

**OIL AND GAS LEASE
(PAID UP LEASE)**

This Oil and Gas Lease (hereinafter referred to herein as the “Lease”) is dated this ____ day of _____, 20__ (the “Effective Date”) by and between the State of Ohio through the [insert relevant state agency], with an address at _____ (hereinafter called “Lessor”), and _____, a _____, with its principal address at _____ (hereinafter called “Lessee”). Lessor and Lessee are sometimes individually referred to as a “Party,” and collectively as the “Parties.”

WHEREAS, the Lessor is a state agency authorized pursuant to Ohio Revised Code (“R.C.”) Chapter 155 to lease property it owns or controls for oil and gas development.

WHEREAS, the leasing of the lands covered by this Lease followed the requirements set forth in Chapter 155 of the Ohio Revised Code, including the completion of a bidding process, and the Lessee was determined to be the highest and best bidder.

WITNESSETH, that for and in consideration of the mutual benefits contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lessor and Lessee, intending to be legally bound, agree as follows:

GRANT OF LEASE

1) Lessor hereby leases and lets exclusively to Lessee, and its successors and permitted assigns, all of the Oil and Gas (as defined below) underlying the Leased Premises (as defined below) from [PICK ONE: the surface of the Leased Premises to the top of the Onondaga limestone as defined in the _____ Well (API Number _____) located in _____ Township, _____ County, Ohio] [the top of the Onondaga limestone as defined in the _____ Well (API Number _____) located in _____ Township, _____ County, Ohio to the bottom of the Queenston formation as defined in the _____ Well (API Number _____) located in _____ Township, _____ County, Ohio] [the bottom of the Queenston formation as defined in the _____ Well (API Number _____) located in _____ Township, _____ County, Ohio to the basement rock], together with all such rights in the Leased Premises as may be necessary for Lessee to explore for, drill for, develop, produce, measure, and market production of Oil and Gas from the Leased Premises or lands pooled or unitized therewith, and cease to operate, plug, abandon, and remove wells, materials and equipment.

Notwithstanding the foregoing, Lessor and Lessee agree that, without a separate written surface use agreement signed by Lessor and Lessee, the Lessee shall not have the right under this Lease to: (i) locate any well pad or well site (as those terms are defined in the Ohio Administrative Code); (iii) set any surface equipment, facilities or other structures that may be used in or associated with the exploration and production of Oil and Gas (including, but not limited to, pipelines, pump stations, tank batteries, dryers, pipelines, separators, compressors or any other facilities); (iv) construct access roads; (v) construct temporary or permanent pits; and/or (vi) conduct any activities or operations on the surface of the Leased Premises.

Any surface use agreement signed by Lessor and Lessee that allows for surface operations on the Leased Premises shall, at a minimum, include provisions covering the following: (i) crop and timber damage; (ii) timber removal; (iii) fencing; (iv) gates; (v) roads; (vi) pipelines (including that any pipelines be for transporting Oil and Gas from a well(s) drilled on the Leased Premises or lands pooled therewith, be conspicuously marked, and installed at a minimum depth below ground level); (vii) location approval by Lessor; (viii) setbacks from any structure existing on the Leased Premises at the time of Lessee's operations, and calculated from the edge of the well pad to the nearest structure in question); (ix) surface damages/spud fees of at least \$5,000 per disturbed acre, and a maximum number of acres that can be impacted; (x) surface restoration and reclamation issues; and (xi) water testing. Lessee is, however, granted the right to pool or unitize the Leased Premises with other

adjacent or contiguous properties, which other properties shall bear all the drilling and other surface operations, and any wellbore may, subject to the terms of this Lease and any attached addenda or exhibits, pass under or terminate below the surface of the Leased Premises.

DESCRIPTION OF THE LAND INCLUDED IN THIS LEASE

2) The land included in this Lease is identified as follows (the “Leased Premises”):

Parcel Number	Qtr Sec /Twp/Range	Township	County	Acreage	Prior Deed Reference

The Leased Premises are more particularly described on Exhibit A attached hereto and incorporated herein. For the purposes of this Lease, the Leased Premises contains a total of ____ acres, whether actually more or less. There is no “Mother Hubbard” provision in this Lease, which means that this Lease shall not include any land(s) contiguous, adjacent or adjoining to the Leased Premises that are not described in this Lease; however, this Lease shall cover and include any interest which Lessor may own in any streets, alleys, highways, railroads, streams, canals or rivers adjacent to the Leased Premises.

LESSOR’S RESERVATION OF RIGHTS

3) Lessor reserves all rights and interests not specifically granted to Lessee in this Lease, including but not limited to:

A. All of the Oil and Gas and other mineral rights in all geologic formations not covered under this Lease. Notwithstanding such reservation, Lessee shall be allowed to drill, operate and produce through such reserved formations if necessary for Lessee to have access to the geologic formation(s) subject to this Lease; and, nothing in this paragraph 3, including in subparagraphs (A)-(D), shall permit Lessor to, and Lessor shall not, unreasonably interfere in any way with Lessee’s exercise of its rights under this Lease.

B. The right to grant additional property rights of any kind across, upon, above, through and/or under the Leased Premises.

C. The right to undertake, or cause to be undertaken, the development of the surface of the Leased Premises (or any part thereof) during the term of this Lease, including the construction of certain structures and other improvements and any other use deemed necessary by Lessor, in Lessor’s sole discretion, subject to any limitations set forth in a surface use agreement executed pursuant to R.C. 155.34.

D. The right to continue all of its current activities and programs and initiate new activities and programs including, but not limited to, irrigation and agricultural activities on the Leased Premises.

OIL AND GAS ONLY

4) For the purposes of this Lease, the term “Oil and Gas” shall include the following: (i) “Oil,” which for purposes of this Lease means any hydrocarbons produced from the Leased Premises or lands pooled and/or unitized therewith capable of being produced in liquid form at the wellhead by ordinary production methods, including but not limited to oil, condensate, distillate, and other liquids recovered from a separator or other equipment; and (ii) “Gas,” which for purposes of this Lease means all natural gas and associated hydrocarbons that are not Oil, including but not

limited to natural gas liquids produced from the Leased Premises, or lands pooled or unitized therewith. This Lease does not include, and there is hereby excepted and reserved unto Lessor, all minerals of every kind and character other than Oil and Gas, including, but not limited to, coal seam gas, coalbed methane gas, coalbed gas, coal, sulfur, lignite, uranium and other fissionable material, geothermal energy, base and precious metals, rock, stone, clay, gravel and any other mineral substances in, under, or upon the Leased Premises, together with rights of exploring for, producing and marketing the minerals reserved under this paragraph.

NO STORAGE RIGHTS

5) Lessee shall have no right under this Lease to use the Leased Premises, or any portion thereof, surface or subsurface, for the storage of Oil and Gas or brine. Further, Lessee agrees the Leased Premises shall not be used for the purpose of gas storage as defined by the Federal Energy Regulatory Commission.

NO DISPOSAL AND/OR INJECTION WELLS

6) Lessee is not granted any right whatsoever to use the Leased Premises, or any portion thereof, for the drilling, construction, installation, and/or operation of any disposal well, injection well, or the construction/operation of any other disposal facilities. Lessee shall not use the Leased Premises for the permanent disposal of any drill cuttings or residual wastes.

ADVANCED DELAY RENTALS/BONUS

7) Within ten (10) calendar days after Lessee receives a copy of this Lease executed by Lessor, and in direct exchange for the said executed Lease, the Lessee agrees to pay as advanced delay rentals / a bonus, in proportion to Lessor's percentage of ownership of the oil and gas estate, the sum of _____ Dollars (\$ _____) per Net Mineral Acre (as defined below) of the Leased Premises (for a total of \$ _____) (the "Bonus"). Upon payment of the appropriate amount of the Bonus, the Parties hereto stipulate and agree that this is a "Paid Up" Lease with no further delay rental payments or bonus due to Lessor during the Primary Term (as defined below), and that any and all bonuses and delay rentals due or payable hereunder have been prepaid to Lessor for the purpose of keeping this Lease in effect during and for the entirety of the Primary Term.

- A. For purposes of this Lease, the term "Net Mineral Acre" shall mean the product obtained by multiplying the number of surface acres of land covered by this Lease multiplied by the Lessor's undivided interest in the oil and gas estate of the Leased Premises. For example, if this Lease covers 100 acres of land and the Lessor owns 100% of the oil and gas estate in such land, then this Lease covers 100 Net Mineral Acres; but, if this Lease covers 100 acres of land and the Lessor owns an undivided 50% interest in the oil and gas estate to such land, then this Lease covers 50 Net Mineral Acres.
- B. The Parties agree that if Lessor holds title in the oil and gas estate to the Leased Premises in any amount less than 100%, this Lease shall continue in effect and Lessee shall pay the Bonus to Lessor, but such payments shall be reduced and paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event it is determined that Lessor owns a lesser interest in the oil and gas estate than the entire or undivided fee simple interest, then any future royalties, delay rentals, bonuses and other payments provided for in this Lease shall be paid to the Lessor only in the proportion which such interest bears to the whole and undivided fee.
- C. Any and all advanced delay rental payment, Bonus, rental, royalty and/or other sums paid (or to be paid) to Lessor under this Lease are nonrefundable, 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 sums.

- D. Failure by Lessee to pay the appropriate amount of the Bonus within the time described herein shall render this Lease null and void. Lessor reserves any and all of its rights and remedies available under Ohio law for non-payment by Lessee of the payments due pursuant to this Lease.

TERM

8) This Lease shall remain in force for a primary term of three (3) years from the Effective Date (the "Primary Term"), and shall continue beyond the Primary Term, including any extension thereof, as to the entirety of the Leased Premises for so long thereafter as: (i) Oil and Gas are produced in paying quantities (as defined below) from the Leased Premises or lands pooled or unitized therewith; or, (ii) Operations (as defined below) are conducted on the Leased Premises or lands pooled or unitized therewith in the search for Oil and Gas.

- i. For purposes of this Lease, a well is producing in "Paying Quantities" when the annual gross revenue (on a calendar-year basis) from the sale of Oil and Gas produced from a well exceeds that well's operating costs. The calendar year in which such well first produces Oil and Gas shall not be subject to the Paying Quantities calculation.
- ii. For purposes of this Lease, the term "Operations" shall mean only (a) the production of Oil and Gas in Paying Quantities subsequent to drilling, or (b) the actual drilling, completing, re-working, plugging back, deepening, treating, stimulating, re-completing of a well to obtain production of Oil and Gas, conducted in good faith and with due diligence. The term "Operations" shall not include conducting seismic or other testing, or the laying of pipeline(s) across the Leased Premises. Further, the commencement of operations shall be defined as Lessee having secured a drilling permit from the relevant regulatory agency and commencement of actual drilling (bit in the ground).
- iii. After termination, expiration, or surrender of this Lease in whole or in part, Lessee shall promptly deliver to Lessor and record with the county or counties in which the Leased Premises is located a release of the Lease as to such acreage released under this paragraph.

Lessee has a one-time option to extend the Primary Term of this Lease for an additional period of three (3) years from the expiration of the Primary Term. The extension of the original Primary Term shall be under the same terms and conditions as contained in this Lease, except that the consideration to be paid by Lessee to Lessor for the extension shall be equal to 120% of the original Bonus paid to Lessor on a per Net Mineral Acre basis and calculated on the number of Net Mineral Acres of the Leased Premises that are then subject to the Lease. Lessee may exercise this option to extend the Primary Term of the Lease by providing Lessor written notice of such exercise and tendering the additional consideration set forth above at least thirty (30) calendar days before the expiration of the original Primary Term. Should this extension option be exercised, it shall be considered for all purposes as though this Lease originally provided for a Primary Term of six (6) years. In the event Lessee chooses not to extend, Lessee shall promptly record with the county or counties in which the Leased Premises is located a release of the Lease upon the expiration of the Primary Term as to any portions of the Leased Premises not otherwise held by the terms and conditions of the Lease.

ROYALTY AND GAS MEASUREMENT

9) Lessee shall pay to Lessor a _____ (___/___) or _____ percent (___%) gross landowner royalty on Oil and Gas produced from the Leased Premises.

A) Affiliates. It is understood and agreed that to the extent Lessee sells Oil and Gas produced hereunder to an Affiliate, the price upon which royalty shall be based shall be the greater of: (a) the price paid by the Affiliate; or, (b) the price that would have been received in an arms-length transaction with an unaffiliated third party under an arrangement for like quantity, quality, term and at the same point of sale as that with the Affiliate. For purposes of this Lease, "Affiliate" means any person, corporation, partnership or other entity in which Lessee, directly or indirectly, through one or more intermediaries: (i) owns an interest of more than twenty percent (20%), whether by stock or ownership or otherwise; or (ii) exercises any degree of control, directly or indirectly, by ownership, interlocking directorate or has more than fifty percent (50%) of the voting capital stock or other equity interests having ordinary voting power.

B) Gross Royalty. It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all royalties accruing to the Lessor under this Lease shall be paid without deduction, directly or indirectly, for any and all pre-production and post-production costs and/or expenses, including but not limited to those relating to producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the Oil and Gas produced hereunder. The computation of the Lessor's royalty shall include any additional consideration, if any, paid to Lessee for natural gas liquids.

C) Payment of Royalties. The initial royalty payments due under this Lease shall be made on or before 120 calendar days following the last day of the month in which first sales occur from a well on the Leased Premises or lands pooled/unitized therewith. Thereafter, the royalties required to be paid to Lessor under this Lease shall be due and payable monthly on or before the last day of the third calendar month following the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance identifying this Lease and, at a minimum, showing the Lessor's interest in the unit shown as a decimal; the total volume of each product subject to the royalty statement (e.g. a separate listing for Oil and Gas); and the price or value of the Oil and Gas on which the Lessee is calculating its royalty payments. If such data is available in electronic or digitized form, then Lessee agrees to deliver same to Lessor electronically. Unless otherwise herein expressly provided, any royalties or other payments provided for in this Lease which are not paid to Lessor within the time period specified therefor shall accrue interest at the prime interest rate plus five percent (5%) from the due date until paid; provided, however, that in no event shall interest be due on disputed royalties. Acceptance by Lessor, its successors, agents or assigns, of royalties which are past due shall not act as a waiver or estoppel of its right to receive or recover any and all interest due thereon under the provisions hereof.

D) Measurement. In order to verify the royalties being paid, the volume of gas produced from the Leased Premises or lands pooled/unitized therewith shall be measured using a meter meeting or exceeding the standards established by the American Gas Association and shall be calibrated and maintained in accordance with standard industry practice.

ASSIGNMENT

10) The rights of Lessor or Lessee under this Lease may be assigned in whole or in part; provided, however, that any such assignment of this Lease (in whole or in part) by Lessee to any third party shall require the Lessee to give prior written notice to Lessor and obtain the prior written consent of Lessor which consent shall not be unreasonably withheld, conditioned or delayed. Such prior written notice of an assignment shall include a brief explanation of the assignee's relationship to Lessee and the name and address of the party to whom Lessor is to give notices under the terms of this Lease.

- i. No assignment may be effectuated unless and until the Lessor provides written consent to such assignment, such consent not to be unreasonably withheld, conditioned or delayed.
- ii. No assignment may be effectuated if Lessee is in default, and such default is not being cured, under this Lease.
- iii. If this Lease is assigned or otherwise transferred by Lessee, then Lessee shall provide a copy of this Lease to its assignee(s) or successor(s)-in-interest. Assignment of this Lease or any part thereof shall not relieve Lessee of any obligations hereunder theretofore accrued prior to the date of the assignment; and any assignee of Lessee shall, by acceptance of such assignment, assume and be bound by all terms and provisions hereof.
- iv. If an assignment of this Lease is made in part, Lessee shall specify a single party to whom notices shall be given by Lessor, and that party shall be responsible for notifying any other parties owning an interest in this Lease.
- v. Any assignment of this Lease by Lessee not made in accordance with this paragraph shall be null and void, and any interest attempted to be assigned thereby shall automatically revert to the assignor.
- vi. The term “assignment” as used herein, shall include, without limitation, any sublease, farmout, or any other agreement by which any share of the operating rights granted by this Lease are assigned or conveyed, to any other party.

LESSOR’S INTEREST

11) No change or division in Lessor’s ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change or division in the ownership of the Leased Premises shall be binding upon the then Lessee until after Lessor or Lessor’s heirs, successors, or assigns provides the Lessee with with notice of such change or division, including copies of copies of the documents establishing such such change or division.

AUDIT/INSPECTION RIGHTS

12) Lessee further grants to Lessor or Lessor’s designee the right, at Lessor’s expense, to examine, audit, copy and inspect the books and records of Lessee pertinent to the purpose of verifying the accuracy of the reports and statements furnished to the Lessor, and for checking the amount of the payments lawfully due the Lessor under the terms of this Lease. In exercising this right, Lessor shall give no less than thirty (30) calendar days’ notice to Lessee of its intended inspection and such inspection shall be conducted during normal business hours at the office of Lessee. In the event the inspection reveals deficiencies in payments, then Lessee shall bear the cost and expense of the Lessor’s inspection, and all monies due to Lessor shall be payable, with interest at the rate of the prime interest rate plus five percent (5%), within thirty (30) calendar days of the Lessee’s receipt of the results of the inspection.

METHOD OF PAYMENTS

13) All rents and royalties, and any and all sums due hereunder to Lessor, shall be paid by one of the following methods:

- A) By check tendered directly from Lessee to Lessor at Lessor’s address as stated in this Lease;
or,

- B) By wire transfer, depositing the payment to the credit of the Lessor in the bank and account number as provided in writing by Lessor to Lessee prior to such payment (which bank shall continue as depository for all sums payable hereunder until any subsequent written notice otherwise is provided by Lessor to Lessee).

Any payment under this Lease shall be considered timely paid if such payment is properly tendered to Lessor on or before the due date and it otherwise complies with the notice provision in this Lease.

POOLED PRODUCTION UNIT LIMITED

14) Subject to the terms and conditions set forth herein, Lessor grants Lessee the right but not the obligation to pool, unitize or combine all or any part of the Leased Premises with other lands, leases or interests owned by Lessee or others, at any time before or after drilling to create a drilling or production unit whenever Lessee, in its sole judgment, deems it necessary or advisable to do so. Lessee's ability to exercise its rights as provided for in this paragraph is recurring, and pooling or unitizing in one or more instances shall not exhaust Lessee's pooling and unitizing rights hereunder. Lessee, at any time and from time to time, and in its sole judgment, may terminate any unit created hereunder. Any such termination shall not cause a surrender or cancellation of this Lease or diminish the rights set forth herein. Each unit shall be created by recording in the appropriate county office a declaration containing a description of the pooled or unitized acreage. Lessee shall furnish to Lessor a copy of the recorded declaration of the unit in which any portion of the Leased Premises is a part, including a copy of all plats, maps and exhibits to such declaration.

A. If a well is classified as a horizontal well, then the maximum size of the unit may not exceed 1,000 contiguous acres. If a well is classified as a vertical/conventional well drilled, then the maximum size of the unit may not exceed 40 contiguous acres. Lessor and Lessee agree to abide by any state pooling or unitization orders.

B. The Lessor and Lessee agree that at least 50% of the Leased Premises shall be included in any unit established under this Lease.

C. The shape of any unit in which the Leased Premises are included shall be as nearly as practicable in the form of a square or rectangle.

D. Operations upon or production from any part of a unit created hereunder shall have the same effect under the terms of this Lease as if such Operations or production were upon or from all and every part of the Leased Premises; provided, however, that Lessor agrees to accept and receive out of the production from any such unit that proportionate share of the royalty otherwise provided for in this Lease as the number of acres of the Leased Premises included in the unit bears to the total number of acres in the unit.

STANDARD OF CARE

15) Lessee shall develop the Leased Premises as a reasonable and prudent operator and exercise due diligence in drilling such additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall at all times act as a prudent oil and gas producer in the Ohio oil and gas industry when conducting operations on the Leased Premises and/or lands pooled/unitized therewith, attempting to secure a timely market for production from any well drilled on the Leased Premises or lands pooled/unitized therewith, and implementing all reasonable safeguards to prevent its operations from: (i) causing or contributing to soil erosion; (ii) polluting or contaminating any environmental medium including but not limited to surface or subsurface soils, surface or subsurface water bodies, and/or the air in, on or under the Leased Premises; (iii) decreasing the quality of the soil on the Leased Premises; (iv) damaging crops, native or cultivated grasses, trees, pastures, or other vegetation on the Leased Premises; and (v) damaging buildings, roads, structures, improvements, farm implements, fences or gates on the Leased Premises.

PUGH CLAUSE

16) This Lease shall expire upon the expiration of the Primary Term of this Lease as to any lands comprising the Leased Premises that are not included in one or more units. Lessee shall promptly, and no later than sixty (60) calendar days after the expiration of the Primary Term of this Lease, record with the county or counties in which the Leased Premises is located a partial release of the Lease as to such acreage released under this Pugh clause. Such release shall contain a description (including a map) of the acreage and/or depths not retained, and a plat showing the designated pool(s) or unit(s).

SHUT-IN PAYMENT/LIMITATION

17) If at any time after the Primary Term, there is a well drilled on the Leased Premises or lands pooled or unitized with the Leased Premises, but production from that well is shut-in for any reason, and the Lease is not otherwise being maintained, then Lessee shall pay to Lessor as a shut-in royalty the sum of Fifty Dollars (\$50.00) per Net Mineral Acre of the Leased Premises owned by Lessor per year until such time as production is re-established (or Lessee surrenders the Lease). Any shut-in royalty owed to Lessor hereunder shall be paid to Lessor on or before sixty (60) calendar days after the date on which the well is shut-in. If a shut-in payment is made to Lessor, it shall serve as constructive production and this Lease shall remain in full force and effect for a period of twelve (12) months after the expiration of such sixty (60) calendar day period. It is understood and agreed that Lessee shall have the right to make like shut-in royalty payments in the same manner for subsequent periods, but that this Lease may not be maintained in force for a continuous period of time longer than twenty-four (24) consecutive months or a cumulative period of time longer than forty-eight (48) months (if there is more than one period in which a well is shut-in), solely by the provisions of this shut-in royalty clause. During shut-in, Lessee shall have the right to conduct Operations on any well drilled on the Leased Premises or lands pooled/unitized therewith in an effort to re-establish production. Notwithstanding the making of shut-in payments under this paragraph of this Lease, Lessee shall have a continuing obligation to exercise good faith and due diligence to correct the condition giving rise to the shut-in of a well.

TAXES

18) Lessee shall pay any and all severance taxes, commercial activity tax, income tax and/or excise taxes arising from or relating to this Lease and/or the Oil and Gas produced under it.

NO HAZARDOUS MATERIAL

19) Lessee shall not use, dispose, or release on the Leased Premises, or to permit to be used, disposed of or released on the Leased Premises, any Hazardous Materials (other than those Lessee has been licensed or permitted by applicable law, public authorities or governmental entities to use on the Leased Premises). Should any Hazardous Materials be released by Lessee on the Leased Premises contrary to this paragraph, Lessee shall notify all appropriate governmental entities of such an event, and then immediately thereafter notify the Lessor and take all actions, at Lessee's sole cost and expense, that are required to clean up and correct any damage caused by said release. The provisions of this paragraph shall survive the termination of this Lease.

For purposes of this Lease, "Hazardous Materials" means petroleum, petroleum by-products, polychlorinated biphenyls, flammable explosives, radioactive materials, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic waste, hazardous materials or hazardous substances under any "Environmental Laws." "Environmental Laws" collectively means and includes any present and future local, state, and federal law or regulation relating to the environment,

environmental conditions, or oil and gas well operations, including but not limited to, the Resource Conservation and Recovery Act of 1976 (“RCRA”), 42 U.S.C. §6901 et seq., the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), 42 U.S.C. §§9601-9658, as amended by the Superfund Amendments and Reauthorization Act of 1986 (“SARA”), the Hazardous Materials Transportation Act, 49 U.S.C. §6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. §§1251 et seq., the Clean Air Act, 42 U.S.C. §§741 et seq., the Clean Water Act, 33 U.S.C. §7401 et seq., the Toxic Substances Control Act, 15 U.S.C. §§2601-2629, the Safe Drinking Water Act, 42 U.S.C. §§300f-300j, and all the federal and state regulations, orders, decrees now or hereafter promulgated thereunder.

Lessee shall install and maintain all equipment, and conduct all activities and Operations under this Lease on the Leased Premises, in an environmentally sound manner in compliance with all “Environmental Laws” and permits issued for the Leased Premises.

DIVISION ORDER

20) The Lessor will not be required to execute any division order(s) for the purpose of receiving the payments due under this Lease which amend, modify, or are inconsistent with any term or provision set forth in this Lease. For the sake of clarity, no division order will operate to amend or modify any provision contained in this Lease.

INSURANCE

21) Prior to the commencement of Operations, Lessee shall, at its sole cost and expense, obtain insurance coverage of the following types and amounts with one or more insurance carriers licensed by the Ohio Department of Insurance to do business in Ohio, and maintain such insurance so long as this Lease remains in effect:

- i. Workers Compensation Insurance in the form prescribed by laws of the State of Ohio for all of Lessee’s employees, contractors, subcontractors, or independent contractors.
- ii. Commercial General Liability (“CGL”) Insurance with a minimum limit of Ten Million Dollars (\$10,000,000.00) per occurrence. Such insurance shall cover premises, operations, blowouts or explosions, products, completed operations, sudden and accidental pollution, blanket contractual liability, underground resources damage, broad form property damage, independent contractor’s protective liability, personal injury, and liability assumed under an insured contract. The aggregate limit in the CGL policy, if any, shall be at least twice the amount of the per occurrence limit. The CGL insurance 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. 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.
- iii. Excess/umbrella liability insurance in the minimum amount of at least Five Million Dollars (\$5,000,000.00).
- iv. Automobile Vehicle Liability Coverage covering all owned, non-owned, hired and rented automotive equipment used in the performance of work under this Lease.

Lessee shall provide Lessor with a certificate of insurance evidencing same prior to commencing Operations. Upon request by Lessor, Lessee also shall provide Lessor copies of any and all certificates evidencing renewal coverages in the future. All policies required under this paragraph shall be endorsed to provide that the underwriters and insurance companies of Lessee shall not have rights of subrogation against Lessor, if applicable. Any coverage provided by Lessee’s insurance under this Lease is primary insurance and shall not be considered to be contributory insurance with insurance policies of Lessor. Failure of Lessor to demand such

certificate or other evidence of full compliance with the insurance requirements shall not be construed as a waiver of the Lessee's obligation to maintain such insurance. The Lessee's certificate(s) of insurance shall not be reduced or canceled until at least thirty (30) calendar days after Lessor receives written notice of such change or cancellation. Failure to comply with this provision by Lessee shall constitute a default under this Lease.

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 seek to use to comply with any insurance requirement in this Lease. By requiring insurance, 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. The requirement for Lessee to maintain the above insurance also does not relieve Lessee of compliance with any security requirements of R.C. Chapter 1509 or other applicable federal, state and local laws, regulations and ordinances.

WELL PLUGGING SECURITY

22) To insure the plugging of all wells drilled under this Lease, and the reclamation of the Leased Premises and/or lands pooled/unitized therewith, Lessee shall submit the estimated costs and expenses for 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 shall be submitted to Lessor for approval, which approval shall not be unreasonably withheld, conditioned or delayed. Upon approval of such estimated costs and expenses, or a determination by Lessor (at its discretion) of a different estimated cost, Lessee shall post a surety bond, cash, or irrevocable letter of credit, issued by a financial institution organized or transacting business in the State of Ohio 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, and shall be in addition to, and not in lieu of, the bonding requirements in R.C. Chapter 1509 and the rules and regulations promulgated thereunder.

If upon termination of this Lease, Lessee fails to plug any well or fails to perform the reclamation required by law or under this Lease, the security posted may be used to perform such plugging and reclamation. In the event, the security posted is not adequate to plug all wells and perform all such reclamation work, Lessee shall remain responsible for insuring the additional plugging and/or reclamation required by law, and paying all costs and expenses thereof.

HOLD HARMLESS

23) Lessee and its successors and permitted assigns, shall defend, indemnify, release and hold harmless Lessor and Lessor's successors, representatives, agents, officers, directors, employees, board members and assigns ("Indemnitees"), from and against any and all claims, lawsuits, liabilities, damages, losses, costs, expenses, judgments, fines, penalties, interests, demands and causes of action of any nature whatsoever, including reasonable attorneys' fees and court costs (collectively, "Claims"): arising out of, incidental to or resulting from: (i) the death or injury to persons, and/or damage to property (real or personal) as a result of the acts or omissions of Lessee and/or Lessee's servants, agents, employees, guests, licensees, invitees or contractors; (ii) the imposition or recording of a lien against the Lessee's interest in the Leased Premises; (iii) the violation of any laws or ordinances, including Environmental Laws and regulations promulgated thereunder by Lessee or Lessee's agents, employees, guests, licensees, invitees, or contractors; and (iv) impacts Lessee's Operations have created to the water quality or quantity on the Leased Premises in violation of this Lease. Each assignee of the Lessee agrees to the terms of this indemnity as if said assignee were party to this Lease when executed. Furthermore, Lessee shall not be obligated to indemnify Lessor to the extent any Claims are the result of any willful or wanton misconduct of Lessor or its successors, assigns, employees, or contractors. Lessor, if it so elects, shall have the right to participate, at its sole expense, in its defense in any suit or suits in which it may be a party, without relieving Lessee of the obligation to defend Lessor. The provisions of this paragraph shall survive the termination of this Lease.

NO WARRANTY OF TITLE

23) This Lease is made without warranty of title, express, implied or statutory. It shall be Lessee's sole burden and obligation to assure itself of the quality of title of the Leased Premises, and Lessee will bear all costs and expenses incurred in curing any title defect or defending title to the Leased Premises. Lessee also agrees that no claims will be made against Lessor pertaining to the title to the Leased Premises.

In the event an adverse claimant files suit against the Lessor or Lessee claiming title to all or a portion of the rights on or under the Leased Premises, or Lessee believes, in good faith, that another person may claim title to all or a portion of the rights on or under the Leased Premises, all payments, including royalties accruing to the disputed portion of the Leased Premises shall be placed in an interest-bearing 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 tribunal of competent jurisdiction. The payments placed in escrow shall be distributed as determined by compromise or at the direction set forth in a non-appealable final order of the tribunal of competent jurisdiction.

BINDING ON SUCCESSORS AND ASSIGNS

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

ADDITIONAL DOCUMENTS

25) In connection with this Lease, each party hereto shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary to effectuate and perform the provisions of this Lease. Said obligation includes correcting any inaccurate legal descriptions.

MORTGAGES AND ENCUMBRANCES

26) In the event the Leased Premises are encumbered by a prior mortgage, Lessee shall not have the right to suspend payment of any moneys due hereunder solely due to such prior mortgage, unless the prior mortgage is subject to a foreclosure action. Lessee, however, shall have the right to obtain, at its own expense, a subordination of such mortgage and Lessor agrees to cooperate in securing any subordinations of prior mortgages.

CONDEMNATION

27) Any and all payments made by a taking authority on account the exercise of its taking/ eminent domain power shall be the property of the Lessor, except in the event of a taking or diminishment of Lessee's interests and/or rights under this Lease, Lessee shall be entitled to its proportionate share of any payments, and shall further have a right of standing in any proceeding of condemnation.

RELEASE AND/OR PARTIAL RELEASE

28) Upon termination, expiration or surrender of all or part of this Lease, Lessee shall prepare and promptly record a release, and provide Lessor with a copy of the recorded release. In the event that Lessee fails to cancel all or part of this Lease upon termination, expiration or surrender by recording an appropriate release, and so long as Lessee is not contesting the termination or expiration but continues to fail to cancel this Lease for a period of thirty (30) calendar days following Lessee's receipt of Lessor's written notice to do so, then Lessor may take any and all actions necessary to cancel/terminate this Lease, and Lessee agrees to reimburse Lessor for any and all costs, including reasonable attorney's fees, incurred by Lessor. Lessee shall also have the right at any time during this Lease to release any lands subject to this Lease.

TERMINATION OF RECORD AND MEMORANDUM OF LEASE

29) Lessor and Lessee have executed a Memorandum of Oil and Gas Lease (the "Memorandum") contemporaneously with the execution of this Lease, and Lessor and Lessee agree that the Memorandum, which makes reference to this Lease, shall be recorded by Lessee, at Lessee's sole cost and expense, in place of this Lease. Lessee shall provide Lessor with a photocopy of the fully-executed Lease, Memorandum, and all Exhibits.

DEFAULT

30) In the event Lessor considers that Lessee has not complied with any of its obligations under this Lease, either express or implied, including, but not limited to, non-payment of royalties or any other payments due hereunder, Lessor shall notify Lessee in writing setting forth in specific detail in what respects it believes Lessee has breached or defaulted under this Lease. Lessee shall then have thirty (30) calendar days after its receipt of said notice within which to commence to cure all or any part of the breaches or defaults alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on this Lease for any cause, and any such action may only be brought after the lapse of such thirty (30) calendar day time period. Neither the service of said notice nor the doing of any acts by Lessee aimed to cure all or any part of the alleged breaches or defaults shall be deemed an admission that Lessee has failed to perform all its obligations hereunder. Upon default by Lessee, Lessor shall be entitled to exercise any and all remedies available at law, in equity or otherwise, each such remedy being considered cumulative. No single exercise of any remedy set forth herein shall be deemed an election to forego any other remedy and any failure to pursue a remedy shall not prevent, restrict or otherwise modify its exercise subsequently.

For the sake of clarity, the following shall be considered a default under this Lease: (i) if any creditor of Lessee, its agents, and/or assigns, shall take any action to execute on, garnish or attach the assets of Lessee located upon the Leased Premises, or (ii) if a request or petition for liquidation, reorganization, adjustment of debts, arrangement, or similar relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory thereof, or any foreign jurisdiction shall be filed by or against Lessee, or any formal or informal proceeding for the reorganization, dissolution or liquidation of settlement of claims against, or winding up of affairs of Lessee; or the garnishment, attachment, or taking by governmental authority of any collateral or other property of Lessee.

SEVERABILITY

31) If any provision of this Lease is determined to be void, unlawful, or otherwise unenforceable: (a) that provision will be severed from this Lease and the validity of the remaining provisions of this Lease will not be affected; (b) this Lease will continue in full force and effect (other than with respect to such provision); and (c) the Parties will promptly meet to negotiate in good faith a replacement provision that is legal, valid and enforceable and that most nearly accomplishes and reflects the original intention of the Parties.

GOVERNING LAW

32) This Lease and enforcement hereunder shall be governed by the laws of the State of Ohio, without regard to conflicts of law principles that might refer the interpretation hereof to the laws of another state. Further, the parties consent to the sole and exclusive jurisdiction in the state and federal courts that have jurisdiction over the county in which the Leased Premises is located for all disputes arising from or relating to this Lease.

REPORTS AND DOCUMENTS

33) As may be required by law, Lessee shall notify Lessor of any judicial proceedings against Lessee affecting its possession under the Lease or the interest of Lessor in the Leased

Premises. Further, upon written request of Lessor, Lessee shall send Lessor a copy of any filings with the Ohio Department of Natural Resources or other governmental agency within thirty (30) calendar days of receipt of such request.

ENTIRE AGREEMENT

34) No oral warranties, representations or promises have been made or relied upon by either Lessor or Lessee as an inducement to or modification of this Lease. This Lease (including all of the exhibits hereto) constitutes the entire understanding and agreement between Lessor and Lessee with respect to the transaction contemplated under this Lease, and supersedes all negotiations, prior discussions, and prior agreements and understandings relating to the transaction contemplated under this Lease. No amendment or modification of this Lease shall be binding unless made by written instrument of equal formality signed by both Lessor and Lessee.

NOTICE

35) All notices to the Parties concerning this Lease shall be effective only if they are in writing and given as follows: (i) upon receipt, when delivered personally to a Party at its address as provided below; (ii) on the first business day after being delivered to a reputable overnight courier service, prepaid, marked for next business day delivery to a Party at its address as provided in this Lease; or (iii) on the third business day after being sent by registered or certified United States mail, return receipt requested and postage or other charges prepaid, to a Party at its address as provided below; or (iv) on the fifth business day after being sent by regular United States mail to a Party at its address as provided below. If notice given by registered or certified mail is returned by the postal authorities as being "refused" or "unclaimed," a Party may give written notice to the other Party by ordinary United States mail, postage prepaid, to the last known business address as provided above. As proof of service, it will be sufficient to produce a receipt showing personal service, the receipt of a reputable courier company showing the correct address of the addressee, a certificate of mailing or its equivalent, or an acknowledgment of receipt by the recipient Party.

All notices or documentation to be given to Lessor pursuant to this Lease shall be sent to:

[INCLUDE]

All notices or documentation to be given to Lessee pursuant to this Lease shall be sent:

[INCLUDE]

Lessor or Lessee may at any time change its address for such notices by giving the other written notice in accordance with this notice paragraph.

COMPLIANCE WITH LAWS

36) Lessee shall comply with all applicable federal, state and local laws, ordinances, regulations, rules, decisions, orders or requirements, and all changes or amendments thereto.

COUNTERPARTS

37) This Lease may be executed in one or more counterparts, each of which will be an original but all of which, taken together, will constitute only one legal instrument. Counterparts may be delivered via facsimile, electronic mail (including .pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other similar transmission method and any counterpart so delivered shall be deemed to have been duly and validly executed and delivered and be valid and effective for all purposes.

NO USE OF WATER

38) Lessee shall not enter the Leased Premises and remove any water, surface or subsurface, in, on or underneath the Leased Premises, including, but not limited to water from Lessor's wells, ponds, streams, lakes, springs, reservoirs, creeks or any other water bodies located in, on or under the Leased Premises, unless Lessee obtains the prior written permission of the Lessor by separate written agreement.

In the event any activity carried on by Lessee pursuant to the terms of this Lease damages, disturbs, or injures the quality or quantity of Lessor's water in, on or under the Leased Premises, Lessee, at its sole cost and expense, shall take all reasonable and necessary steps to correct any such damage, disturbance or injury and to remediate the same to as close to pre-damage status quo as reasonably possible, with all reasonably related costs of repair and maintenance to be paid by Lessee.

MISCELLANEOUS

39) **Force Majeure:** When Lessee's fulfillment of its obligations hereunder (except for the payment of money) are prevented or delayed by reason of a Force Majeure Event (as defined below), such obligations shall be suspended and this Lease shall not terminate, in whole or in part, because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. "Force Majeure Event" means an act of God, fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, pandemic, epidemic or by any other occurrence not reasonably within Lessee's control, whether of the kind specifically enumerated above or otherwise. Lessee shall not be liable in damages for breach of any express or implied covenants of this Lease for failure to comply therewith, if compliance is prevented by, or failure is the result of a Force Majeure Event. The period of extension by reason of force majeure shall be limited to a cumulative total of twenty-four (24) months. The term "Force Majeure Event" shall not include lack of available markets for production.

40) **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 R.C. 4112.01.

41) **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 R.C. Chapter 102 and in R.C. 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.

42) **Declaration Regarding Nonassistance to a Terrorist Organization:** Lessee hereby represents and warrants that Lessee has not provided material assistance to an organization listed on the Terrorist Exclusion List of the State Department of the United States.

43) **Campaign Contributions:** Lessee affirms that, as applicable, no party listed in Division (J) of R.C. 3517.13 (as may be amended from time to time) has made, within the two previous calendar years, one or more contributions totaling in excess of One Thousand Dollars (\$1,000.00) to the Governor of the State of Ohio or to the Governor's campaign committees.

44) **Termination of Public Use:** 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) calendar days' written notice prior to such termination under this Paragraph. Lessee shall have no claim against Lessor for the value of any unexpired term of this Lease, or for any costs related thereto, if termination happens pursuant to this paragraph.

45) **Prevailing Wage:** Lessee shall comply with any applicable provisions of R.C. Chapter 4115, as well as Ohio Administrative Code Chapter 4101:9-4, relating to the payment of prevailing wage.

46) **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 purchase, transfer, use or possess illegal drugs or alcohol, or abuse prescription drugs in any way.

47) **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 R.C. 125.25.

48) **Conflicts of Interest:** No personnel of Lessee who exercise any functions or responsibilities in connection with the review or approval of this Lease 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 Lease, 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.

The exhibits attached to and incorporated in this Lease are the following:

Exhibit A -- "Legal Description of the Property"

IN WITNESS WHEREOF, the Parties hereto have duly executed this Lease as of the date(s) set forth below, but it shall be effective as of and from the date set forth below the execution line for GOVERNOR OF THE STATE OF OHIO

LESSOR: STATE OF OHIO

Name: _____

Title: _____

APPROVED:

ATTORNEY GENERAL OF OHIO

BY: _____
Assistant Attorney General

_____, Governor
STATE OF OHIO

Date: _____

Date: _____

LESSEE:

By: _____
Its: _____

THE STATE OF OHIO :SS
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 2012,
by _____ (Lessee). No oath or affirmation was made in connection with this
acknowledgement.

Notary Public
My Commission expires:

THE STATE OF OHIO :SS
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 2011,
by _____, _____ (Lessor). No oath or affirmation was made in connection
with this acknowledgement.

Notary Public
My Commission expires:

This instrument prepared and reviewed as to form by the legal representatives of the [insert name of relevant state agency] and the Office of the Ohio Attorney General, including [insert name and contact information]. _____.