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OHIO Form Paid-Up Oil, Gas &amp; Mineral Lease - Anadarko - 2011

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Muskingum County  
Karen Vincent County Recorder

BK 2384 PG 947

## PAID-UP OIL, GAS &amp; MINERAL LEASE

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

THIS LEASE AGREEMENT is made effective the 24 th day of February, 2012, (the "effective date"), between ELSIE R. FLYNN, widow of Marshall L. Flynn, as Lessor (whether one or more), whose address is 11655 Rural Dale Road, Chandlersville, OH 43727, and ANADARKO E&P COMPANY LP, as Lessee, whose address is Post Office Box 1330, Houston, TX 77251-1330.

1. **Description.** Lessor, in consideration of One Hundred Dollars And No Cents (\$100.00) in hand paid, of the royalties herein provided and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee, for the purpose of exploring for, geophysically and by all other means (whether now known or not), developing, producing, marketing and rendering marketable or more valuable oil, gas and associated minerals of any nature or kind, including but not limited to coalbed methane gas, along with all hydrocarbon and nonhydrocarbon substances, whether liquid or gaseous, produced in association therewith including sulphur, helium, nitrogen, carbon dioxide and other commercial gases as well as hydrocarbon gases (collectively referred to herein as "covered minerals"), including without limitation laying pipelines for gathering and/or transportation and construction of treating, separating, dehydration, processing or other facilities and grants the right to inject water or other produced liquids into non-freshwater bearing formations underlying the leased premises, the following described land, to, other with any reversionary rights, riparian rights and after-acquired interest therein (the "leased premises") situated in MUSKINGUM County, Ohio, to-wit: That certain tract or parcel of land containing 40.0 acres, more or less, situated in Section 20, Township 12 North, Range 11 West, Meigs Township, Muskingum County, Ohio and being the same property described in that certain Warranty Deed dated June 14, 1961 and filed in the public records of Muskingum County, Ohio in Volume 508, Page 994 and being more fully described as Parcel Number 40-40-20-14-000 in the records of the Muskingum County Auditor.

See Exhibit "A" attached hereto and by reference made a part hereof.

This lease also covers accretions and any small strips or parcels of land now or hereafter acquired or claimed by Lessor which are contiguous or adjacent to the leased premises whether or not such parcels are known to exist by Lessor or Lessee, and for the aforementioned consideration, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in or minimum royalties hereunder, said land shall be deemed to be comprised of 40.0000 acres, whether it actually comprises more or less.

2. **Term of Lease.** This lease shall be in force for a primary term of five years from the effective date of this lease, and for as long thereafter as either: (a) any covered minerals are being produced from the leased premises or from lands pooled, unitized or otherwise combined therewith; or (b) Operations, as hereinafter defined, are being conducted upon the leased premises or upon lands pooled, unitized or otherwise combined therewith with due diligence; (c) an application for a drilling permit is pending with the appropriate authorities, and Lessee, after grant of such permit, commences drilling operations within a reasonable time thereafter and continues same with due diligence, provided said permit application was filed prior to the expiration of the primary term; (d) gas storage operations are conducted in or on any portion of the leased premises; (e) a completed oil or gas well would be capable of producing oil or gas from any portion of the leased premises or any lands pooled or unitized therewith, but for acts of God, unavailability or interruption of markets or pipelines, delays due to pending governmental or regulatory authorization, or any other causes, which have caused Lessee not to commence production from such well or to suspend production from such well; (f) if Lessee's operations are delayed, postponed or interrupted as a result of any coal, stone or other mining or mining related operation under any existing or effective lease, permit or authorization covering such operations on the leased premises, such delay will automatically extend the term of this Lease without additional compensation or performance by Lessee for a period of time equal to any such delay, postponement or interruption; or (g) this lease is otherwise maintained in effect pursuant to the provisions hereof. This lease is a "paid-up" lease requiring no rentals be paid to Lessor. Further, no shut-in payments or minimum royalty payments are required during the primary term.

3. **Royalty Payment.** Royalties on covered minerals produced and saved from the leased premises and used off the leased premises or lands pooled or unitized therewith or sold (whether to an affiliated or non-affiliated purchaser), shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons, the royalty shall be 3/20 of the market value at the mouth of the well of such production. (b) For natural gas of any nature or kind (including coalbed methane and casinghead gas) and all other covered minerals (including liquid hydrocarbons suspended in gas that are not separated at the primary separation facilities), the royalty shall be 3/20 of the market value at the mouth of the well of such production. (c) In calculating royalties on all production hereunder, Lessee may deduct Lessor's proportionate part of any taxes such as ad valorem, production, severance and excise taxes or other similar taxes as may be imposed on production currently or at any point in the future. A proportionate share of costs incurred by Lessee in gathering, treating, dehydrating, compressing, processing, transporting or delivering such production, and any other costs of marketing or rendering marketable or more valuable the covered minerals, whether on the leased premises or off the leased premises may also be deducted in calculating royalties payable hereunder. (d) If, at the expiration of the primary term or at any time or times thereafter, there is any well on the leased premises or on lands pooled or unitized therewith, capable of producing covered minerals, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though Operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities, flowlines, separator, and lease tank, and shall not be required to market such covered minerals upon terms unacceptable to Lessee. If at any time or times after the expiration of the primary term, all wells located upon the leased premises or lands pooled or unitized therewith (whether classified as oil wells or gas wells) are shut-in for a period of ninety (90) consecutive days, and during such time there are no other Operations being conducted on the leased premises or lands pooled or unitized therewith, then within thirty (30) days after the expiration of said ninety day period, Lessee covenants to pay or tender, by check or draft of Lessee, as royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered by this lease, and it shall be considered that covered minerals are being produced from the leased premises. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this shut-in provision. If upon expiration of the primary term or at any time thereafter, a well(s) located upon the leased premises or lands pooled or unitized therewith is being dewatered to establish production and during such time there are no other Operations being conducted on or production in paying quantities from the leased premises or lands pooled or unitized therewith, Lessee covenants to pay Lessor annually, as a minimum royalty, a sum equal to one dollar (\$1.00) for each acre of land then covered by this lease, and it shall be considered that covered minerals are being produced from the leased premises. Payment(s) of the minimum royalty shall commence on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date dewatering operations are commenced (and such other times following expiration of the primary term when dewatering Operations are the only Operations on the leased premises or lands pooled or unitized therewith and there is no production in paying quantities from the leased premises or lands pooled or unitized therewith) and thereafter on or before the next ensuing anniversary date of this lease during which there is no production in paying quantities from the leased premises or lands pooled or unitized therewith and dewatering is the only Operation being conducted on the leased premises or lands pooled or unitized therewith. Each such payment or tender of shut-in royalty or minimum royalty shall be made to the parties who at the time of the payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited in PAY DIRECTLY TO LESSOR at or its successors, which shall continue as the depository, regardless of changes in the ownership of shut-in royalty or minimum royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Lessee's failure to pay and/or properly pay shut-in royalty or minimum royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Nothing herein shall impair Lessee's right to release any portion of the leased premises as provided in paragraph 10 hereof. Prior to payment of any royalty, Lessor shall execute a division order setting forth Lessor's interest in production. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each. Lessee shall have free use of oil, gas, water and other substances produced from said land, except water from Lessor's wells or ponds, for all Operations hereunder, and Lessor's royalty shall be computed after deducting any produced oil or gas so used.

4. **Operations.** Whenever used in this lease, the word "Operations" (unless specified to the contrary) shall mean operations for and any of the following: dirt work, building of roads and locations, drilling, testing, flaring, completing, reworking, recompleting, deepening, plugging back, repairing, abandoning, or dewatering (meaning pumping or flowing of water and/or associated hydrocarbons from a well) of a well in search of or in an endeavor to obtain, increase or restore and/or market or render marketable or more valuable production of oil, gas, sulphur or other covered minerals, and/or production, actual or constructive, of oil, gas, sulphur or other covered minerals.

5. **Pooling and Unitization.** Lessee shall have the continuing and recurring right, but not the obligation, to pool, unitize or otherwise combine all or any part of the leased premises or interest therein with any other lands, leases or interests, as to any or all depths or zones, and as to any or all covered minerals, either before or after the commencement of production, whenever Lessee, in its sole discretion, deems it necessary or proper to do so in order to prudently explore, develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands, leases or interests. Units may be formed for an oil well or a gas well, in order to conform to any well spacing or density pattern permitted by any governmental authority having jurisdiction over such matters. The terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or by regulations of the governmental authority which has jurisdiction over such matters. Lessee may pool, unitize or combine land covered by this lease or any portions thereof, as above provided as to oil or gas in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units formed as to any other stratum or strata, and oil units need not conform as to area with gas units. To exercise its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and the effective date of pooling shall be the date of filing unless provided otherwise in such declaration. Lessee wholly at its option may exercise its authority to pool, unitize or combine either before or after commencing Operations for or completing an oil or gas well on lands lying within a unit and any unit may include, but is not required to include, lands or leases upon which a well producing or capable of producing oil or gas in paying quantities has theretofore been completed, or upon which Operations have theretofore been commenced. Operations anywhere on a unit which includes all or any part of the leased premises, regardless of whether such Operations were commenced before or after the execution

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of this lease or the instrument designating the pooled unit, shall be treated for all purposes (except the payment of royalties on production from the pooled unit) as if they were Operations on the leased premises and references in this lease to production from or Operations on the leased premises shall be deemed to include production from or Operations on any portion of such pooled unit; regardless of how any reclassification of a well in the unit is treated by the governmental authority having jurisdiction. If a gas well on a gas unit, which includes all or a portion of the leased premises, is reclassified as an oil well, with respect to all lands which are included with the unit (other than the lands on which the well is located), the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the provisions of this lease covering additional drilling and reworking. The production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent that such proportion of unit production is sold or used off the leased premises or lands pooled or unitized therewith by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall, without the joinder of Lessor, have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or court order, or when to do so would, in the judgment of Lessee, promote the conservation of covered minerals in and under and that may be produced from the leased premises. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and the effective date of revision shall be the date of filing unless provided otherwise in such declaration. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly, and such adjustment shall be made effective as of the effective date of the revision. Lessee may at any time dissolve any unit formed hereunder by filing a written declaration describing the unit, and the effective date of dissolution shall be the date of filing unless provided otherwise in such declaration. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool or unitize as provided in this paragraph with consequent allocation of production as herein provided. As used herein the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Pooling or unitization hereunder shall not constitute a cross-conveyance of interests.

**6. Ancillary Rights.** In exploring for, developing, producing and marketing covered minerals, in primary or enhanced recovery, Lessor hereby grants and conveys to Lessee the free right of ingress and egress along with the right to conduct Operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations and any other Operations on the leased premises, lands pooled or unitized therewith or lands adjacent thereto, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, dispose of, store, process, dewater, treat, transport and otherwise market or render marketable or more valuable covered minerals, water and other associated fluids in connection with said wells. In connection with Lessee's Operations, Lessee's ancillary rights granted herein shall apply to both surface and subsurface of: (a) the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; (b) all lands pooled or unitized with the leased premises; and (c) any other lands contiguous or adjacent to the leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease, in which Lessor now or hereafter has the authority to grant such rights. Such ancillary rights include, but are not limited to, the right to use the subsurface of the leased premises in connection with a well to be drilled under but bottomed off the leased premises. No surface location for a well shall be located less than two hundred (200) feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent. Lessor hereby covenants and agrees to erect no dwelling or barn within two hundred (200) feet of any producing well drilled on the leased premises, or within fifty (50) feet of any pipeline, without the written consent of Lessee. In addition to the ancillary rights described above, Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within one (1) year following the expiration hereof.

**7. Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished the original or certified copies of the documents establishing such change of ownership to the satisfaction of Lessee. In the event of the death of any person entitled to shut-in royalties or minimum royalties hereunder, Lessee may pay or tender such shut-in royalties or minimum royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to shut-in royalties or minimum royalties hereunder, Lessee may pay or tender such shut-in royalties or minimum royalties to such persons, either jointly or separately, in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties or minimum royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

**8. Warranty of Title.** Lessor hereby warrants and agrees to defend title to the interest conveyed to Lessee hereunder. Lessee, at its option, may pay or discharge any tax, mortgage or lien existing, levied or assessed against the leased premises and, in the event that it does so, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties, shut-in royalties or minimum royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties, shut-in royalties or minimum royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

**9. Payment Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties, storage rentals, shut-in royalties and minimum royalties hereunder shall be reduced proportionately to the amount that Lessor's interest in the leased premises bears to the entire mineral estate in the leased premises. To the extent any royalty or other payment attributable to the mineral interest covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

**10. Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the leased premises or any depths or zones thereunder, and shall thereafter be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties or minimum royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

**11. Regulation and Delay.** Lessee's obligations under the lease, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells. Notwithstanding the provisions of paragraph 2 above, when Operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control (commonly referred to as "force majeure"), this lease shall not terminate 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 or any period for performance of Lessee's rights or obligations hereunder. Lessee shall not be liable for breach of any terms of this lease when Operations are so prevented, delayed or interrupted.

**12. Breach or Default.** An alleged breach or default by Lessee of any obligation hereunder or the failure of Lessee to satisfy any condition or limitation contained herein shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part, and no litigation shall be initiated by Lessor with respect to any alleged breach or default by Lessee hereunder, for a period of at least ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and if Lessee does not dispute the breach, then only if Lessee fails to remedy or commence to remedy the breach or default within such period. In the event Lessee disputes that a breach has occurred and the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. If this lease is canceled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are Operations to constitute a drilling or maximum allowable unit under applicable governmental regulations (but in no event less than forty (40) acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are Operations. Lessee shall also have such easements on said land as are necessary to conduct Operations on the acreage so retained. Nothing in this instrument or in the relationship created hereby shall be construed to establish a fiduciary relationship, a relationship of trust or confidence or a principal-agent relationship between Lessor and Lessee for any purpose. Lessee's standard of conduct shall be that of a reasonable prudent operator. Notwithstanding anything to the contrary, Lessee shall not be liable for damages to the leased premises and associated restoration costs and expenses caused by Lessee's activities hereunder that exceed the fair market value (as of the date of this lease) of the property affected.

**13. Existing Wellbore.** At no additional cost to Lessee, Lessor grants Lessee access to and the right to use, at Lessee's sole election, any existing well(s) and/or wellbore(s) on the leased premises. Lessee's election to renter and use an existing well and/or wellbore shall be considered the same as the drilling of a new well on the leased premises. This provision shall not apply to existing water wells on the leased premises.

**14. Storage.** Lessee shall have the exclusive right to employ all of any of the oil or gas strata in the leased premises for the storage of gas, and may reopen and reclaim any and all abandoned wells on the leased premises that may have penetrated said strata, or drill new wells on the premises, for the purpose of freely introducing and storing gas in such strata and recovering gas therefrom. A well need not be drilled, reopened or reclaimed on the leased premises in order for gas to be stored in the leased premises. Lessee shall be the sole judge as to whether gas is being stored in the leased premises, and its determination shall be final and conclusive. Storage of gas hereunder shall not diminish any of Lessee's other rights under this Lease. Lessee shall pay Lessor an annual storage rental of \$2.00 per acre for the utilization of one or more strata in the leased premises for storage operations, for so long as any stratum is so utilized, and shall give Lessor written notice of the use of the leased premises for storage operations; and it is agreed that said storage rental is in lieu of royalty payments, except that storage rental and royalty payments shall be paid simultaneously by Lessee if Lessee simultaneously conducts storage operations in one or more strata in the leased premises and produced oil or gas from one or more other strata; and it is further agreed that the termination of gas storage operations shall be a full liquidation of all storage rental during the remainder of the term of this Lease.

**15. Option.** This Lease may, as Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of five (5) years commencing on the date that this lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of two thousand dollars (\$2000.00) per net acre for the land then covered by the extended lease. Said bonus is to be paid or tendered to the Lessor by cash, check or draft, mailed or delivered on or before the expiration of the primary term hereof, and the depositing of such cash, check or draft in any post office, addressed to the Lessor (at Lessor's last known address as shown by Lessee's records) on or before the expiration of the primary term hereof, shall be deemed payment or tender as herein provided. If Lessee exercises this option, the primary term of this Lease shall be considered to be continuous, commencing on the date of the Lease and continuing from that date to the end of the extended primary term.



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Attached hereto and made a part hereof that certain Oil and Gas Lease dated February 24, 2012 by and between ELSIE R. FLYNN, widow of Marshall L. Flynn, as Lessor, and ANADARKO E&P COMPANY LP as Lessee.

### Exhibit A

#### AGREEMENTS AND PROVISIONS

The following agreements and provisions shall supersede the provisions in the printed form text of this lease to the contrary, and shall inure to the benefit of, and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.

#### INDEMNITY

Lessee indemnifies Lessor and agrees to hold Lessor harmless from liability, loss, damage, and cost arising out of claims by persons or entities other than Lessor and its invitees for injury to persons or property caused by Lessee's operations conducted hereunder.

#### SURFACE RESTORATION

Lessee agrees to use reasonable care in its operations on the leased premises, and within a reasonable period of time after completion of any drilling operations on the leased premises, Lessee shall proceed with reasonable diligence to endeavor to restore the surface of the leased premises to as near its original condition as reasonably practicable in the sole judgment of Lessee, and shall pay Lessor in full for all actual permanent damages caused by Lessee's operations to crops, livestock, land or improvements situated on the leased premises. Upon written request by Lessor and prior to installation by Lessee, Lessee shall bury pipelines below ordinary plow depth.

PREPARED BY:  
HEPENERGY INC.

  
LESSOR INITIALS

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a) **Entire Agreement.** This lease represents the entire agreement between Lessor and Lessee with respect to the leased premises and supersedes and replaces all prior agreements, both oral and written, between the parties with respect to the leased premises. This lease is not intended to give rise to any implied obligations not otherwise expressly contained in this lease and any implied covenants not consistent with the express provisions of this lease are hereby negated and renounced. This lease may only be amended by a subsequent written instrument.

(b) **Captions.** The captions used in the lease are solely for the convenience of the parties hereto and shall have no significance, separate and apart, from the terms and provisions of the lease.

(c) **Severability.** If any term or other provision of this lease is invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this lease shall nevertheless remain in full force and effect.

(d) **Memorandum.** In connection with the execution of this Lease, the Parties shall execute a memorandum of the Lease, and the Lessee shall record such memorandum in the Official Records of the County in which the leased premises are located (the "Memorandum of Oil, Gas & Mineral Lease").

(e) **Choice of Law.** THIS LEASE SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO (EXCLUSIVE OF ANY PRINCIPLES OF CONFLICTS OF LAWS WHICH WOULD DIRECT APPLICATION OF THE SUBSTANTIVE LAWS OF ANOTHER JURISDICTION)

(f) **No Special or Punitive Damages.** Notwithstanding anything to the contrary herein, none of the parties shall be entitled to special, punitive, indirect or consequential damages in connection with this Lease and the matters contemplated hereby, and each of the parties, for itself, hereby expressly waives any right to special, punitive, indirect or consequential damages in connection with this lease and the matters contemplated hereby (other than rights for reimbursement, if any, by the other party for special, punitive, indirect or consequential damages incurred by such party to third parties for matters relating to this lease)

IN WITNESS WHEREOF, this lease is executed effective the date first written above, and upon execution shall be binding upon the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not the lease has been executed by all parties named herein as Lessor.

LESSOR:

STATE OF OHIO

COUNTY OF MUSKINGUM

This instrument was acknowledged before me this 29 day of February, 2012, by Elsie R. Flynn.My Commission Expires: 3/14/15A m r

, Notary Public

AARON M. VOUSDEN  
Notary Public, State of Ohio  
My Commission Expires3-14-15