements of R.C. Chapter 1509, and the regulations and policies established thereunder and to take any other action required by any other applicable federal, state or local statute, regulation, ordinance or similar lawful enactment. Within ten (10) days of the termination of the Lease, Lessee will submit to the appropriate county office for the county or counties in which the Leased Premises are located required documentation reflecting termination of the Lease and a certified, time-stamped copy of that documentation will be provided to Lessor.

If Lessee fails to surrender possession of the Leased Premises and to remove its property as required when the lease is terminated or to file and provide the Lease termination documentation, Lessor may institute proceedings necessary to clear title and to take possession of all oil, gas, condensate and/or liquid hydrocarbons to which it is entitled under this Lease. If Lessee fails to remove any personal property, including but not limited to, wells, tanks, equipment, and/or structures and/or fixtures constructed on the Leased Premises by Lessee, Lessor may take appropriate action to remove and salvage such property. If this occurs, Lessee agrees that it will not seek payment for such property. In addition to all other relief that may be granted to Lessor, Lessor shall be entitled to recover against Lessee all attorney fees, investigation charges, court costs, expert fees, costs of removal, cost of reclamation and all other expenses expended by Lessor regarding this process. In addition, Lessor shall be entitled to exercise any and all other remedies available at law, in equity or otherwise. No single exercise of any remedy shall be deemed an election to forego any other remedy.

7. PAYMENTS TO LESSOR. Lessee covenants to pay Lessor as follows:

(A) **SIGNING BONUS:** Lessee agrees to pay Lessor a signing bonus of _____ Dollars (\$ _____) for each acre or portion of an acre contained within the Leased Premises and property pooled with the Leased Premises. The bonus payment shall be paid to Lessor within sixty (60) days following the date Lessee signs this Lease. Absent any breach or default by Lessee, Lessor promises to proceed with this Lease and be bound thereby, on the condition that the Lessee pay the full amount of the bonus payment within the sixty (60) calendar day period. All bonus payments, rentals and royalty payments made to Lessor under this Lease are non-refundable. Failure by Lessee to pay the bonus payment within the time described herein shall render this Lease null and void.

(B) **DELAY RENTAL:** In the event that Lessee fails after the first year or subsequent years of the Lease to drill a well on the Leased Premises or property pooled with the Leased Premises, Lessee shall pay a non-refundable Delay Rental at the rate of ten (10) percent of the initial signing bonus and increasing ten (10) percent per acre or portion of an acre per year thereafter until drilling has commenced. Payment will be made by Lessee within thirty (30) days of the one year anniversary or subsequent year anniversaries of this Lease. If no well is drilled on the Leased Premises or property pooled with the Leased Premises within five years of the execution of the Lease by Lessor, the Lease will automatically expire and Lessee will take the steps set forth in Paragraph 6 above, which are incorporated herein as if fully rewritten, to transfer the oil, gas, condensate and/or liquid hydrocarbon rights to Lessor and to vacate the Leased Premises. Lessor reserves the right to seek any and all remedies set forth in Paragraph 6 and any other legal remedy if the Lease is terminated under this paragraph.

(C) **ROYALTY:** Lessee agrees to pay Lessor as Royalty an amount equal to _____ percent (____%) of the gross revenue realized by Lessee for any and all oil, gas, condensate and/or liquid hydrocarbons produced and sold from the Leased Premises and/or the property pooled with the Leased Premises as follows:

1. For oil---Royalty will be paid monthly based on the local price index per barrel posted for the day the oil is sold;
2. For gas---Royalty will be paid monthly based on the local price index per thousand cubic feet for the gas sold through the meter for that month. Each well shall have a separate sales meter at the well that will measure the gas produced from the well. The meter shall be calibrated and maintained in accordance with standard industry practice.
3. For condensate and liquid hydrocarbons---Royalty will be based on the _____ for the price posted for the day the condensate and hydrocarbon is sold.

Royalties shall be calculated on the amount of money or any other valuable consideration received for any and all oil, gas, condensate and/or liquid hydrocarbons obtained from all drilling units and/or wells on the Leased Premises and/or property pooled with the Leased Premises. A separate calculation for (a) oil, (b) gas, (c) condensate and (d) liquid hydrocarbons will be made for each well and/or unit and total payment will be based upon the total due for oil, gas, condensate and/or liquid hydrocarbons. No weighted average pricing or other formula will be used to calculate royalty payments other than the ones set forth in Paragraphs (C)(1),(C)(2 and (C)(3) .

Other than the exception for flaring discussed in Paragraph 14(Q), in the event oil, gas, condensate and/or liquid hydrocarbons are lost by leakage, fire or for other reasons, the royalty payments required by this Lease shall include payments for the lost oil, gas, condensate and/or liquid hydrocarbons based on the price that would have resulted using the indexes set forth above. As soon as the Lessee learns of leakage, fire or any other event resulting in loss of product involving the oil, gas, condensate and/or liquid hydrocarbons subject to this Lease, the Lessee shall contact the Lessor. Lessee shall provide the State all internal and external reports regarding such incident and resulting loss within ten (10) days of the conclusion of the leakage, fire or other reason for the loss of oil, gas, condensate and/or liquid hydrocarbons.

No deduction, either directly or indirectly, shall be allowed for any part of the costs or expenses of exploration, production and/or marketing of the oil, gas, condensate and/or liquid hydrocarbons. Costs that are not allowed to be deducted from royalty payments include, but are not limited to, taxes, costs for gathering, dehydration, compression, transportation, manufacturing, processing, treating, marketing, other post-production costs or any cost for any related activity.

In the event Lessee is assessed a tax penalty, interest charge or any other assessment for non-compliance with any government statute, regulation, policy or similar provision, no reduction for such penalty, charge or assessment will be subtracted from any royalty payment due Lessor.

Payment of royalties shall be made to Lessor within fifteen (15) days after Lessee receives payment for each product produced.

Lessor hereby retains a security interest in (a) the portion of the oil, gas, condensate and/or liquid hydrocarbons produced and saved from the Leased Premises or property pooled with the Leased Premises pursuant to this Lease, and (b) the proceeds of sale of such oil, gas, condensate and/or liquid hydrocarbons and all accounts arising therefrom associated with the royalty payments due under and pursuant to this Lease (the "Collateral"), to secure Lessee's payment of royalties and compliance with the other terms and provisions of this Lease. In the event of default by Lessee, Lessor shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessor hereunder. The collateral includes oil, casing head gas, casing head gasoline, condensate, distillate, gas and natural gas liquids, including any hydrocarbon or non-hydrocarbon minerals or products that may be associated with oil, gas, condensate and/or liquid hydrocarbons. This Lease, or memorandum thereof (which shall contain the provisions of this

paragraph), when filed in the county or counties' real property records where the Leased Premises or property pooled with the Leased Premises are located, shall constitute a financing statement. Additionally, Lessee agrees to cooperate with any UCC-1 filing requested by Lessor.

(D) DELAY IN PRODUCT MARKETING AND SALES: In the event that Lessee drills a well on the Leased Premises or property pooled with the Leased Premises that is awaiting completion (such as hydraulic fracture stimulation), or that is drilled and completed and capable of production, but Lessee does not market and sell oil, gas, condensate and/or liquid hydrocarbons therefrom and there is no other basis for extending this Lease, Lessee shall pay, until such time as marketing and sales are established (or Lessee surrenders the Lease), a Delay in Product Marketing and Sales payment in the amount of Five Hundred Dollars (\$500.00) per acre or part of an acre for the first year; One Thousand Dollars (\$1,000.00) per acre or part of an acre for the second year; Two Thousand Dollars (\$2,000.00) per acre or part of an acre for the third year; Four Thousand Dollars (\$4,000.00) per acre or part of an acre for the fourth year; and Eight Thousand Dollars (\$8,000.00) per acre or part of an acre for the fifth year.

If oil, gas, condensate and/or liquid hydrocarbons from the Leased Premises or property pooled with the Leased Premises are not marketed and sold within five years of the execution of the Lease, the Lease will automatically expire and Lessee will take the steps set forth in Paragraph 6 above, incorporated herein as if fully rewritten, to transfer the oil, gas, condensate and/or liquid hydrocarbon rights to Lessor and to vacate the Leased Premises. Lessor reserves the right to seek any and all remedies set forth in paragraph 6 and any other legal remedy if the Lease is terminated under this paragraph.

(E) SHUT-IN: In the event production of oil, gas, condensate and/or liquid hydrocarbons is interrupted and not marketed for a period of six (6) months, Lessee shall thereafter, as Royalty for constructive production, pay a Shut-in Royalty for each interrupted well equal in amount and frequency to the annual Delay in Product Marketing and Sales payment until such time as production is re-established (or Lessee surrenders the Lease). If such payments are made, during Shut-in, Lessee shall have the right to rework, stimulate, or deepen any well on the Leased Premises or to drill a new well on the Leased Premises in an effort to re-establish production, whether from an original producing leased formation or from a different formation, if leased. If oil, gas, condensate and/or liquid hydrocarbons from the Leased Premises or property pooled with the Leased Premises are not marketed and sold within five years of the execution of the Lease, the Lease will automatically expire and Lessee will take the steps set forth in Paragraph 6 above, incorporated herein as if fully rewritten, to transfer the oil, gas, condensate and/or liquid hydrocarbon rights to Lessor and to vacate the Leased Premises. Lessor reserves the right to seek any and all remedies set forth in paragraph 6 and any other legal remedy if the Lease is terminated under this paragraph.

(F) DISTURBED AREA PAYMENT. Lessee shall pay to Lessor in consideration for damages to the Leased Premises the sum of Six Thousand Dollars (\$6,000.00) per acre or part of an acre for the total acreage of the Disturbed Area. The Disturbed Area includes, but is not limited to, the well site pad, access road, fresh water storage impoundments, brine and waste water holding facilities, drill or mud cuttings or residual waste holding facilities, production facilities and pipelines. The initial payment will be based upon the known and agreed upon area

that will be disturbed as outlined in the Development Plan. This payment is due at the time the Lessee submits a Final Approval Request. Upon production from the first well, Lessee will be required to have a survey conducted to exactly locate the disturbed areas and calculate the final total acreage disturbed. Lessee shall submit the survey to Lessor with any additional payment due within thirty (30) days of production from the first well.

For purposes of the Disturbed Area Payment, the well site pad ("pad") is defined as the area designed to facilitate one or more wells in a concentrated surface area and access thereto not to exceed a total of five (5) acres. In the event that the Lessee desires that the surface area of the pad exceeds five (5) acres, Lessee shall first obtain written approval from Lessor and shall pay the Lessor Eight Thousand Dollars (\$8,000.00) for each additional acre or part of an acre exceeding five (5) acres included in each pad site. Lessee shall not be required to pay any separate per well payment for additional wells drilled in sequence after the completion of drilling the initial well on a pad. In the event Lessee reclaims the well location pad after drilling the initial well or group of wells, and at any time thereafter returns to the pad for the purpose of drilling an additional well or wells on that pad, Lessee shall pay to Lessor a Disturbed Payment fee of Six Thousand Dollars (\$6,000.00) per acre or part of an acre for acreage newly disturbed. Furthermore, conditioned upon a prior, separate written consent and agreement of Lessor being executed, Lessee shall pay Lessor an amount of at least Six Thousand Dollars (\$6,000.00) per acre or part of an acre for each fresh impoundment pit.

(G) LESSOR'S DOLLAR CREDIT IN LIEU OF FREE NATURAL GAS. Lessee shall pay Lessor an annual credit in the amount of _____ Dollars (\$ _____) in lieu of Lessor receiving free gas from Lessee.

(H) LESSOR'S RIGHT TO PURCHASE NATURAL GAS AS A CREDIT ON THE TRANSMISSION LINE. Lessor shall have the right to purchase _____ (_____) million cubic feet of natural gas (mmcf/gas) per well per year on an annual basis from Lessee. The purchase will be made in the name of the State of Ohio, Department of Natural Resources. The amount due from Lessor will be based upon local price index per thousand cubic feet at the price posted for the day the gas is purchased. Lessor shall take ownership of natural gas purchased from Lessee at the delivery point of the first point of sale.

(I) LESSEE'S PAYMENT TO LESSOR. All rental payments, royalty payments or any other payments due the Lessor under the terms of this Lease are to be made payable to the "Treasurer, State of Ohio" with an itemization, as set forth in Paragraph 30 below, of the payments and identified by the Lease Number located on the front page of this Lease and mailed to the Ohio Department of Natural Resources, 2045 Morse Road Building D-3, Columbus, OH 43229-6693.

8. AD VALOREM TAXES. Lessee shall pay all Ad Valorem taxes or assessments on the oil, gas, condensate and/or liquid hydrocarbons produced under this Lease regardless of the percentage of royalty paid to Lessor. Lessee shall, in addition, pay any and all severance taxes or other excise taxes arising out of or relating to this Lease and the oil, gas, condensate

and/or liquid hydrocarbons produced under this Lease.

9. PROPERTY TAXES. In the event real property taxes pertaining to or attributable to the Leased Premises are increased in any manner by reason of the operations of Lessee on the Leased Premises, including, but not limited to any structures or improvements constructed thereon, Lessee shall be responsible for the amount of any such tax increase attributable to such operations or improvements. Lessee shall reimburse Lessor for the amount of such increase within thirty (30) days after Lessor provides Lessee with written documentation reflecting such increase and the basis thereof.

10. AGRICULTURAL PROGRAMS. In the event the Leased Premises is subject to any federal, state, local and/or agricultural assistance program (i.e. CAUV, CRP or Forest Land Program, including any interest and penalties thereon), and any roll-back or reimbursement or recoupment or retroactive assessment is made against the Leased Premises on account of, arising out of, or relating to the operation of Lessee the Lessee shall be responsible for paying any and all of such amounts, but only insofar as such amounts imposed result from operations on the portion of the Leased Premises actually utilized in Lessee's operations. Lessee shall reimburse Lessor for the amount of such increase within thirty (30) days after Lessor provides Lessee with written documentation reflecting such increase and the basis thereof.

11. INDEMNIFICATION. Lessee shall indemnify and save harmless Lessor from and against any and all claims, demands, actions, or causes of action, together with any and all losses, costs, or related expenses asserted by any person or persons for bodily injury, death, or property damage arising out of or in connection with Lessee's use and occupation of the Leased Premises or property pooled with the Leased Premises under this Lease. Furthermore, Lessee agrees to protect and indemnify and hold harmless Lessor from and against all liabilities, claims, demands, damages and causes of action, included but not limited to attorney's fees incurred by Lessor for the defense thereof, arising directly or indirectly out of the use, occupation and activities of Lessee hereunder; and, further, including, but not limited to claims, demands and causes of action brought by either party's employees, agents, subcontractors, licensees, invitees, guests, or any other third party claiming personal injury, death, or property damage arising directly or indirectly out of the activities of Lessee hereunder, or equipment furnished in connection therewith.

Notwithstanding anything herein to the contrary, it is agreed that the full and sole responsibility for damage and repair to the land or underground water table or system, or for contamination, pollution or diminution on the Leased Premises and/or on other lands as a result of Lessee's activities or the activities of any of Lessee's subcontractors or agents, shall be borne by Lessee. Lessee shall assume all responsibility for, including control, repair, removal and remediation of any contamination, pollution or water diminution, and protect and defend Lessor against all claims, demands, and causes of action of every kind and character arising directly or indirectly from damage to the land, underground water table or system, or from pollution or contamination which originates below, within, on or above the surface of the land or water from spills of any

substance, including but not limited to, fuels, lubricants, motor oils, natural water-base drilling fluid and attendant cuttings, pipe dope, paints, solvents, ballast, bilge and garbage or hazardous substance or any other material in the possession and control of Lessee, its subcontractors or agents and directly or indirectly associated with the activities of Lessee, its subcontractors or agents. In the event a third party commits an act or omission that results in pollution, contamination or water diminution and such third party is performing work for on behalf of Lessee, the responsibility therefore shall be considered as between Lessor and Lessee to be the same as if the work were performed by Lessee.

12. SUBCONTRACTORS. Lessee may not subcontract any of the duties, liabilities and responsibilities under the Lease in whole or in part without Lessor's prior written approval of the subcontractor and the underlying subcontract (which Lessor may withhold in its sole discretion). Notwithstanding the foregoing, no permitted subcontracting shall relieve Lessee of its responsibility and liability for any work performed by its subcontractor. Except as prohibited by law, Lessee shall include as flow-down provisions in all of its subcontracts for any approved subcontractors provisions substantially similar to the provisions of the Lease so that all authorized subcontractors shall be bound to the obligations of Lessee hereunder. Lessee shall indemnify, defend and hold harmless Lessor from any and all losses and threatened losses arising from or in connection with any claims by Lessee's subcontractors.

13. INDEPENDENT CONTRACTORS. In making and performing under this Lease, the parties are acting and shall act as independent contractors and not that of master and servant or partnership. Neither party is, nor will be deemed to be, an agent, legal representative, joint venture, or partner of the other party for any purpose. Neither party shall have any authority to act for or to bind the other party in any respect, nor shall either party hold itself out as having such authority. Each party agrees to assume complete responsibility for its own employees with regard to federal or state employer's liability, worker's compensation, social security, unemployment insurance, Occupational Safety and Health Administration requirements and other laws.

14. IMPACTS AND EFFECTS. The following provisions shall apply under this Lease.

(A) **SURFACE ISSUES.** Lessee shall at all times use the highest degree of care and use all reasonable care and safeguards to prevent its operations and the operations of any subcontractor from resulting in any injury or damage to humans, animals or the environment including, but not limited to, taking all required actions to prevent

(i) causing or contributing to soil erosion;

(ii) polluting or contaminating any environmental medium including the surface or subterranean soils and/or waters and ambient atmosphere in, on, under, above or about the Leased Premises and surrounding properties;

(ii) decreasing the fertility of the soil;

(iii) damaging crops, native or cultivated grasses, trees, or pastures;

(iv) harming or in any way injuring humans and/or animals (whether domestic or wild);

(v) damaging buildings, roads, structures, improvements, farm implements, gates or fences; and

(vi) disposing of brine, flow back water or liquid waste oil and other waste in violation of the rules and regulations of the Ohio Department of Natural Resources and all other applicable governmental authorities.

(B) **CONTAMINATION OR POLLUTION.** Lessee shall promptly clean up, remove, remedy and repair any soil or ground or surface water contamination, pollution and/or damage caused by Lessee or any of its subcontractors or agents from the release of any contaminant in, on, under, above or about the Leased Premises and/or property pooled with the Leased Premises and/or any other lands. Lessee shall pay to any entity subject to such contamination, pollution or diminution all damages caused by Lessee, its subcontractors or agents. Lessee shall be responsible for and timely pay all costs of clean-up, remediation, and other costs related to and arising from the event, including but not limited to penalties.

(C) **DISPOSAL.** Lessee shall not use the Leased Premises for the permanent disposal of any drill, mud cuttings or other waste material or the storage or disposal of residual wastes. No disposal wells or any other devices or means of disposal of wastes or drilling liquids are permitted on the Leased Premises.

(D) **NO GAS STORAGE.** Lessee shall have no right to use the Leased Premises or any portion thereof, surface or subsurface, for oil, gas, condensate, liquid hydrocarbon or brine storage purposes.

(E) **REPLACEMENT OF BARRIERS AND DRAIN TILE.** Lessee shall promptly replace any barriers, including but not limited to fences, gates and walls removed by

Lessee during its operations or operations of its subcontractors or agents on the Leased Premises. Lessee shall construct gates on all access roads unless otherwise instructed in writing by Lessor, and provide an access key or double lock system allowing access by both Lessor and Lessee. Gates are to be closed and locked when Lessee personnel are not on the Lease Premises. Lessee shall promptly replace any drain tile removed or damage by Lessee during its operation.

(F) TIMBER. Lessee shall notify Lessor in writing at least forty-five (45) calendar days prior to any removal by Lessee of marketable timber (marketability to be within the discretion of Lessor). At Lessor's option, Lessor may choose to harvest timber, or Lessor may require an appraisal of the timber by a certified independent consulting forester who is a member of the Society of American Foresters (SAF) or American Consulting Foresters (ACF), at Lessee's expense, and Lessee shall pay Lessor the appraised value for the timber identified prior to its removal by Lessee.

(G) USE OF SURFACE OR SUBSURFACE WATER. Lessee is not permitted to use water from Lessor's wells, ponds, lakes, springs, creeks, water courses, reservoirs or any other source of water on the Leased Premises without prior written consent and agreement with Lessor, separate from this Lease. Lessee shall not drill or operate any water well, take water, or inject any substance into the subsurface or otherwise use or affect water in subsurface water formations.

(H) CROPS. Lessee will plan its surface operations in a manner that will reduce or minimize intrusion into crop fields. In the event such an intrusion cannot be avoided, Lessee shall compensate Lessor or Lessor's contractor for the damage or loss of growing crops at current market value.

(I) FENCING BY LESSEE. Lessee shall:

- (i) fence all wells and well sites, tank batteries, pits, impoundments, drilling muds and cuttings and residual waste holding facilities, brine and waste water holding facilities, separators, drip stations, pump engines, and other equipment placed on the Leased Premises with woven-wire fence of at least eight (8) feet in height;
- (ii) keep such fences in good repair; and
- (iii) keep all gates and fencing closed at all times.

(J) HAZARDOUS MATERIALS. Lessee shall neither use, dispose of or release on the Leased Premises or any other land nor permit to exist or to be used, disposed of or released on the Leased Premises or any other land any substances (other than those Lessee has been licensed or permitted by applicable public authorities to use on the Leased Premises) which are defined as "hazardous materials," "toxic substances" or solid

wastes” in federal, state or local laws, statutes or ordinances. Should any pollutant, hazardous material, toxic substances, contaminated or polluted waste or solid waste be accidentally released on the Leased Premises or any other land, Lessee shall notify Lessor immediately after notifying the applicable governmental body of such event. Lessee shall be responsible for and timely pay all costs of clean-up, remediation and other costs related to and arising from the event including, but not limited to, penalties.

(K) FIREWALLING AND MAINTENANCE OF PRODUCTION EQUIPMENT. Dikes, firewalls or other methods of secondary containment must be constructed and maintained at all times around all tanks, residual waste holding facilities, separators and receptacles so as to contain a volume of liquid equal to at least 1.25 times the total volume of such tanks, separators and other receptacle located within the boundaries of the firewall. Portions of the dike areas and storage tank battery areas that are exposed to chemicals, fuel, non-freshwater fluids, or active operations shall be lined with an impervious geotextile liner to deter chemicals or fluids from reaching the surface or groundwater in the event of a leak or spill. Lessee shall keep all tanks and other equipment at each well location painted and in good appearance, and shall keep the well site, including tanks and structures, and all roads leading thereto free of noxious weeds and debris.

(L) PITS. Lessee shall have no right to dig any pits on the Leased Premises except with Lessor’s prior written consent. Any pit so permitted shall: (i) conform to all applicable regulatory requirements (state, local and federal); (ii) be planned to be deep enough to allow at least thirty-six (36) inches of backfill over the liner after grading to surrounding pre-drilled contour; (iii) promptly, after completion of operations, any backfill and liners shall be removed and the pits shall be drained, and (iv) all pits shall, within ninety (90) days be buried, backfilled, graded and planted (weather permitting). Lessee shall immediately notify Lessor and all applicable regulatory authorities if any pit lining is torn, punctured, or otherwise breached and corrective action shall be taken according to agency instructions. If any fluid contained in a pit or designated to be contained in a pit seeps, leaks or overflows through or around the pit or a line, immediate corrective action shall be taken as instructed by the appropriate regulatory agencies.

(M) MUTUAL AGREEMENT AS TO LOCATION OF OPERATIONS. Before commencing surface disturbing operations on the Leased Premises, Lessee and Lessor shall mutually agree in writing on the location of all well pads, wells, fresh water impoundments, storage tank batteries, drilling muds and cuttings, residual waste temporary storage facilities, separators, heat condensers, compressors, roads, utility lines, water lines, gates, and other equipment so as to minimize disruption of Lessor’s use of the Leased Premises and to minimize interference with the use of the Leased Premises by the public. Before a pipeline can be located on Lessor’s property, a separate License Agreement must be entered into between Lessor and Lessee. In determining the location of operations, the requirements of this Lease’s “Exhibit B” – “Specific Terms and Conditions of the Grant of Lease” and “Exhibit C” – “BMP’s and Recommendations for Oil and Gas Activity on State Lands in Ohio” are to be used as guidelines.

In the event the locations of such facilities and equipment cannot be mutually agreed upon, the Lessor shall determine where such facilities and equipment shall be located. Before surface disturbing operations begin, the determined locations will be memorialized on a map prepared by the Lessee and approved by the Lessor.

To the degree practicable, operations shall be designed and laid out to be concentrated in a single area so as to avoid unnecessary utilization of surface areas. To the degree practicable, pipelines and roadways are to be within the same corridor. Lessor's agreement shall not be unreasonably withheld, conditioned or delayed assuming the preceding standards are followed. There shall be no compressors located on the Leased Premises, except those for the sole purpose of compressing gas from the Leased Premises and land pooled or unitized therewith, without a prior separate written agreement with Lessor. Any compressor operations permitted hereby shall be designed and installed utilizing means to minimize noise and air pollution, including but not limited to, sound enclosures and barriers, and electrical motors if reasonably possible. All requirements of the Ohio Environmental Protection Agency and other appropriate agencies will be strictly met. Additionally, when requested by Lessor, Lessee shall install air pollution controls and sound enclosures and barriers at the well site during the drilling process. All locations of Lessee infrastructure shall be shown on a plat map and signed by a registered surveyor and a copy of the plat map shall be kept in the offices of the Lessee and Lessor.

(N) WATER QUALITY AND QUANTITY. Lessee shall maintain the quality and quantity of all water supplies. Prior to any activity on the Leased Premises, Lessee is required to test any water supply used by humans or animals, including, but not limited to, surface (i.e. ponds, rivers, streams) and freshwater wells within three thousand (3,000) feet of Lessee's first proposed well and/or any contemplated additional wells to be drilled on the Leased Premises and/or property pooled with the Leased Premises whether such water supply is located on the Leased Premises, property pooled with the Leased Premises or on adjacent or nearby property. For water supplies not located on the Leased Premises, it shall be the obligation of Lessee to obtain from the owners of the adjacent or nearby properties on which a water supply is located authorization to conduct such testing or a waiver relieving these water supplies from being tested. The results of these tests shall be submitted by the analyzing lab to Lessor and any governmental agency required by law. In the event of suspected contamination or pollution as a result of the initial pre-activity testing, Lessee shall again test the water supply and have the analyzing lab submit the results of those tests to Lessor and all appropriate government agencies. Lessee shall conduct any additional test and have any required analysis performed as required by any appropriate government agency following the procedures required by that agency and following the requirements of "Exhibit B" -- "Specific Terms and Conditions of the Grant of Lease" and "Exhibit C"-- "BMP's and Recommendations for Oil and Gas Activity on State Lands in Ohio".

Should Lessor's water supply or the water supply located on any other land be polluted or contaminated or the volume of the water supply reduced as a result of Lessee's operations or the operations of any of its subcontractors or agents, Lessee shall take any and all steps

necessary to restore water quality and quantity to its pre-existing condition or fully compensate Lessor and/or other appropriate entity for the damage and inconvenience caused thereby. During the period of remediation, Lessee shall supply Lessor and/or other appropriate entity with an adequate supply of potable and other water equal to Lessor's and any other appropriate entities' water supply prior to Lessee's operation.

Unless Lessee can prove to Lessor and any appropriate government agency's satisfaction otherwise, any pollution, contamination or diminishment of any water supply within three thousand (3,000) feet of any of Lessee's wells after any operations commence will be presumed to be the result of Lessee's operation. Until Lessee can prove otherwise as to the cause, Lessee shall provide the required replacement supply; beginning immediately upon Lessor or another appropriate entity providing evidence to Lessee of the water quality and quantity condition causing concern and continuing until the Lessor and all other appropriate government agencies are satisfied that the water quality and quantity of a water supply has been restored to the standards that existed before the commencement of production activities. Lessee will not be entitled to and will not seek reimbursement for the cost of any water replacement supply it provides whether or not it is, subsequently, determined that operations of the Lessee or a subcontractor did not cause pollution, contamination or diminishment of a water supply.

(P) NOTICE REGARDING PRE-DRILLING ACTIVITY AND DRILLING. Lessee shall provide at least ten (10) calendar days prior written notice to Lessor before Lessee commences pre-drilling activity on the Leased Premises. Lessee shall also provide at least ten (10) calendar days prior written notice before Lessee commences any actual drilling (bit in the ground) on the Leased Premises.

(Q) FLARING AND VENTING. Lessee shall not allow the well to blow open for over twenty-four (24) hours after drilling, except in the case of emergency not caused by action or inaction of Lessee unless otherwise approved by the Division of Oil and Gas Minerals Management of the Ohio Department of Natural Resources. Except in case of emergency not caused by negligence of Lessee or a subcontractor or agent of Lessee, after this initial twenty-four (24) hour period, Lessee shall pay Lessor at the regular royalty rate for any gas allowed to escape. Such escaped gas shall be estimated by a method approved by Lessor. No venting of gas will be allowed at any time.

(R) GEOLOGIC AND ENGINEERING WELL DATA AND INFORMATION.

Pursuant to Revised Code Section 1505.03, Lessor has the authority to investigate survey, interpret and report matters relating to the geological or mineralogical conditions of the state, or technologies pertaining to them, and to accept and retain geological records on a confidential basis. Accordingly, Lessee shall notify Lessor within a twenty-four (24) hour period before the commencement of drilling into the target reservoir or source rock (pay zone) in order to allow access by Lessor to gather the geological and mineralogical data as well as the engineering well data and information. Lessor also has the right to collect rock chips, core samples, well logs and other geologic and engineering data and

information during the drilling and well evaluation process. Additionally, Lessee shall notify Lessor within a twenty-four (24) hour period before the completion (i.e., hydraulic fracturing process) of the well. Lessee shall allow access and Lessor shall have the right to collect all well completion records, initial production tests and initial production pressures within thirty (30) days after the completion process. Lessor agrees to maintain the confidentiality of the geological and mineralogical records and information gathered pursuant to the provisions of Revised Code Section 1505.03.

15. INSPECTION. Lessor has the right to inspect the Leased Premises at any time for any reason without notification to Lessee. If an area of the Leased Premises is secured under lock and key by Lessee, Lessee shall provide an access key or double lock system allowing access by Lessor to conduct the inspection.

16. ASSIGNMENT. Lessor reserves the right to assign any or all of its rights or interests under the terms of this Lease, without the consent of the Lessee, to any individual, corporation, firm or other entity, public or private or any governmental agency, municipal, county, state or federal. Lessee shall be notified of any such assignment. Lessee shall have no right to assign this Lease in whole or in part without the prior written consent of Lessor.

17. NOTICES. All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been properly given if hand-delivered or sent by United States registered or certified mail, postage paid,

(a) with respect to Lessor, addressed to:

Ohio Department of Natural Resources
2045 Morse Road, Building D-3
Columbus, Ohio 43229-6605
ATTN: Gene Wells, Lease Administrator

and, (b) with respect to Lessee, addressed to:

18. POOLING. Lessee shall have the right, at any time or times, to pool and consolidate this Lease, in whole or in part, or as to any stratum or strata, with lands or leases adjacent to or in the immediate vicinity of this Lease, so as to constitute a unit or units for the purpose of entering with the owners and/or lessees into joint operating agreements providing for the joint operation and development of the Leased Premises, or portions thereof, with adjoining lands to prevent the drilling of an excessive number of wells, or of wells located too close to the boundary of this Lease; provided, however, that such agreement or termination thereof shall not become valid unless and until the same shall have been approved in writing by Lessor; provided

further, however, that if such joint operating agreements or unit agreements are entered into pursuant to a valid spacing or integration order, the approval of Lessor shall not be required.

Drilling, mining, or reworking operations upon, or production of oil, gas, condensate and/or liquid hydrocarbons from any part of such unit shall be treated, for all purposes hereunder, as operations upon or production from the Leased Premises, provided that the Lessee is the owner of the off-lease property.

Upon production from any part of any such unit, Lessor shall be entitled to and Lessee shall pay royalties calculated as follows: a fractional part of the production shall be allocated to the portion of this lease included in such unit based on the ratio of the acres from the Leased Premises included in such unit to the total number of acres included in the pooled area, and Lessor shall be entitled to the royalties provided for in this lease on such fractional part of such production; provided, that if State or Federal authorities shall prescribe a different method of allocation, the method so prescribed shall prevail.

19. NO WARRANTY OF TITLE. It is mutually understood and agreed that Lessor does not warrant the title to the lands upon which the aforesaid Lease is located, and the rights, privileges, and authority granted herein shall be subject to any easements, rights-of-way, mineral reservations or other rights upon, within, over, through, across, above, or under said lands now outstanding in third persons. In addition, it shall be Lessee's sole responsibility to take any action necessary in order to quiet title on the property subject to this Lease to the benefit of Lessor so that Lessee can prospect and drill for and produce oil, gas, condensate and liquid hydrocarbons.

In the event of a determination by compromise or by a non-appealable final judgment of a court of competent jurisdiction that the Lessor does not have title to all or part of the oil, gas, condensate and/or liquid hydrocarbon rights on or under the lands hereby leased, the Lessee shall pay Lessor royalties and other payments thereafter accruing in proportion to the Lessor's ownership as determined by the compromise or non-appealable final order. Any sums of money previously paid pursuant to the terms of the Lease shall not be reimbursable to Lessee and Lessee agrees it will not seek reimbursement from Lessor, the State of Ohio or any department, agency, university, college, official, employee, or agent of Lessor or the State of Ohio for the previously paid money.

In the event of Lessee being notified of an adverse claim potentially affecting title to all or a portion of the oil, gas, condensate, and/or liquid hydrocarbon rights under the Leased Premises, Lessee shall give notice of such claim to Lessor which may, with the approval of the Ohio Attorney General, enter into an escrow arrangement for future royalties accruing to such disputed portion under terms and conditions proper to safeguard the rights and interests of all parties. In the event an adverse claimant files suit against the Lessor or against Lessee claiming title to all or a portion of the oil, gas, condensate and/or liquid hydrocarbon rights on or under the Leased premises, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to secure an adjudication of the validity of the claim, the royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest shall be determined by compromise or a non-appealable final

judgment of a court of competent jurisdiction. The royalties placed in escrow shall be distributed as determined by compromise or at the direction set forth in a non-appealable final order of the court of competent jurisdiction. Lessee will not seek reimbursement from Lessor, the State of Ohio or any department, agency, university, college, official, employee, or agent of Lessor or the State of Ohio for any royalty payments made prior to a determination of mineral ownership or rights under this provision, nor shall Lessee seek any attorney fees, expert fees, court costs or other payments or reimbursement as a result of any legal, administrative or other action subject to this provision.

This proportionate reduction clause shall not apply to and shall not reduce the bonus payments, delay in product marketing and sales payments, shut-in payments or rents or payments payable under this lease.

It is further understood and agreed that this Lease shall in no manner limit the right of Lessor, its nominees and assigns to grant additional property rights of any kind whatsoever across, upon, above, through and/or under the lands affected by this Lease, so long as such additional property rights shall not interfere with the rights and privileges herein granted to the Lessee. Lessor also retains to itself, its nominees, successors-in-interest and/or assigns, the right to use said lands for its own purposes, so long as such use does not interfere with the rights and privileges herein granted.

20. ENTIRE AGREEMENT/WAIVER. This Lease states the entire agreement between the parties, and supersedes and replaces all oral and written representations, agreements, memoranda and correspondence between, by or for the parties relating to the premises, and shall be construed in accordance with and governed by the laws of Ohio. No amendment or modification of this Lease shall be binding unless made by written instrument of equal formality signed by both Lessor and Lessee. Waiver by either party of performance by the other party of any of the provisions of the Lease shall not be construed as a waiver of any further right to insist upon full performance of the terms hereof.

21. INTERPRETATION. In case of ambiguity, this Lease and the terms of this Lease, shall always be construed in favor of the Lessor and against the Lessee

22. CERTIFICATION OF STATE FUNDS. Obligations of the Lessor are subject to the provisions of Section 126.07 of the Ohio Revised Code.

23. COMPLIANCE WITH LAW. Lessee shall comply with and shall monitor and implement any tasks or requirements relating to all existing, changes to, and new federal, state or local laws, ordinances, regulations, rules, decisions, orders or requirements that are applicable to Lessee's actions under this Lease.

24. SUCCESSORS. All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors and assigns.

25. FORCE MAJEURE. Should Lessee be prevented, except for reasons other than actions or inaction of Lessee or a subcontractor or agent of Lessee, from complying with any express or implied covenant of this Lease (except payment of money), from conducting drilling

(including hydro fracturing) or reworking operations thereon or from producing oil, gas, condensate and/or liquid hydrocarbons therefrom by reason of inability to obtain or to use equipment or material, or by operation of force majeure, any federal or state law or any order, rule or regulation of governmental authority (“force majeure event”), while so prevented, Lessee’s obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith, and this Lease shall be extended while and so long as Lessee is prevented by any such force majeure event from conducting drilling or reworking operations on or from producing oil, gas, condensate and/or liquid hydrocarbons from the Leased Premises. The period of extension by reason of force majeure shall be limited to a cumulative total of forty-eight (48) months. Any delay beyond one hundred twenty (120) days from the date of application to obtain any required permit to drill, complete or rework a well, except delays caused by the actions or inactions of Lessee or a subcontractor or agent of Lessee, shall be grounds to invoke force majeure until the permit is granted. If this Lease is the subject matter of any lawsuit, arbitration proceeding or action, and Lessee is ordered therein to forego or suspend its operations on the Leased Premises, or Lessee in its discretion foregoes or suspends operations solely by reason of such lawsuit, proceeding or action, then this Lease shall not expire during the pendency of such lawsuit, proceeding or action, or any appeal thereof, and the period of the lawsuit, arbitration proceeding or action, or any appeal thereof, shall be added to the term of this Lease.

26. INSURANCE. During the term of this Lease, Lessee shall, at its sole cost and expense, carry and maintain for the mutual benefit of itself and the Lessor and anyone claiming by, through, or under the Lessor insurance coverage as follows:

(A) **COMMERCIAL GENERAL LIABILITY INSURANCE:** Lessee shall maintain commercial general liability (CGL), and if necessary, commercial umbrella liability insurance with a limit not less than Three Million Dollars (\$3,000,000.00) per occurrence covering liability arising from the premises, operations, independent contractors, products-completed operations, personal injury, advertising injury and liability assumed under an insured contract. The aggregate limit in the Commercial General Liability policy, if any, shall be at least twice the amount of the per occurrence limit. The Commercial General Liability Policy shall have an endorsement adding coverage for sudden and accidental pollution and for blowout, cratering and underground resources damage, including any surface or groundwater contamination. The Lessee agrees to add the Lessor as an insured party under the Commercial General Liability Policy, and if necessary, commercial umbrella liability insurance. The Lessee’s insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to the Lessor. There shall be no endorsements or modifications of the CGL policy to make it excess over other available insurance. Alternatively, if the CGL policy states that it is excess or pro rata, the Lessee agrees to have the policy endorsed as primary with respect to the Lessor as an insured party. There shall be no modification or endorsements of the CGL policy limiting the scope of coverage for liability arising from oil, gas, condensate and/or liquid hydrocarbon producing operations. Lessee waives all rights against the Lessor, the State of Ohio, or any department, university, college, agency, official, employee, or agent of Lessor or the State of Ohio for recovery of damages to the extent the damages are covered by the commercial general liability or commercial umbrella liability insurance maintained pursuant to this section.

(B) BUSINESS AUTOMOBILE LIABILITY INSURANCE: Lessee shall maintain automobile liability insurance and, if necessary, commercial umbrella liability insurance with a limit of not less than One Million Dollars (\$1,000,000.00) for each accident. Such insurance shall cover liability arising out of any auto, including owned, hired, and non-owned autos. The Lessee agrees to add the Lessor as an insured under the auto, and if necessary, commercial umbrella liability insurance. Lessee waives all rights against Lessor, the State of Ohio or any department, university, college, agency, official, employee, or agent of Lessor or the State of Ohio for recovery of damages to the extent the damages are coverage by the auto liability or commercial umbrella liability insurance maintained pursuant to this section.

(C) CONTROL OF WELL INSURANCE: Lessee shall maintain control of well insurance with a limit of not less than Five Million Dollars (\$5,000,000.00) per occurrence. Lessee's control of well insurance shall cover the cost of controlling a well that is out of control, re-drilling or restoration expenses, seepage and pollution damage and damage to property in the Lessee's care, custody, and control with a sub-limit of at least Five Hundred Thousand Dollars (\$500,000.00). Lessee agrees to add Lessor as an insured under the control of well policy. Payment of any deductible applicable to the control of well insurance purchased in compliance with this section shall be the responsibility of Lessee and shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00) unless approved by Lessor. Lessee waives all rights against Lessor, the State of Ohio or any department, university, college, agency, official, employee, or agent of Lessor or the State of Ohio for recovery of damages regarding the maintaining control of wells. On all wells drilled under this Lease, Lessee shall have a blowout preventer of standard make installed, tested, and in compliance with the usual industry standards.

(D) EVIDENCE OF INSURANCE: Prior to exercising any rights conferred to this Lease, Lessee shall furnish Lessor with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth above. Lessee shall provide for thirty (30) days written notice to Lessor prior to the cancellation of any insurance referred to therein, except for ten (10) days written notice of cancellation for non-payment of premium. Failure of Lessor to demand such certificate or other evidence of full compliance with the insurance requirements or failure of Lessor to identify a deficiency from evidence that is provided shall not be construed as a waiver of the Lessee's obligation to maintain such insurance. Lessee's failure to maintain the required insurance may result in termination of the Lease at Lessor's option. All insuring companies shall have and maintain at least an A- (Excellent) rating from A.M. Best. Lessor reserves the right to approve or reject all levels of self-insured retention, captive insurance programs, or other alternative risk financing Lessee may use to comply with any insurance requirement. By requiring insurance herein, Lessor does not represent that the coverage and limits will necessarily be adequate to protect the Lessee and such coverage and limits shall not be deemed as a limitation on the Lessee's liability under the indemnities granted to the Lessor in this Lease.

(E) WORKERS' COMPENSATION INSURANCE. Lessee shall maintain Workers' Compensation Insurance as required by and in compliance with Ohio law. Lessee's failure to maintain the required insurance may result in termination of the Lease at the Lessor's option.

30. MONTHLY STATEMENTS AND AUDIT

(A) MONTHLY STATEMENTS. Lessee and all applicable assignees, lessees and successors-in-interest shall provide the Lessor monthly statements for every month this Lease is in effect. At a minimum each monthly statement shall contain the following information

1. The lease, property, and/or well identification;
2. The nature of the royalty clause;
3. Lessor's royalty interest, generally expressed in decimals rather than in fractions;
4. The period for which Lessee is paying royalties;
5. The total volume of each product on which Lessee, assignee or success-in-interest is paying royalties (i.e., a separate listing for oil, a separate listing for gas, a separate listing for condensate and a separate listing for liquid hydrocarbons);
6. The identity of the products on which Lessee is paying royalties including the grade, quality or other classification rating for each product;
7. The price or value on which Lessee is calculating its royalty payments;
8. The total amount of any severance taxes, production taxes, windfall profits taxes and/or other taxes paid on the Lessor's share of the production;
9. The accounting methodology (i.e., "comparable sales," "workback" etc.) used in determining each royalty payment. If the Lessee used a workback formula, include the nature and amount of each expense that Lessee deducted in determining the royalty payments;
10. The Lessor's share of the total value or price of the production, both before and after any deductions;
11. The royalty payment amount;
12. The name and address of all entities to which Lessee sold or otherwise transferred any and all product subject to this Lease for the reporting month. Included shall be the name, telephone number, email address or other contact information of an agent for each entity authorized to provide additional information to the State;

13. If product was sold or otherwise transferred to more than one entity in a month, the monthly report shall provide a breakdown as to the amount of product by each category that was sold or otherwise transferred to each entity;

14. An address and telephone number Lessor can use to contact Lessee regarding questions about its royalty checks. If requested, Lessee will provide any and all additional information requested by Lessor.

A monthly statement will be provided even in months when there is no production. In months of no production, Lessee will indicate the reason for no production and place zeros in the production columns of the statement.

(B) AUDIT

Lessee agrees that Lessor or its authorized employees or agents may conduct an audit of any and all records in the possession of Lessee or any of its employees, officers, accountants, attorneys, or other agents relating to exploration, production, processing, sale, marketing, taxes, gathering, dehydration, compression, transportation, treating, other post-production costs and/or any cost for any related activity for the product subject to this Lease. Within thirty (30) days of a request being submitted to Lessee by the Lessor, Lessee or the applicable assignee or successor-in-interest shall provide any and all documents relevant to these matters.

At the time of Lessee's execution of this Lease, Lessee shall execute a Release (a copy of the Release form being attached hereto as Attachment D). That Release shall instruct any and all entities to which Lessee sold or otherwise transferred product subject to this Lease, upon presentment by Lessor of the original Release or a photocopy of that Release, to provide Lessor or its authorized agent any and all records in the possession of such entity or such entity's employees, accountants, attorneys or other agents regarding such transactions. The Release shall also indicate that any and all taxing authorities are instructed to release any and all records regarding taxes assessed, paid or refunded to Lessee, its assignee or successor-in-interest or any of their agents. If a tax authority will not accept this Release as sufficient authorization to release tax information, Lessee will execute any additional documents necessary for release of all relevant tax information by that tax authority.

The Release shall indicate there is no time limitation for the presenting and honoring of the Release and will also state that Lessee waives any legal cause of action or other action that may be claimed for the release of such records to Lessor. If this Lease is assigned or otherwise transferred by the Lessee, a copy of this Lease and the Release will be provided by Lessee, its assignee or successor-in-interest to all subsequent assignees and successors-in-interest.

If requested by Lessor, Lessee shall furnish to Lessor or its authorized agents the meter charts covering the production of each well subject to this Lease.

If an audit discloses a deficiency of equal or greater to 3% of reported volume of oil, gas, condensate, and/or liquid hydrocarbons for any reporting period or fraud by Lessee in payment of royalties, Lessee shall pay the cost and expense of the audit together with the deficiency plus

maximum interest allowed by Ohio law. In the event of fraud, Lessor reserves the right, at its sole discretion, to terminate this Lease. Lessor also reserves the right, in the event of fraud, to seek any other legal remedy, criminal and/or civil, provided by law.

31. PLUGGING AND RECLAMATION SECURITY. To insure the plugging of all wells and the reclamation of all sites in accordance with the requirements of law, at the time of Lessee's submission of the Development Plan required by "Exhibit C" -- "BMP's and Recommendations for Oil and Gas Activity on State Lands in Ohio" -- Lessee shall submit the then estimated cost of plugging all wells and reclaiming all disturbed sites anticipated as the result of production pursuant to this Lease. Documentation reflecting the basis of such estimate and who made such an estimate shall be submitted at that time.

Upon approval of that amount or a determination by Lessor, at its discretion, of a different estimated cost, Lessee shall post a surety bond, cash, negotiable certificates of deposit or irrevocable letters of credit, issued by a bank organized or transacting business in this state or by any savings and loan association as defined in section 1151.01 of the Revised Code, having a cash value equal to or greater than the estimated cost of plugging and reclamation. The security posted shall be earmarked for the cost of plugging and reclamation as required by law. No pre-drilling activity will commence on the Leased Premises until the required security has been posted.

Every five (5) years, no later than thirty (30) days after the anniversary date of Lessee's signing of this Lease, Lessee shall submit a new estimate of the cost of plugging all wells and reclaiming all disturbed sites anticipated as the result of production pursuant to this Lease. Documentation reflecting the basis of the new estimate and who made such an estimate shall be submitted at that time. The Lessor, at its discretion, may approve that estimate or set another estimated cost for such plugging and reclamation. If the new estimated cost is greater than the previous estimate, additional security in a form described above, shall be posted and all posted security will be earmarked for the cost of plugging and reclamation as required by law. The additional security shall be posted within thirty (30) days after notification by Lessor sent to the Lessee by registered or certified mail of the additional amount due. If the additional security is not posted within thirty (30) days of such notification, Lessee shall immediately cease production and the Lessor may terminate this Lease upon ten (10) days written notice to Lessee sent by registered or certified mail to the last business address provided Lessor by the Lessee. In the event of a termination of Lease under this section, the procedures set forth in Section 6 of this Lease shall be applicable.

If upon termination of this Lease, Lessee fails to plug any well or fails to perform the reclamation of disturbed sites as required by law, the security posted shall be used to perform such plugging and reclamation. In the event, the security posted is not adequate to plug all wells and perform all reclamation as required by law, Lessee shall still be responsible for insuring the additional plugging and/or reclamation required by law.

The posting of the security required under this Lease is in addition to, and not in lieu of, the bonding requirements of Revised Code Chapter 1509 and the rules and regulations promulgated thereunder or any other legally required security.

32. NONDISCRIMINATION. There shall be no discrimination by Lessee based on gender, race, color, religion, ancestry, national origin, age, sexual orientation, military status, handicap or disability, as defined in Ohio Revised Code Section 4112.01.

33. GOVERNING LAW. This Lease shall be governed in accordance with the laws of the State of Ohio.

34. ETHICS. Lessee, by signature on this document, certifies that Lessee: (1) has reviewed and understands the Ohio ethics and conflict of interest laws as found in Ohio Revised Code Chapter 102 and in Ohio Revised Code Sections 2921.42 and 2921.43 and (2) will take no action inconsistent with those laws. The Lessee understands that failure to comply with Ohio's ethics and conflict of interest laws is, in itself, grounds for termination of this Lease and may result in the loss of other contracts or grants with the State of Ohio.

35. DECLARATION REGARDING MATERIAL ASSISTANCE / NON-ASSISTANCE TO A TERRORIST ORGANIZATION. If required to do so pursuant to Section 2909.33 of the Ohio Revised Code, Lessee, hereby represents and warrants that Lessee: (1) has not provided material assistance to an organization listed on the Terrorist Exclusion List of the State Department of the United States, (2) has obtained a current copy of the Terrorist Exclusion List; and, (3) truthfully has answered "No" to every question on the Ohio Department of Public Safety's form "Declaration Regarding Material Assistance/Nonassistance to a Terrorist Organization." If this representation is deemed false, this Lease is void *ab initio* and Lessee immediately shall repay to the State any and all funds paid under this License. Information and forms concerning the Declaration may be found at: http://www.homelandsecurity.ohio.gov/dma/dma_general_info.asp.

36. CAMPAIGN CONTRIBUTIONS. Lessee affirms that, as applicable to it, no party listed in Division (I) or (J) of Revised Code Section 3517.13 of the Ohio Revised Code or spouse of such party has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of One Thousand Dollars (\$1,000.00) to the Governor or to his campaign committees.

37. FINDINGS FOR RECOVERY. If the potential compensation to Lessee under this Lease exceeds Twenty Five Thousand Dollars (\$25,000.00), Lessee warrants that it is not subject to an "unresolved" finding for recovery under Revised Code Section 9.24. If this warranty is found to be false, this Lease is void *ab initio*, and Lessee shall immediately repay to the Lessor any funds paid under this Lease.

38. SEVERABILITY. This Lease is intended to comply with all applicable laws, rules, regulations, ordinances and governmental orders. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall survive and continue in full force and effect to the maximum extent allowed by law. If a court of competent jurisdiction holds any provision of this Lease invalid, void, or unenforceable under applicable law, the court shall give the provision the greatest effect possible under the law and modify the provision so as to conform to applicable law if that can be done in a manner which does not frustrate the purpose of this Lease.

39. COUNTERPARTS. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement.

40. TERMINATION. This Lease may be terminated if the Leased Premises, or any part thereof, is needed for any public or quasi-public use or purpose. Lessor shall give Lessee at least ninety (90) days written notice prior to such termination. Lessee shall remove all personal property and movable fixtures placed on the Leased Premises by Lessee, and restore the Leased Premises to a condition satisfactory to Lessor at Lessee's expense. Lessee shall have no claim against Lessor for the value of any unexpired term of this Lease, or for any costs related to the removals referred to in this paragraph.

41. TAXES. Lessee shall be responsible for any federal, state and/or local taxes and assessments levied against Lessor and/or the State resulting from this Lease of the Leased Premises and any activities of Lessee pursuant thereto.

42. PREVAILING WAGE. Lessee shall comply with any applicable provisions of the Ohio Revised Code Chapter 4115, as well as Ohio Administrative Code Chapter 4101:9-4, relating to the payment of prevailing wage.

43. DRUG-FREE WORKPLACE. Lessee agrees to comply with all applicable federal, state and local laws regarding smoke-free and drug-free workplaces and shall make a good faith effort to ensure that none of its employees or permitted subcontractors engaged in the Work purchase, transfer, use or possess illegal drugs or alcohol, or abuse prescription drugs in any way.

44. AFFIRMATIVE ACTION PROGRAM. Lessee represents that it has a written affirmative action program for the employment and effective utilization of economically disadvantaged persons pursuant to Revised Code Section 125.111(B) and has filed an Affirmative Action Program Verification form with the Equal Employment Opportunity and Affirmative Action Unit of the Department of Administrative Services.

45. DEBARMENT. Lessee represents and warrants that it is not debarred from consideration for contract awards by the Director of the Department of Administrative Services, pursuant to either Revised Code Section 153.02 or Revised Code Section 125.25.

46. CONFLICTS OF INTEREST. No personnel of Lessee who exercise any functions or responsibilities in connection with the review or approval of this Agreement or carrying out of any of the work contemplated hereby shall, prior to the completion of the work, voluntarily acquire any personal interest, direct or indirect, which is incompatible or in conflict with the discharge and fulfillment of his or her functions and responsibilities with respect to the carrying out of such work. Any such person who acquires an incompatible or conflicting personal interest on or after the effective date of this Agreement, or who involuntarily acquires any such incompatible or conflicting personal interest, shall immediately disclose his or her interest to Lessor in writing. Thereafter, he or she shall not participate in any action affecting the work, unless Lessor shall determine in its sole discretion that, in light of the personal interest

disclosed, his or her participation in any such action would not be contrary to the public interest.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

James Zehringer, Director
Ohio Department of Natural Resources

DATE: _____

State of Ohio

§

County of Franklin

Before me, a Notary Public in and for said County and State, personally appeared James Zehringer, Director, Ohio Department of Natural Resources, who acknowledged that he did sign the foregoing instrument on behalf of said entity, and that the same is his free act and deed individually and as such officer for the uses and purposes therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at _____, Ohio this _____ day of _____, 2012.

Notary Public

My Commission Expires:

Chief, Division of _____

_____ LESSEE

By: _____

DATE: _____

State of Ohio

§:

County of

Before me, a Notary Public in and for said County and State, personally appeared _____ who acknowledged that he did sign the foregoing instrument on behalf of said entity, and that the same is his free act and deed individually and as such officer for the uses and purposes therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at _____, Ohio this _____ day of _____, 2012.

Notary Public

My Commission Expires:

APPROVED AS TO FORM:

Mike DeWine

Attorney General

By: _____
Assistant Attorney General

By: _____
JOHN R. KASICH, Governor

DATE: _____

DATE _____

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT "B"

SPECIFIC TERMS AND CONDITIONS OF THE GRANT OF LEASE

EXHIBIT "C"

BMP'S AND REQUIREMENTS FOR OIL AND GAS ACTIVITY ON STATE LANDS IN OHIO