

TWIN TIERS LANDOWNERS COALITION - LEASE SUMMARY

Lease Terms

- The lease will be a paid-up lease with a term of five years granting lessee rights to explore and produce oil and gas from the leased premises for all formations. Lease shall terminate after five years if the leased premises are not incorporated into a production unit or continuous drilling operations are not underway.
- Pugh clause shall terminate the lease on portions of leased premises that are not incorporated into a unit or where operations are not continuing after lease term expires. Setbacks and spacing for Marcellus wells will be established, but will default to State of Pennsylvania fair pooling law if passed.
- Lessee can unitize any portion of the leased premises in its discretion except that no unit can be larger than 640 acres plus or minus ten percent (10%).
- The Lessee's development plan will be subject to the landowner's comment and approval, which cannot be unreasonably withheld, for purposes of siting roads, pits, drilling pads, etc.
- No provision for any free gas or house gas, and no compensation for same.
- Force Majeure clause included for unforeseeable events.
- Lessee shall generally indemnify Lessor for damages due to operations and maintain standard insurance policies. Indemnity shall include losses resulting from death or damage to livestock.
- Lessee, upon landowner's request, shall provide annual information including, without limitation, reports related to oil and gas production from the leased premises.
- Any disputes arising under or in connection with the lease shall be exclusively resolved by the courts of the State of Pennsylvania, and the Lessee shall waive the right to remove the action to the federal court system.

Financial Conditions

- Lessee shall pay the total paid up five year lease payment by paying the bid amount per acre times the number of acres. An additional two percent (2%) of the total payment to the landowner will be paid to the Twin Tiers Landowners Coalition (TTLC) as an administrative fee.
- Landowners shall be paid a royalty of eighteen percent (18%) of the fair market value sales price of all oil and gas produced without any deductions, and such payment shall be made within 90 days of the end of the month of production. The royalty due the landowners will not be affected if the oil and gas is bartered instead of sold.
- There shall be no deductions from royalty for past, current or prospective taxes, including any severance tax. There shall also be no other royalty deductions, including without limitation, costs to make the oil and gas marketable or for transportation.
- Shut in royalty of \$25.00 per acre of leased land will be paid annually with a limit of five consecutive years.
- Drill site fee of \$10,000 per well, regardless of the number of pads, will be paid to compensate for the long-term disruption of land.
- Lessee agrees to pay any and all rollback real estate taxes and any other assessments that may result from oil and gas operations on the leased premises.

Environmental Conditions

- Lessee shall comply fully with all Pennsylvania Department of Environmental Protection statutes and regulations, including, without limitation, the oil and gas act's "protection of water supplies." Lessee shall test the domestic water supply prior to and after the completion of operations, and be liable for any contamination. In the event of an incident related to the oil and gas operations that impacts potable water, lessee will provide potable water immediately and will be responsible for all costs of a long-term solution. Lessee shall not use any surface or subsurface water from the leased premises without the prior written consent of the landowner.
- Use of other minerals, such as sand and gravel, are not allowed under the lease.

- Only pipelines and other equipment such as separators and compressors associated with the well on the leased premises are allowed. All other pipelines, rights of way, etc. need to be negotiated with the landowner under separate agreement.
- Underground gas storage, disposal wells, and burying of wastes shall not be allowed on or under any leased premises.
- Lessee shall use existing roadways to the extent possible. Construction of a single road to reach a drilling pad shall be allowed from the nearest public road. Any additional road construction requires permission of the landowner. At end of lease term, Lessee will remove any road constructed, unless requested otherwise by landowner.
- Partial reclamation and final reclamation of the site in consultation with the landowner will be required to minimize erosion and to return the land to its original contours as practical.
- Lessee shall take steps to minimize soil erosion, intrusion into crops, and shall replace barriers.
- Timber cleared for operations shall be neatly stacked and shall remain property of land owner.