

ALOV Trumbull Group Lease With Comments

This copy of the ALOV Trumbull Group Lease includes inserted comments regarding negotiated terms contained in this lease that differ from the terms of the "ALOV Form Lease" that has been widely distributed previously and made available on the ALOV and Youngstown Vindicator websites. Not every change is shown in this comment draft; these comments are provided by ALOV's legal counsel to highlight some of the more substantive negotiated changes. Each ALOV Trumbull lessor is advised to obtain their own qualified legal counsel to comprehensively review this lease before signing.

OIL AND GAS LEASE

This oil and gas lease (the "Lease") made this _____ day of _____, 2012, but effective as of April 1, 2012, between _____, herein called "Lessor" (collectively if there is more than one) whose address is _____ and _____, hereinafter called "Lessee", whose address is _____.

ARTICLE I. GRANT OF LEASE

Lessor, in consideration of the payments described herein and the covenants and agreements hereinafter contained, does hereby exclusively lease to the Lessee the land described below, together with the use of the surface thereof to the extent Lessor enjoys such rights, for the purpose of carrying on geophysical and other exploratory work, including core drilling, and the drilling, operating for, and producing, gathering and transporting of all the oil, gas, casinghead gas, casinghead gasoline, condensate, distillate, natural gas liquids, hydrocarbon and non-hydrocarbon minerals or products that may be associated with oil or gas, all other gases and their respective constituent vapors and liquid or gaseous hydrocarbons produced in association therewith other than as reserved unto Lessor herein below (herein called "Lease Products").

1. Description of the Land Included in this Lease

The land included in this Lease, herein called the "Leased Premises" is located in the State of Ohio, County of Trumbull, Township of _____, parcel number(s) _____, as further referenced by that certain deed by and between _____ and recorded in the county records of _____ (include book and page references). A legal description (metes and bounds) is attached hereto as Exhibit A.

2. Limitations on Grant of Lease

(a) Lessor's Reserved Rights. Lessor reserves all rights not specifically granted to Lessee in this Lease. Specifically reserved by Lessor are all oil, gas and other mineral rights from the surface to the top of the Queenston Shales, other than such rights allowed to Lessee to drill through such reserved portions as are necessary for Lessee to have access to the Queenston Shales and below.

(b) Lessor Structures and Improvements. Lessor reserves the right to construct any structure or other improvements at any location selected by Lessor anywhere on the Leased Premises provided the exercise of such reserved rights by Lessor does not impair the exercise and enjoyment of rights granted Lessee hereunder. If prior to Lessee coordinating site location for any operations of Lessee's on the Leased Premises pursuant to Article V, Section 1(q) of this Lease, Lessor commences construction of a structure or other improvement on the Leased Premises, Lessee will not locate any equipment, nor

conduct any operations within 300 feet of the proposed structure or improvement (within 500 feet if a habitable structure) without Lessor's prior written permission.

(c) Agricultural Activities. Lessor reserves the right to initiate or continue irrigation and agricultural activities (including timbering) on the Leased Premises. If Lessor decides to conduct agricultural activities on the Leased Premises, Lessee will reasonably accommodate Lessor's agricultural use to the extent practical in light of the rights granted to Lessee hereunder and the potential use of the property for the purposes set forth in the Lease.

(d) Other Minerals Reserved. This Lease does not include and there is hereby excepted and reserved unto Lessor all of the sulfur, coal, lignite, uranium, and other fissionable material, geothermal energy, base and precious metals, rock, stone, gravel, and any other mineral substances (excepting those described above in Article I of this Lease) presently owned by Lessor in, under, or upon the Leased Premises, together with rights of ingress and egress and use of the Leased Premises by Lessor or its lessees or assignees for purposes of exploration for and production and marketing of the materials and minerals reserved hereby, provided such use does not interfere with Lessee's operations on the Leased Premises.

3. Unitization - Pooled Units

Subject to any limitations below, Lessee is granted the right, at its option, to pool or unitize any land covered by this Lease with any other contiguous lands included with other leases as to any or all horizons or gas, oil, or other minerals described above in Article I of this Lease in this Lease so as to establish pooled units. No pooled unit for any vertical well with no horizontal drilling component which includes any portion of the Leased Premises shall exceed eighty (80) acres. No pooled unit for any well that includes lateral or horizontal well shall exceed six hundred forty (640) acres plus a ten percent (10%) acreage tolerance. Lessee shall have the right and authority to approve the unit application and any supporting documents required for the unit application, including the plan for unit operations. Lessee shall furnish to Lessor a copy of the declaration of the unit of which any portion of the Leased Premises shall be a part, including a copy of all plats, maps, and exhibits to such application or declaration. For the purposes of this Lease, operations on and production from any lands which are included in a pooled unit with the Leased Premises shall be considered operations on and production from the Leased Premises. The payment of royalty or other like payments due under this Lease shall be proportionately reduced to such proportional share from, or attributable to, each well as the number of acres covered by this Lease and included in the unit bears to the total number of acres in the unit.

4. Unit Configuration

Insofar as possible, taking into consideration the productive limits of the producing interval, the configuration of the mineral ownership boundaries and the unit configuration for the Leased Premises, the lands included within the drilling unit for a well shall be in the form of a square or rectangle, to the extent reasonably possible. Reasonable efforts shall be made by Lessee in designating drilling units to avoid excluding small or irregular shaped portions of the Leased Premises. Units assigned to wells producing from different zones may overlap, and shall overlap when necessary to comply with the requirements of this section. If a well is producing from more than one formation, its drilling unit's size and configuration shall conform to the limitations set forth herein or the Ohio Department of Natural Resources ("ODNR") (or other government entity with jurisdiction) rules applicable to the well which provides the largest drilling unit (subject to the size limitations stated above). If all or a portion of the Leased Premises is included in a pooled unit, then for purposes of this paragraph all the lands within the pooled unit shall be considered a part of the Leased Premises, and the size and configuration of the

drilling unit(s) must conform to the requirements of this paragraph for a drilling unit if such unit is established by Lessee. Lessor specifically recognizes that Lessee, at Lessee's option, may drill multiple wells within a unit provided that such is permitted by the ODNR.

5. **Right of First Refusal**

In the event Lessor chooses to grant any remaining rights reserved by Lessor under this Lease to any party other than Lessee, then before any such grant, Lessor shall provide Lessee with a written notice setting forth all terms and conditions of such other grant, or a true copy of any lease or other document reflecting such grant. Lessee shall be afforded a period of at least thirty (30) days following receipt of such written notice, during which time Lessee may elect to exercise this right of first refusal to assume the obligations of lessee or grantee under such other proposed grant on the same terms and conditions contained therein. Should Lessee so elect, Lessee shall notify Lessor in writing within such thirty (30) day period, and submit therewith any up-front payments or other considerations described in such proposal, along with a signed lease or grant document accordingly.

6. **Definitions**

(a) **Operations**. "Operations" shall mean only (i) the production of oil, gas or other liquid or gaseous hydrocarbons in paying quantities subsequent to drilling or (ii) the actual drilling, completing, stimulating, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, conducted in good faith and with due diligence. As used in the definition above, the term "actual drilling" means the actual entry of the rotating drill bit of the drilling rig into the soil of the Leased Premises or lands pooled therewith (or re-entry into an existing wellbore) and prosecution of such actual drilling operations in good faith and in good workmanlike manner, with reasonable diligence, toward the completion of same as a dry hole or commercially productive well.

The definition of "Operations" has been made more specific.

(b) **Division Order**. "Division order" shall mean the documents setting forth the proportional ownership of Lessor in Lease Products.

ARTICLE II. TERM OF LEASE

1. **Primary Term**

This Lease shall become effective on April 1, 2012, which date will be inserted where provided below the title of this document ("Effective Date"). Except as provided herein, this Lease shall remain in full force and effect for a period of five (5) years from such date (hereinafter referred to as the "Primary Term").

2. **Extension of Primary Term**

This Lease may be extended beyond the Primary Term only under the condition that Operations have been commenced prior to the end of the Primary Term, or by the other terms and conditions contained herein, including, but not limited to, the provisions of Article II, Section 3 below, or if at the expiration of the Primary Term, or any extension thereof, Lessee is then engaged in drilling, deepening, plugging back or reworking operations, then this Lease, as to all acreage covered hereby, shall remain in full force and effect so long as: (i) the drilling, deepening, plugging back or reworking operations are prosecuted to completion with due diligence; and (ii) no cessation of more than ninety (90) consecutive days occur from the completion of the operations and the commencement of drilling,

deepening, plugging back or reworking operations of a different well; and (iii) Lessee continues to commence the drilling, deepening, plugging back or reworking of a well within ninety (90) days after the completion of operations on the prior well.

3. **Option To Renew**

Lessee is hereby given the option to extend by renewal the Primary Term of this Lease for one (1) additional three (3) year period. This option may be exercised by Lessee by notifying Lessor in writing of Lessee's intent to exercise its option and simultaneously therewith paying to Lessor in full, prepaid at any time prior to termination of the Primary Term a lease bonus for the 3 year renewal period equal to the 5 year Primary Term bonus paid by Lessee under Article III, Section 1 herein. Such payment shall be based upon the net acres then covered by this Lease and not at such time being maintained by other provisions hereof. Should this option be exercised, it shall be considered for all purposes as though this Lease originally provided for a Primary Term of eight (8) years.

4. **Shut-In Limitation**

In the event all wells drilled upon the Leased Premises are shut-in, the Lease will continue in force and effect while production is shut-in; provided, however, this Lease may not be maintained in force for any continuous period of time longer than thirty-six (36) consecutive months or forty-eight (48) cumulative months after the expiration of the Primary Term hereof solely by provision of the shut-in royalty clause. The shut-in status of any well shall persist only so long as it is necessary to correct, through the exercise of good faith and due diligence, the condition giving rise to the shut-in of the well.

5. **Cessation of Production.**

If, after the expiration of the Primary Term of this Lease, production on the Leased Premises shall cease from any cause, other than from reasons cited in Section 4 above, this Lease shall not terminate, provided Lessee resumes operations on an existing well or wells to re-establish production or drills a new well within a reasonable amount of time, not more than one hundred and eighty days (180) days from such cessation, and this Lease shall remain in full force and effect during the prosecution of such operations and, if production results therefrom, then as long as production continues thereafter.

This new clause is meant to protect the Lessee from losing its rights under the lease in the event the well cannot produce for reasons other than those that would give grounds for shut-in.

6. **Pugh Clause**

(a) As to any acreage of the Leased Premises which is not included within any drilling unit at the expiration of the Primary Term, including any extension of the Primary Term in accordance with Article II, Section 2 and/or Section 3 of this Lease, this Lease shall terminate and be of no further force or effect as to any acreage not within such designated units.

(b) In addition, at the end of the Primary Term or extension thereof, this Lease shall terminate as to all depths and horizons under each drilling unit below two hundred (200) feet below the stratigraphic equivalent of the base (bottom) of the deepest formation from which production of oil or gas in paying quantities is being maintained (or, in the case of a shut-in gas well, can be maintained) in the well on such drilling unit if Lessor makes a demand in writing to Lessee that Lessee commence development of such lower depths and horizons, and Lessee has not within one hundred eighty (180) days

following such demand, commenced development efforts at least to the extent of application for a permit for a well into such depths and horizons.

(c) Notwithstanding Article II, Sections 6(a) and (b) above, Lessee may continue to utilize access roads, pipelines, or other surface use in effect at the time of termination described above, with Lessee deemed to hold such rights by surface easement so long as such use by Lessee shall continue. Lessee's rights shall not prevent Lessor from re-leasing rights terminated as described above, so long as Lessee's retained surface rights are not disrupted.

7. **Held by Production**

This Lease may be held in force after the termination of the Primary Term, including any extensions in accordance with Article II, Section 2 and/or Section 3 of this Lease only by terms and conditions contained herein, including but not limited to production from, or operations conducted on the Leased Premises or any units in which the Leased Premises is included.

8. **Partial Releases**

Lessee shall have the right at any time during this Lease to release from the lands covered hereby any lands subject to this Lease and thereby may be relieved of all obligations hereafter accruing as to the acreage so released, provided that (a) Lessee may not release any portion of this Lease included in a pooled unit so long as operations are being conducted on such unit, and (b) any such partial release must release all depths in and under the lands so released except as provided in Article II, Section 6(b) above.

9. **Termination of Record**

Upon termination of this Lease as to any portion of the Leased Premises, Lessee shall promptly deliver to Lessor a plat showing the designated drilling units around each well and a partial release containing a description (metes and bounds and map) of the acreage and depths not retained, in form suitable for recording. In addition, Lessee shall peaceably surrender the released premises to Lessor and remove any and all facilities, equipment and machinery from the site within 90 days at Lessee's expense if the same are not necessary for continued operations as described in Article II, Section 6(c) above. Further, the affected land shall be reclaimed in accordance with Article V, Section 1(m) of this Lease.

Upon termination of this Lease or any portion thereof, or upon expiration of this Lease, Lessee shall provide Lessor documentation in recordable form of such termination or expiration within thirty (30) days after the date of termination or expiration. Should Lessee fail to provide such documentation, Lessee hereby grants to Lessor the right and authority, after thirty (30) days prior written notice delivered to Lessee by certified mail at the address shown on this lease, or such other address as has been subsequently provided by Lessee to Lessor, to file an affidavit on record reflecting such expiration or termination, which filing shall be binding upon Lessee.

10. **Default**

(a) **Examples of Default.** In addition to any incidents of default described throughout this Lease, the occurrence of any of the following shall be deemed a default:

(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 or 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,

(b) Notice of Default or Breach of Lease. In the event Lessor considers that Lessee is in default under this Lease or that Lessee has not complied with its obligations hereunder, both express and implied, including the non-payment of royalty or rent, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee is in default or Lessee has breached this Lease. Lessee shall then have forty-five (45) days after date of receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor, or to correct any default. The service of said notice shall be precedent to the bringing of any claim or action by Lessor on this Lease for any cause, and no such claim or action shall be brought until the lapse of forty-five (45) days after service of such notice on Lessee. Neither the service of said notice nor any acts conducted by Lessee aimed to meet all or any of the alleged breaches or the default shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder.

(c) Termination for Default. Upon the occurrence of the event of default, and after notice thereof and opportunity, but failure, to cure or commence to cure as set forth above, this Lease shall be terminated and the Lessee shall become a tenant at will for the conduct of operations on the Leased Premises. If evicted, Lessee agrees to surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such termination. If Lessee should fail to deliver documents reflecting termination or expiration of this Lease or if Lessee fails to surrender possession of the Leased Premises as required under this Lease, Lessor may institute proceedings necessary to clear title or to take possession, and in that event, in addition to all other relief that may be granted to Lessor, Lessor shall be entitled to recover against Lessee all attorney fees, investigation charges, court costs and expert fees thus expended by Lessor.

(d) Other Remedies. 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.

ARTICLE III. PAYMENT TO LESSOR

1. Bonus Payment

Lessee agrees to pay Lessor a signing bonus of [] for each net acre contained within the Leased Premises. The bonus payment shall be paid to Lessor by October 1, 2012, subject to Lessee's determination that Lessor has Defensible Title to the Leased Premises ("Due Diligence"). The term "Defensible Title" as used in this Lease shall mean that level of ownership of Lessor which will establish in Lessee the immediate and unconditional ability and right to enjoy the rights granted in the Lease, free and clear of liens and other encumbrances. By Lessor's signing this Lease, Lessor promises to proceed with this Lease and be bound thereby, conditioned only upon Lessee's paying the full amount of the bonus payment (subject to the reduction for title failure) by October 1, 2012. A Memorandum of the Lease shall be recorded upon the signing of this Lease. It is understood by Lessor and Lessee that both parties shall be strictly prohibited from filing of record the Oil and Gas Lease, either partially or in its

entirety. All bonus payments made to Lessor under this Lease are non-refundable; however, rentals and royalty payments shall be subject to adjustment for any overpayment or underpayment by Lessee. Failure by Lessee to pay the bonus payment within the time described herein shall render this Lease null and void.

2. Royalty Payment

(a) Percentage. The royalties payable to the Lessor under this Lease shall be on a well-by-well basis, or, as applicable, on a unit basis. As to each and every well completed as a producer of oil and/or gas on the Leased Premises or on lands pooled therewith, the royalties paid to Lessor shall be [] of all Leased Products removed or recovered from the Leased Premises or, at Lessor's option (which shall be presumed to be exercised unless Lessor advises Lessee to the contrary prior to any applicable production month) [] of the Proceeds (as hereinafter defined in paragraph (d)) of the total gross production attributable to the applicable well.

(b) Determination of Royalty Amount.

Lessee covenants and agrees:

(i) To sell and execute division orders for the sale of all Leased Products produced and saved by Lessee from the Leased Premises, including Lessor's share with Lessee's share and shall pay Lessor royalty (in accordance with paragraph (a) above), where applicable, based on the Proceeds as hereafter defined in Article III, Section 2(d) or Minimum Royalty, as defined in Article III, Section 2(e), whichever is greater; from time to time, at the option of Lessor, to deliver or cause to be delivered to the credit of Lessor, in the pipeline or tanks to which Lessee may connect its wells, percentages (in accordance with paragraph (a) above) of all oil, condensate, casinghead gasoline and liquid hydrocarbons produced and saved from the Leased Premises;

Royalties are determined by the higher of (a) the total amount actually paid to the Lessee, less certain specifically delineated costs as set forth in this royalty clause, or (b) a Minimum Royalty based on a wellhead price according to a well-established index. That index would take into account differences between "wet gas" and dry gas values on a BTU basis, with the contents of the substances produced being analyzed at the wellhead.

(ii) To pay Lessor on gas and casinghead gas produced from the Leased Premises, percentages of proceeds (in accordance with paragraph (a) above) based on:

- (1) the Proceeds paid to Lessee from the sale of such gas and casinghead gas when sold by Lessee in an arms-length sale to an unaffiliated third party, or if sold to an affiliate, the price upon which such gas and casinghead gas was sold so long as such price is not less than that which would be received from a sale to an unaffiliated third party in an arms length transaction considering the volume available, quality, location and length of term of the proposed sale; or,
- (2) the market value at the point of use, when used by Lessee.

(iii) To pay Lessor on all other byproducts and/or constituents sold or utilized by Lessee from the Leased Premises, in accordance with paragraph (a), the percentages of the Proceeds received by Lessee.

(c) Affiliates. For purposes of this Lease, an "Affiliate of Lessee" is any corporation, firm or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of more than ten percent (10%) whether by stock ownership or otherwise, or over which Lessee or any parent company or Affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

(d) Proceeds. For purposes of this Lease, "Proceeds" means the total consideration paid to or received by Lessee for the Lease Products produced from the Leased Premises or payments for future production or delivery of production at a future time, or sums paid to compromise claims relating to payment obligations associated with the sale of Leased Products. Lessor's royalty shall not be charged directly or indirectly with any expense required to make gas marketable, including but not limited to the following: expenses of production, gathering, dehydration, compression, treating or marketing of gas, oil, or any liquefiable hydrocarbons extracted therefrom, except for the following which shall be charged proportionately to Lessor based upon the same cost or expense amounts paid by Lessee:

(i) Lessee may deduct post-gathering logistical charges necessary to get products to a market point. For purposes of defining post-gathering logistical charges, transportation of gas will be deemed to begin when gas physically leaves the Leased Premises or unit, as applicable. For gas sales, logistical charges shall include transportation fees, processing fees (whether fee for services, or a percentage of liquids), transportation and processing fuels (either in gas or electrical form). For natural gas liquid sales, post-gathering logistical charges shall include transportation (by pipeline, rail or ship) downstream of a gas processing facility and fractionation charges. For oil or condensate sales, post-gathering logistical charges shall include pipeline or trucking costs outside the Leased Premises, or unit, as applicable.

(ii) If gas produced from the Leased Premises is processed for the recovery of liquefiable hydrocarbon products prior to sale, and if such processing plant is not owned by Lessee or any Affiliate of Lessee, Lessor's royalty shall be calculated based upon the consideration paid to Lessee from Lessee's sale of such liquefiable hydrocarbons and residue gas less unaffiliated third party processing expenses, whether as a processing fee charged by such unaffiliated third party processing plant, or a plant retention percentage in value or in kind.

(iii) If gas produced from the Leased Premises is processed for the recovery of liquefiable hydrocarbon products prior to sale, and if such processing plant is owned by Lessee or any Affiliate of Lessee, the price upon which royalty shall be based shall not be less than that which would be obtained from an unaffiliated third party processor in an arms length transaction involving similar gas volumes, quality, location and length of term of the contract.

(iv) Lessee shall pay to the Lessor royalty at the applicable royalty rate as per Article III, Section 2(a) on any monetary settlement received by Lessee from any breach of

contract by Lessee's purchaser relating to the marketing, pricing, or taking of oil or gas production from the Leased Premises.

(e) Minimum Royalty. The Minimum Royalty shall be based upon the wellhead price in accordance with the index for the first day of the production month for the Dominion Transmission Inc. - Appalachia Basis Index, published by Platts, Inside FERC. In the event Platts, Inside FERC ceases publication of this index, a similar Appalachia-based index will be used.

(f) When Royalties Must Be Paid. All royalties that may become due hereunder shall commence to be paid on the first well completed on the Leased Premises within one hundred twenty (120) days after the first day of the month following the month during which any well is completed and commences production into a pipeline or oil into transport for sale of such production. On each subsequent well, royalty payments must commence within ninety (90) days after the first day of the month following the month during which any well is completed and commences production into a pipeline for sale or oil into transport of such production. Thereafter, all royalties on oil shall be paid to Lessor on or before the last day of the second month following the month of production, and all royalties on gas shall be paid to Lessor on or before the last day of the third month following the month of production. Royalties not paid when due shall bear interest at the prime rate as published by the Wall Street Journal as of the date payment is first due, plus five percent (5%) per annum.

(g) Delinquency in Payment. If royalty is not paid by the date due, Lessor may give Lessee written notice of nonpayment of royalty, by certified mail, return receipt requested, and if Lessor's royalty is not paid on or before expiration of forty-five (45) days after Lessee's receipt of such notice, interest shall commence accruing on the due date and be payable by Lessee to Lessor on the delinquent balance at the rate of five percent (5%) per annum above prime interest rate (as defined above). However, Lessee may avoid any interest obligation if prior to the expiration of such forty-five (45) days Lessor is furnished an attorney's written opinion citing a bona fide dispute or a good faith question of royalty entitlement (either as to ownership or as to amount), Lessee pays to Lessor the undisputed portion and Lessee pays the disputed royalty to an escrow account to be administered by a trustee agreed to by both parties or by the American Arbitration Association, if such trustee cannot be found. If practical, such escrow funds shall be invested in interest-bearing accounts pending resolution of the entitlement issue, with the interest to follow the distribution of escrow.

(h) Split Royalties. If, by reason of assignments of undivided interests in Lessee's interest in this lease, more than one (1) party becomes entitled to a portion of Lessee's share of hydrocarbons produced from any well on the Leased Premises, and if any or all of such co-owners elect to take their share of such hydrocarbons in kind, resulting in split-stream deliveries of hydrocarbons to different purchasers, Lessee may, but shall have no obligation to, require the operator of the Leased Premises to pay and account to Lessor for all royalties due on hydrocarbons production from the well or wells from which split-stream deliveries are being made, so that Lessor shall not be required to receive royalties from more than one (1) purchaser or party on the same hydrocarbons stream. However, Lessee agrees to comply with all state oil and gas regulations in the event it is mandated to pay royalties to the Lessor as though there was only a single hydrocarbons stream. Such election, if made, shall not relieve any party otherwise liable for payment of royalties from such liability, and all parties owning an undivided interest in

all or any portion of the Leased Premises shall be and remain jointly and severally liable for the payment of all royalties due on production therefrom.

If there should be more than one royalty payor, the lessor might receive multiple royalty statements, rather than one collective royalty statement.

3. **Audit Rights**

Lessee grants to Lessor or Lessor's designee the right at Lessor's expense, to examine, audit, copy or inspect books, records, and accounts of Lessee pertinent to the audit purpose of verifying the accuracy of the reports and statements furnished to Lessor, and for checking the amount of payments lawfully due to Lessor under the terms of this agreement. In exercising this right, Lessor shall give reasonable notice to Lessee of its intended audit and such audit shall be conducted during normal business hours at the office of Lessee at the sole cost and expense of Lessor. Lessor shall not have the right to audit more than once every twenty four (24) month period. However, if the amount of exceptions or deficiencies in royalty payments revealed by the audit equal or exceed 125% of the cost and expense of the audit, then the Lessee shall bear the cost and expense of the audit and all monies due as a result of the audit findings (audit exceptions, costs, and expenses) shall be payable within thirty (30) days of the final determination of the amounts due.

4. **Security Interest**

Lessor hereby retains a security interest in (a) the portion of the oil and gas produced and saved from the Leased Premises or lands pooled therewith associated with the royalty payments due under and pursuant to this Lease, and (b) the portion of the proceeds of sale of such oil and gas and all accounts arising therefrom associated with the royalty payments due under and pursuant to this Lease (the "Collateral"), to secure Lessee's payment of royalties. In the event of default by Lessee, Lessor shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessor hereunder. The Collateral includes the Lease Products to be financed at the wellhead of the wells and accounts from the sale thereof. This Lease, or memorandum thereof, (which shall contain the provisions of this paragraph) when filed in the real property records where the Leased Premises are located, shall constitute a financing statement. Additionally, Lessee agrees to cooperate with any UCC-1 filing requested by the Lessor.

5. **Payment to Lessor in Lieu of Free Gas**

In the event any well is drilled upon the Leased Premises or any portion thereof, and the Lessor is the owner of the surface where the well is located, such Lessor's royalty interest, as provided in Article III, Section 2(a) of this Agreement, shall increase by one-quarter of one percent (0.25%).

Providing "free gas" from a deep horizontal well with wet gas constituents could be technically impossible. Sometimes a flat-amount payment is made in lieu of free gas. In this lease there is a negotiated 0.25% increase in royalty to the property owner on whose land a well is located. This additional amount would apply to the total production regardless of the number of wells on the property.

6. **Shut-In and Minimum Royalties**

(a) **Payment Amount.** If after the expiration of the Primary Term, all wells on the Leased Premises capable of producing gas or gas and condensate in paying quantities, are shut-in for any reason and neither gas nor condensate is sold or used off the Leased Premises (which

wells are herein sometimes called a "shut-in" gas well), for longer than sixty (60) consecutive days, Lessee shall pay or tender to Lessor, as shut-in gas well royalty, a yearly sum (payable quarterly or at the end of the shut-in period, whichever first occurs) equal to Twenty-Five and 00/100 Dollars (\$25.00), indexed to the Producers Price Index for All Commodities issued for the anniversary month by the U.S. Department of Labor, Bureau of Labor Statistics, and recalculated every five (5) years thereafter, multiplied by the number of acres subject to this Lease at the time such payment is made. The first such payment of shut-in gas well royalty is to be made on or before thirty (30) days after the end of the above referenced sixty (60) day period. Succeeding payments may be made annually thereafter on or before the anniversary of the due date of such payment. Notwithstanding the making of such shut-in gas well royalty payments, Lessee shall be and remain under the continuing obligation to (i) use all reasonable efforts to find a market for said gas and to commence or resume marketing same when a market is available, (ii) reasonably develop the Leased Premises, and (iii) drill all such wells on the Leased Premises as may be reasonably necessary to protect same from drainage by wells on adjoining or adjacent lands. Notwithstanding anything to the contrary in this Lease, the obligation under this Article III, Sections 6(a)(ii) and (iii) shall not apply during the Primary Term of this Lease.

(b) Limited Duration. After expiration of the Primary Term, or extension thereof, the portion of the Leased Premises being held by the Lessee solely by the payment of shut-in royalty, shall be released after a period of thirty-six (36) consecutive months or a cumulative total of forty-eight (48) months, unless given written consent by the Lessor to continue the well to be shut-in.

7. Surface Damages

In the event any well is drilled upon the Leased Premises or any portion thereof, and the Lessor is the owner of the surface where the well is located, Lessee shall pay to Lessor in consideration for damages to the Leased Premises, the sum of Thirty Thousand Dollars (\$30,000.00) prior to commencement of drilling of any well on the Leased Premises, such payment to be considered a "pad" payment. A "pad" for purposes hereof is defined as a preparation designed to facilitate one or more wells in a concentrated surface area and access thereto not to exceed a total of seven (7) acres. If Lessee should locate more than one (1) pad on the Leased Premises, a separate pad payment shall be paid for each pad. Lessee shall not be required to pay any separate per-well payment for additional wells drilled in sequence after the completion of drilling the initial well on a pad. In the event Lessee reclaims the well location pad after drilling the initial well or group of wells as the case may be, and then at any time thereafter returns to the pad for the purpose of drilling an additional well or wells on that pad, Lessee shall pay to Lessor an additional full pad payment. Furthermore, upon prior separate written consent and agreement of Lessor, Lessee shall pay Lessor (a) an amount of at least Ten Thousand Dollars (\$10,000.00) for each post-drilling pit, pond or other in-ground containment excavation in which fluids or liquids pertaining to and involved with operations are to be stored (other than drilling pits) located on the Leased Premises, and (b) in the event Lessee desires a pad to include over seven (7) acres, or if the Lessee adds or includes access areas to the pad that increases the combined pad and access area to over seven (7) acres, Lessee shall pay to Lessor the sum of Seven Thousand Five Hundred Dollars (\$7,500.00), proportionately reduced, per disturbed acre in addition to the pad payment.

8. Ad Valorem Taxes.

All taxes (including ad valorem and severance taxes) or assessments on the Lease Products or Lease Products reserves imposed by any local, state or federal entity or governmental unit and attributable to or resulting from the assessment of Lease Products from the Leased Premises shall be paid

by the parties hereto in proportion to their interest. Notices of assessments are to be delivered to and the stated undisputed assessment amounts are to be paid by Lessee. Lessee will adjust a subsequent royalty payment of Lessor to account for Lessee's payment of Lessor's share of such taxes and such adjustment will be reflected on a subsequent royalty check stub. All documentation related to any taxes withheld by Lessee shall be available to Lessor upon audit in accordance with the terms of this Lease.

Lessors will share in the ad valorem and severance tax obligations incurred in proportion to their royalty percentage. The taxed amount will be deducted from the lessor's royalties.

9. Property Taxes

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

10. Agricultural Programs

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

11. Method of Payments

All rents and royalties (except payment by gas in-kind at the election of Lessor as may be provided herein) and any and all sums due hereunder from Lessee to Lessor shall be paid at the option of Lessee by one of the following methods:

(a) By check tendered directly from Lessee to Lessor at Lessor's address as stated in this Lease.

(b) As soon as Lessee is capable, and upon written election by Lessor, by direct deposit by 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).

No payment not timely made or not made in the correct amount shall constitute a waiver by Lessor of any rights or remedies of Lessor under this Lease. A payment submitted electronically shall be considered timely paid if such payment is successfully transmitted to Lessor's account on or before the due date. A payment not submitted electronically shall be considered timely paid if delivered to the Lessor on or before the applicable due date or if deposited in a postage paid, properly addressed envelope, package or wrapper with a post office

or official depository marked as so deposited by the United States postal service before the applicable due date.

12. **Due Date**

Any payment hereunder from Lessee to Lessor as required under this Lease (such as royalty payments or shut-in fee) shall unless otherwise specifically provided in this Lease be paid within thirty (30) days following the end of the month or annual period which constitutes the period of time on which the payment is based.

13. **Default**

Failure of Lessee to timely pay Lessor any amounts required under this Lease shall be deemed a default by Lessee.

ARTICLE IV. TITLE ISSUES

1. **Lessor's Representation Regarding Title to Leased Premises**

Lessor makes no representation or warranty as to Lessor's title to the Leased Premises other than that Lessor warrants and represents that Lessor is not aware of any unrecorded encumbrances, or encroachments or conditions affecting title to the Leased Premises other than those that would be observed on a location survey. It shall be Lessee's burden and obligation to assure itself of the quality of title to the Leased Premises. To the extent Lessee's obligations under this Lease are diminished or affected by any title encumbrance on the Leased Premises (including but not limited to any mineral lease or mortgage of record that existed as of the date this Lease became effective) and in the event that by operation of law Lessee is no longer afforded protection under Ohio Revised Code Section 1509.31(D), then Lessee shall have a right to demand Lessor obtain a subordination from the mortgage holder. In connection with any title encumbrance on the Leased Premises referenced in the preceding sentence, Lessee shall: (i) be afforded the right to pay proceeds payable to Lessor under this Lease to the mortgagee; and/or (ii) make payment in full for amounts due mortgagee in the event Lessor defaults in its payments to mortgagee, and deduct such amounts from future payments payable to Lessor pursuant to this Lease.

2. **Lessor Encumbrances After Lease Effective**

Any mortgage, lease, easement, or other interest granted by Lessor voluntarily after this Lease becomes effective shall be subject to this Lease. In the event Lessor should become in default of any obligation of Lessor that is secured by any lien or encumbrance on the Leased Premises during the term of this Lease, Lessee may, at its option, pay and discharge any such obligation on behalf of Lessor after Lessee gives Lessor at least thirty (30) days prior written notice of such intention to pay, and if, after Lessor's receipt of such notice, Lessor makes no arrangement otherwise to address the amount in default. Should Lessee make such payment on behalf of Lessor, or by any other lawful means, Lessee shall, in addition to any other legal remedies, be entitled to recover from Lessor by deduction from any future payments to Lessor, with interest at Ohio's legal rate for judgments and amounts actually paid by Lessee for such obligations.

3. **Liens against Lessee**

In the event any lien or encumbrance (except and not including any lien or encumbrance in the nature of a security interest conveyed by Lessee for purposes of financing operations on the Leased Premises) is filed against the Leased Premises out of or pertaining to the operations by Lessee, Lessee shall within forty-five (45) days following the date such lien or encumbrance is recorded cause such lien

or encumbrance to be released from record, and Lessee shall provide Lessor written evidence of such release. Lessee's contention that the lien or encumbrance arises from a bona fide dispute shall not be grounds for Lessee's failure or refusal to remove the lien or encumbrance as required herein.

ARTICLE V. IMPACTS AND EFFECTS

1. Surface Issues

The following provisions shall apply under this Lease:

(a) Compliance with Laws. Lessee shall be responsible for any and all acts or matters arising out of or pertaining to Lessee's operations on the Leased Premises whether reasonably foreseen or unforeseen. All operations conducted by Lessee shall comply with federal, state and local law, statute, regulation and/or order, and the terms of this Lease, whichever is stricter. Lessee's failure to comply with any federal, state or local law or any regulation or order of any enforcement agency having jurisdiction over Lessee's operations shall be a default under this Lease.

(b) Degree of Care. Lessee shall at all times use the highest degree of care utilized in standard and prudent operations for shale oil and gas operations within the oil and gas industry in the region where the Leased Premises are located (such region including Ohio, Pennsylvania and West Virginia), and use all reasonable care and safeguards to prevent its operations from:

- (i) causing or contributing to soil erosion;
- (ii) polluting or contaminating any environmental medium including the surface or subterranean soils and/or waters and ambient atmosphere in, on, under, or about the Leased Premises and surrounding properties;
- (iii) decreasing the fertility of the soil;
- (iv) damaging crops, native or cultivated grasses, trees, or pastures;
- (v) harming or in any way injuring animals, whether domestic or wild on the Leased Premises;
- (vi) damaging buildings, roads, structures, improvements, farm implements, gates or fences.
- (vii) Lessee shall dispose of salt water, frac water or liquid waste oil and other waste in accordance with the rules and regulations of the ODNR and all other applicable governmental authorities.
- (viii) Lessee shall clean up, remove, remedy and repair any soil or ground water contamination and damage caused by Lessee or release of any contaminant in, on, under, or about the Leased Premises, whether or not caused by the negligence of Lessee. Lessee shall pay to any person beneficially interested in the harmed object all damages caused by Lessee's operations.

(c) Disposal. Lessee shall not use the Leased Premises for the permanent disposal of any drill cuttings, or the storage or disposal of residual wastes without the express written consent and agreement of Lessor. No disposal wells or any other devices or means of disposal of wastes or drilling liquids are permitted on the Leased Premises.

(d) No Underground Gas Storage. Lessee shall have no right to use the Leased Premises or any portion thereof for underground gas, underground oil, or underground brine

storage purposes but Lessee shall be permitted surface storage for activities directly associated with the drilling activities conducted on the Leased Premises or on the lands pooled therewith.

(e) Replace Barriers and Drain Tile. Lessee shall promptly replace any barriers, including but not limited to fences, gates and walls removed by Lessee during its operations on the Leased Premises. Lessee shall construct gates on all access roads upon written request from Lessor, and provide an access key or double lock system allowing access by both Lessor and Lessee. Gates are to be closed and locked when Lessee personnel are not on the Leased Premises. Lessee shall promptly replace any drain tile removed or damaged by Lessee during its operations.

(f) Timber. Lessee shall notify Lessor in writing at least forty-five (45) days prior to any removal by Lessee of marketable timber (marketability to be within the discretion of Lessor). At Lessor's option, Lessor may choose to harvest timber, or Lessor may require an appraisal of the timber by a qualified independent appraiser, at Lessee's expense, and Lessee shall pay Lessor the appraised value for the timber identified prior to its removal by Lessee.

(g) Use of Surface or Subsurface Water. Lessee is not permitted to use water from Lessor's surface wells, ponds, lakes, springs, creeks, water courses or reservoirs on the Leased Premises without prior written consent and agreement with Lessor, separate from this Lease. With the exception of underground injection for hydraulic fracturing operations and absent any agreement entered into for these purposes by and between Lessor and Lessee, Lessee shall not drill or operate any water well, take water, or inject any substance into the subsurface, or otherwise use or affect water in subsurface water formations. For the avoidance of doubt, this provision is not intended to prevent Lessee from injecting water for hydraulic fracturing operations.

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

(i) Fencing by Lessee.

Lessee shall

(i) fence all wells and well sites, tank batteries, pits, separators, drip stations, pump engines, and other equipment placed on the Leased Premises with a fence capable of turning livestock;

(ii) keep such fences in good repair; and

(iii) keep all gates and fences closed at all times, or in lieu of gates, install cattle guards.

(j) Pipelines and Excavations.

(i) The top of any pipelines installed in Lessee's operations shall be a minimum of forty-eight (48) inches from the surface where practical in areas subject to agricultural cultivation, and as reasonable with respect to creeks, rivers, ponds, lakes and other water sources, and below local freeze levels in any event. Lessee shall utilize a double ditch method for construction of pipelines as well as any other excavation (such as drilling pits) on the Leased Premises, in which topsoil is segregated from subsoil, and when the excavation is backfilled, the subsoil is replaced first and the topsoil is placed on the top. Lessor shall have the right, subject to forty-five (45) days advance notice to Lessee, to construct and lay drainage and other utility

pipes, wires, and lines across or under Lessee pipelines in a manner which does not unreasonably interfere with Lessee's use thereof and Lessor's construction of which strictly complies with Lessee's construction and safety standards.

(ii) any pipeline constructed pursuant to this Lease shall be for transporting oil and/or gas, water or electric power from a well(s) drilled on the Leased Premises or lands pooled therewith to a location off of the Leased Premises or outside the bounds of the unit,

(k) Roads. Roadways or drives constructed by Lessee on the Leased Premises during active drilling or development phases shall not exceed fifty (50) feet in width, or a minimum width required to perform required operations without prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event of a producing well on the Leased Premises, any permanent access road for well servicing purposes shall be a maximum width of twenty (20) feet, or a minimum width required to perform maintenance and other operations without prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

Lessee agrees to construct or maintain all roads used by it in good repair utilizing shale, gravel, or crushed stone, culverts, and supports as necessary to provide normal use under all reasonable weather conditions, and when such roads are no longer being used, Lessee agrees upon Lessor's request, to remove toppings and to restore the surface as nearly as possible to its former condition. Lessee shall not use shale, gravel or crushed stone from the Leased Premises without the prior written consent of Lessor. Lessee shall prevent its employees, agents and contractors from operating vehicles in a negligent manner or at speeds in excess of 25 miles per hour while on the Leased Premises.

(l) Utilities. Lessee's rights hereunder may include burying or otherwise constructing necessary phone, electric, and data collection lines on the Leased Premises in connection with production from the Leased Premises, but such rights may not be assigned to a utility company, pipeline company, or anyone else who owns no interest in the Leased Premises or is otherwise not contracted or affiliated with Lessee for the purpose of carrying out the rights and obligations under this Lease. The right to use said pipelines terminates when production from the Leased Premises ceases and all wells associated therewith are plugged and abandoned.

(m) Restoration of Leased Premises. On completion of any operations on the Leased Premises, Lessee shall restore the Leased Premises to as near as practicable the pre-drilling conditions, remove all debris, equipment and personal property which Lessee placed on the Leased Premises (except for equipment needed for the operation of producing wells, which shall be removed within six (6) months after a well permanently ceases to produce). For purposes hereof, "completion of operations" shall mean the completion of drilling operations, including initial stimulation, as to equipment and facilities relating to drilling, including any associated pits, tanks (or other excavations or facilities no longer needed for production), or in the event of a dry hole, all such facilities. Lessee shall keep the Leased Premises in a neat and clean condition. "Completion of operations" with respect to a multi-well pad shall not occur until the last well drilled from the pad has been completed.

(n) Hazardous Materials. Lessee shall not use, dispose of or release on the Leased Premises or permit to exist or to be used, disposed of or released on the Leased Premises as a result of its operations any substances (other than (i) those Lessee has been licensed or permitted

by applicable public authorities to use on the Leased Premises and (ii) substances commonly used in operations similar to those operations being conducted by Lessee on the Leased Premises) which are defined as "hazardous materials", "toxic substances" or "solid wastes" in federal, state or local laws, statutes or ordinances. Should any pollutant, hazardous material, toxic substances, contaminated waste or solid waste be accidentally released on the Leased Premises, Lessee shall notify Lessor immediately after notifying the applicable governmental body of such event. Lessee shall be responsible for and timely pay costs of clean-up, remediation, and other costs related to and arising from the event, including, but not limited to, penalties.

(o) Firewalling and Maintenance of Production Equipment. Dikes, firewalls or other methods of secondary containment must be constructed and maintained at all times around all tanks, separators and receptacles so as to contain a volume of liquid equal to at least 1.25 times the total volume of such tanks, separators and other receptacles located within the boundaries of the firewall. Lessee shall keep all tanks and other equipment at each well location painted, and shall keep the well site and all roads leading thereto free of noxious weeds and debris.

(p) Pits. Lessee shall have no right to dig any pits other than drilling pits (not storage pits) on the Leased Premises except with Lessor's prior written consent. Any pit so permitted shall: (i) conform to all applicable regulatory requirements (state, local and federal), (ii) be planned to be deep enough to allow at least thirty-six (36) inches of back fill over the liner after grading to surrounding pre-drill contour and (iii) promptly after completion of operations any backfill and the liners shall be removed and the pits shall be drained, prepared for burial, back filled, graded and planted within ninety (90) days (weather permitting). Lessee shall immediately notify Lessor and all applicable regulatory authorities if any pit lining is torn, punctured, or otherwise breached, allowing any fluid contained in a pit or designated to be contained in a pit to seep, leak or overflow through or around the liner.

(q) Mutual Agreement as to Location of Operations. Before commencing surface disturbing operations on the Leased Premises, Lessee and Lessor shall mutually agree in writing on the location of all wells, roads, pipelines, gates, and other equipment so as to minimize disruption of Lessor's use of the Leased Premises. To the degree practicable, operations shall be designed and laid out to be concentrated in a single area so as to avoid unnecessary utilization of surface areas. To the degree practicable, pipelines and roadways are to be within the same corridor. Lessor's agreement shall not be unreasonably withheld, conditioned or delayed assuming the preceding standards are followed. Without a separate written agreement between Lessor and Lessee, no pump stations, tank batteries, pipelines, dryers or separators shall be located on the Leased Premises unless they are for the sole purpose of transporting, processing or treating gas from the Leased Premises or lands pooled or unitized therewith, and those shall not be located nearer than, (and no well shall be drilled nearer than) five hundred (500) feet from any dwelling or residential structure or three hundred (300) feet from any barn or other non-residential structure then on the Leased Premises without the Lessor's written consent. There shall be no compressors located on the Leased Premises, except those for the sole purpose of compressing gas from the Leased Premises and lands pooled therewith, without a prior separate written agreement with Lessor. Any compressor operations permitted hereby shall be designed and installed utilizing means to minimize noise, including but not limited to, sound enclosures and barriers, and electrical motors if reasonably possible.

2. Water

As a valuable consideration for granting this Lease, the parties agree as follows:

(a) Water Quality.

(i) Lessee's operations on the Leased Premises shall not adversely affect the water sources on the Leased Premises. Lessee shall test the two closest sources of water supply located on the Leased Premises within 1,500 feet of Lessee's proposed well, pit, pond, pumping or processing facilities installed by Lessee on the Leased Premises or on any unit of which the Leased Premises is a part while this Lease is in effect. Lessee shall conduct tests of such water sources prior to the commencement of construction of such facilities or Lessee operations ("Baseline Testing"), and within nine (9) months of conclusion of completion operations by Lessee, and at any time after operations have commenced while this Lease is in effect should Lessor notify Lessee in writing of documented facts evidencing a degradation in water quality, including, but not limited to, color, smell or taste ("Subsequent Testing"). In the event of release of any hazardous substance, as said term is defined in the Toxic Substances Act and the Comprehensive Environmental Response, Compensation and Liability Act, or oil, gas, or other petroleum products or substances from the pipeline or on the road installed by Lessee on the Leased Premises or the unit of which the Leased Premises is a part, Lessee shall test the two closest sources of water supply located on the Leased Premises within 1,500 feet of the area affected by such release.

Lessee's testing is required as to the two closest sources within 1,500 feet of certain operations and facilities, and only upon a release event in other applications (pipelines and roads).

(ii) Lessee shall not be responsible for any degradation in water quality resulting from an event of "force majeure" as such term is defined in Article VII, Section 2 of this Lease, natural seasonal variations, or temporary impacts caused thereby, such as an increased turbidity.

(iii) Upon Lessee's receipt of written notice by Lessor to Lessee supported by written determination by an appropriate governmental authority or the ODNR that there has been a material degradation in the quality of Lessor's water, Lessee shall as soon as reasonably practical, but not later than 3 business days of Lessee's receipt of such notice, supply Lessor with an adequate supply of water, potable or non-potable, as applicable, consistent with Lessor's use of the damaged water supply prior to Lessee's operations. Such supply shall be provided until either (a) the quality has been determined to be fully restored, or (b) Lessee demonstrates through Subsequent Testing or other means that the degradation in the water quality was not caused by Lessee's operations, under the standards set forth below.

If a lessor observes a water quality problem, the nature and existence of the problem will need to be corroborated by a health department or ODNR, and only then will the lessee be obligated to provide a replacement supply.

(iv) Except as a result of an event of force majeure or natural seasonal variations, any degradation in quality of water located on the Leased Premises after any Lessee operations commence on the Leased Premises or the unit of which it is a part will be presumed to be the result of Lessee's operation unless Lessee can prove otherwise, with Lessee having the burden of proof by a preponderance of the evidence. Lessor agrees that Baseline Testing and Subsequent Testing provided for in this Article V, Section 2 shall constitute evidence to satisfy Lessee's burden of proof. Unless jurisdiction for any dispute arising under this Article V, Section 2 is otherwise required to be determined by an appropriate governmental authority, the parties agree that the arbitration provisions of Article VII, Section 1 shall apply to any dispute hereunder. Should a determination be made that the quality of Lessor's water supply was degraded as a result of Lessee's operations, in accordance with the foregoing sentence, Lessee shall take any and all steps to restore water quality to its pre-existing condition and fully compensate Lessor for the damage suffered thereby.

(v) Analysis of samples collected as part of Baseline Testing and Subsequent Testing shall be conducted by an Ohio EPA-certified testing laboratory following at a minimum the protocol and parameters documented in the ODNR's provisions for "Best Management Practices for Pre-drilling Water Sampling", or according to any other validly enacted government promulgated regulations in Ohio whichever is the most rigorous (the "Testing Standard"). Such testing laboratory will not be an Affiliate of Lessee as defined in Article III, Section 3(c). Lessee shall provide to the testing laboratory, in advance of testing, a list of chemical constituents in order for the testing agent to adequately test the water in accordance with the Testing Standard. Should the testing results indicate the presence of chlorides ($> 10\%$ in excess of background levels) and/or dissolved methane (> 1.0 mg/l), then Lessee agrees to test for all chemical constituents currently used on the Leased Premises, which testing may exceed the Testing Standard. Furthermore, at Lessor's request, Lessee shall provide Lessor with a listing of all chemical constituents currently being used on the Leased Premises. Lessee shall pay all costs of testing. Lessor shall be provided complete copies of any and all testing results and data, and shall have full rights to contact the testing lab for inquiry and information.

Detailed standards are provided for testing methodology. All testing will meet well established (ODNR) standard protocols. If those tests indicate markers for contaminants, then additional testing would have to be performed.

(b) Water Quantity.

In the event Lessee drills any water wells on the Leased Premises or on any unit of which the Leased Premises is a part, Lessee agrees to conduct a step drawdown test of select water wells drilled by Lessee to be decided at Lessee's

discretion. Any drawdown test should be conducted pursuant to the ODNR Division of Soil and Water Resources Fact Sheet 01-62 prior to Lessee's use of such water well. Lessee agrees that the results of any drawdown test conducted by Lessee on water wells drilled by Lessee will establish a maximum safe yield that will not be exceeded by Lessee in its operations. Lessee shall be responsible to Lessor for any diminution of water supply on Leased Premises if Lessee has exceeded the maximum safe yield established by the drawdown test; provided, however, Lessee shall not be responsible in any event for any diminution in water supply resulting from an event of "force majeure" as such term is defined in Article VII, Section 2 of this Lease, and natural seasonal variations. Lessee shall install a meter at each water well drilled by Lessee on the Leased Premises or the unit of which the Leased Premises is a part of, and upon Lessor's written request, Lessee shall make available to Lessor the records of water use from such water well.

Impact on water quantity is separately addressed in this lease. If the lessee obtains a water supply on or near the lessor's property (on the unit, a draw down test will be conducted to determine the source's safe yield. If the lessee exceeds the maximum safe yield, lessee shall be responsible for any impact on the lessor's water supply caused by the lessee's water use.

Notwithstanding anything to the contrary contained herein, Lessee maintains that there is no causation between the activities to be undertaken by Lessee on the Leased Premises and the quality or quantity of water resources.

3. Notice to Drill

Lessee shall provide at least ten (10) days prior written notice to Lessor before Lessee commences any actual drilling (bit in the ground) on the Leased Premises.

ARTICLE VI. LIABILITY ISSUES

1. Indemnity

Lessee agrees to defend, indemnify and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and assigns ("Indemnitees"), from and against any and all claims, demands and causes of action for injury (including death) or damage to persons or property or fines or penalties, or environmental matters arising out of, incidental to or resulting from the operations of or for Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors, and from and against all costs and expenses incurred by Indemnitees by reason of any such claim or claims, including attorneys' fees; and each assignee of this Lease, or an interest therein, agrees to indemnify and hold harmless Indemnitees in the same manner provided above. Such indemnity shall apply to any claim arising out of operations conducted under or pursuant to this Lease, however caused and whether based upon negligence, contract, statute, strict liability or other grounds or reasons, provided, however, such indemnity shall not apply to claims arising out of the negligence of Lessor, Lessor's guests or invitees not arising out of, incidental to, or resulting from, the operations of or for Lessee.

2. Insurance

(a) A company licensed by the Ohio Department of Insurance to do business in the state shall underwrite all policies required by this Lease. Provided however, such insurance requirements may be met solely or by a combination of self-insurance, primary and excess insurance policies.

(b) Lessee shall assure that Lessee and any person acting on Lessee's behalf under this Lease carries the following insurance with one or more insurance carriers at any and all times such party or person is on or about the Leased Premises or acting pursuant to this Lease, in such amounts as from time to time reasonably required by Lessor.

- (i) Workers Compensation and Employer's Liability Insurance;
- (ii) Commercial General Liability and Umbrella Liability Insurance;
(\$5,000,000.00 Minimum coverage)
- (iii) Business auto and Umbrella Liability Insurance;
(\$5,000,000.00 Minimum coverage)
- (iv) Environmental Liability; (\$5,000,000.00 Minimum coverage)

Within six (6) months of the five (5) year anniversary date of this Lease and each subsequent fifth (5th) anniversary, Lessor may request in writing and Lessee shall agree to institute new insurance amounts based on the original insurance amounts indexed to the Producers Price Index for All Commodities, issued for the anniversary month by the U.S. Department of Labor, Bureau of Labor Statistics. Should such index be discontinued and/or replaced, a conversion to a substitute or replacement index shall be accomplished using normally accepted conversion factors. Such adjusted amounts shall be rounded off to the nearest Thousand Dollar (\$1,000) amount. Failure of Lessor to request an adjustment for any five (5) year period shall not preclude a full adjustment at a subsequent five (5) year anniversary if requested.

The Lessee shall cause Certificates of Insurance evidencing the above coverage to be provided promptly upon request to Lessor, or to such other representative of Lessor as Lessor may from time to time designate. The insurance policies required under this section, shall cover the Lessor as additional insured parties with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor. Failure to comply with this Insurance section shall be basis of default and all operations on the Leased Premises shall cease immediately.

ARTICLE VII. OTHER MATTERS

1. Arbitration

In the event of any dispute arising under this Agreement between the Parties, the party aggrieved shall provide the other party with a written notice in accordance with Article VII, Section 5 ("Dispute Notice"). The Parties shall attempt in the first instance to resolve such dispute through non-binding mediation before a neutral mediator to which all Parties agree to in writing. The Parties agree to attempt to resolve all disputes arising hereunder promptly, equitably and in a good faith manner.

If any dispute arising hereunder has not been resolved within forty-five (45) days after the Dispute Notice, then, at the request of any Party to the dispute, such dispute shall be submitted to binding arbitration in accordance with the AAA Commercial Arbitration Rules then in effect and, to the maximum extent applicable, the Federal Arbitration Act (Title 9 of the United States Code), with a copy provided to the other Parties to the dispute ("Submission Date").

All arbitrators shall be neutral parties who have never been officers, directors or employees of the Parties or their Affiliates. The arbitration will be conducted before a three-member panel of arbitrators that shall consist of an arbitrator appointed by each Party to the dispute and a neutral third arbitrator selected by the Party-appointed arbitrators who shall chair the panel. Each arbitrator shall be selected within thirty (30) days of the Submission Date. Each Party to the arbitration shall bear its own fees, costs and expenses incurred in connection with the arbitration, including attorneys and experts fees. Each Party shall also bear its respective arbitrator's fees (if applicable) and share equally the fees and expenses of the neutral arbitrator.

To the maximum extent practicable, an arbitration hearing hereunder shall be concluded within one hundred eighty (180) days of the Submission Date. Arbitration proceedings shall be conducted in Cleveland, Ohio.

Before the Submission Date or prior to the selection of arbitrators, nothing contained herein shall prevent a Party from applying to a court that would otherwise have jurisdiction for provisional or interim measures. After the arbitrators are selected, they shall have sole jurisdiction to hear such applications, except that any measures ordered by the arbitrators may be immediately and specifically enforced by a court otherwise having jurisdiction over the Parties. The arbitrators shall make specific written findings of fact and conclusions of law after the arbitration hearing. Judgment upon the arbitration award rendered by the arbitrators may be entered in any court having jurisdiction. All Parties agree to keep disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law.

2. Force Majeure

Should Lessee be prevented from complying with any express or implied covenant of this Lease (except payment of money), from conducting drilling (including fracturing) or reworking operations thereon or from producing oil and gas therefrom by reason of inability to obtain or to use equipment or material, or by operation of force majeure (as defined in this Section), any federal or state law or any order, rule or regulation of governmental authority, then while so prevented Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by any such force majeure event from conducting drilling or reworking operations on or from producing oil or gas from the Leased Premises. The term "force majeure" means any cause or event not reasonably within the control of the party whose performance is sought to be excused thereby; including acts of God, strikes, lockouts, or other industrial disputes or disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, floods, washouts, droughts, earthquakes, fires, tornadoes, hurricanes, storms, and warnings for any of the foregoing which may necessitate the precautionary shut-down of wells, plants, pipelines, gathering systems, or other related facilities, arrests and restraints of governments and people, civil disturbances, explosions, sabotage, breakage or accidents to equipment, machinery, freezing of wells or lines of pipe, electric power shortages, necessity for compliance with any court order, or any law, statute, ordinance, regulation or order promulgated by a governmental authority having or asserting jurisdiction, inclement weather that necessitates extraordinary measures and expense to construct facilities or maintain operations and any other causes, whether of the kind enumerated herein or otherwise, not reasonably within the control of the party claiming suspension, including any such cause or event occurring with respect to the facilities, services, equipment, goods, supplies or other items necessary to the performance of such party's obligations hereunder. The period of extension by reason of force majeure shall be limited to a cumulative total of forty-eight (48) months. Any delay beyond one hundred twenty (120) days from the date of application to obtain any required permit to drill, complete or

re-work a well shall be grounds to invoke force majeure until the permit is granted. If this Lease is subject matter of any lawsuit, arbitration proceeding or action, and Lessee is ordered therein to forego or suspend its operations on the Leased Premises, or Lessee in its discretion foregoes or suspends operations solely by reason of such lawsuit, proceeding or action, then this Lease shall not expire during the pendency of such lawsuit, proceeding or action, or any appeal thereof, and the period of the lawsuit, arbitration proceeding or action, or any appeal thereof, shall be added to the term of this Lease.

3. **Governing Law**

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

4. **Due Diligence**

If oil or gas is discovered on the Leased Premises, Lessee shall develop the Leased Premises as a reasonable and prudent operator and exercise due diligence in drilling such additional well or wells as may be necessary to fully develop the Leased Premises, subject to Article III.6(a) of this Lease. Lessee shall protect the oil and gas in and under the Leased Premises from drainage by wells on adjoining or adjacent tracts or leases, including those held by Lessee or any affiliate of Lessee.

5. **Notices**

Notices, consents, or other documents required or permitted by this Lease must be given by personal delivery, facsimile, reputable overnight courier (Federal Express or other), or sent by USPS registered or certified mail, return receipt requested, and postage paid. For purposes of notice, Lessor's information is as follows:

Name _____
Address _____
Fax No. _____

Lessee's information is as follows:

Name _____
Address _____
Fax No. _____

Either party's notice information may be changed upon prior written notice delivered to the other party.

Lessee shall designate a person who will be a point of contact for Lessor. Lessee shall provide Lessor such person's name, address, telephone number, email address, and facsimile number. Such person shall be knowledgeable as to operations on the Lease, and have sufficient authority from Lessee to reasonably respond and address Lessor concerns.

6. **Reports and Documents**

Upon Lessor's written request, Lessee shall furnish Lessor copies of all title opinions covering the Leased Premises and promptly upon receipt by Lessee, notify Lessor of any judicial proceedings brought to the attention of Lessee affecting its position and rights under the Lease or the

interest of Lessor in the Leased Premises as well as copies of all filings, statements, and reports made by Lessee with the ODNR or other government agency pertinent to drilling, completing and equipping wells. Upon Lessor's written request, Lessee shall provide to the Lessor information relevant to the production from the wells on the Leased Premises or on the lands pooled therewith; provided, however, that Lessee shall not be obligated to provide any information whatsoever with respect to marketing arrangements, market strategies or competitive pricing analyses. All information related to production that is provided by Lessee to Lessor that is not readily available to the general public or that is not within the public domain shall remain strictly confidential and Lessor agrees to not provide any such information to any party without the prior written consent of Lessee.

7. Assignments

The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any horizon, subject to the written consent of the Lessor. Lessor's consent shall not be unreasonably withheld, conditioned or delayed. Provided, however, that consent from the Lessor shall not be required in the event of an assignment by Lessee to an affiliate, subsidiary, or internal partner, joint venture partners or in consequence of a merger or amalgamation. All of the covenants, obligations, and considerations of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No assignment by Lessee (or any assignee of Lessee) of all or any part of or interest in this Lease shall relieve Lessee (or any assignee of Lessee) of any liability for breach of any covenant, warranty or other obligation of Lessee hereunder, whether theretofore or thereafter accrued. Each assignee of all or any portion of the rights of Lessee hereunder agrees to be bound by the provisions of this lease to the same extent as if such assignee were an original party to this Lease. Notwithstanding any assignment by Lessee of a segregated portion of this Lease, default by Lessee or any assignee or subassignee of Lessee in any covenant or condition in this Lease shall constitute default as to the entire Lease. Lessee shall notify Lessor of such assignment and furnish Lessor a true copy of any assignment. Until Lessee, or any assignee of Lessee, has given Lessor written notice of the assignment by such Lessee or assignee of Lessee of all its right and interest under this lease, all notices to Lessee hereunder may be given to the Lessee named herein, despite the assignment of part of the Lease. No change or division in the ownership of the Leased Premises, royalties, or other moneys, or any part thereof, howsoever affected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof to Lessee, its successors or assigns, no change or division in the ownership of the Leased Premises or of the royalties or other moneys, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this Lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by Lessor or Lessor's heirs, successor, or assigns, notice of such change or division, supported by either originals or copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the Lessor, Lessee may nevertheless pay or tender such royalties or other moneys, or part thereof, to Lessor or Lessor's estate.

8. Authorship

For the purpose of construction, interpretation, arbitration or adjudication, it shall be deemed that Lessee and Lessor contributed equally to the drafting of this instrument.

9. Condemnation

Any and all payments made by a Condemnor on account of a taking by eminent domain shall be the property of Lessor, except to the extent such condemnation or taking diminishes the rights granted Lessee hereunder or if such condemnation or taking reduces or otherwise devalues Lessee's interest in the oil and gas estate; In such event, Lessee shall be necessary party to any condemnation proceeding and shall have a right to independently seek compensation for its rights and interest, subject to applicable law.

10. Severability

If any portion of this Lease is held invalid or unenforceable by arbitration or any court of competent jurisdiction, the other provisions of this agreement will remain in full force and effect. Any provision of this agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

IN WITNESS WHEREOF, the parties have signed this Lease.

LESSOR:

Name: _____

Name: _____

Date: _____

LESSEE:

By: _____

Title: _____

Date: _____

[Notary Acknowledgments on Next Page]

ACKNOWLEDGEMENT

STATE OF OHIO)
)
COUNTY OF _____)

On this ____ day of April, 2012, before me, the undersigned Notary Public, personally appeared _____, the _____ of _____, who subscribed the within instrument as his/her own free act and deed as said officer of Lessee, and acknowledged that he/she executed the same for the purposes contained therein.

In witness whereof, I have hereunto set my hand and official seal.

Notary Public
My Commission Expires: _____

Printed Name: _____

STATE OF OHIO)
)
COUNTY OF _____)

On this ____ day of April, 2012, before me, the undersigned Notary Public, personally appeared _____, known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument as Lessor, and acknowledged that they executed the same for the purposes therein contained.

In witness whereof, I have hereunto set my hand and official seal.

Notary Public
My Commission Expires: _____

Printed Name: _____

EXHIBIT A

(Article I, Section 1)

Copy of legal description to Leased Premises as reflected in Deed to Lessor will be attached here as
Exhibit A

**MEMORANDUM OF
OIL AND GAS LEASE**

EFFECTIVE DATE APRIL 1, 2012

This is a Memorandum of an oil and gas lease ("Memorandum of Lease") executed the [] day of April, 2012, but effective as of April 1, 2012 (the "Effective Date") between [], herein called "Lessor" (collectively if there is more than one) whose address is [] and [] hereinafter called "Lessee", whose address is []. This Memorandum, made in accordance with Ohio Revised Code § 5301.251, contains some, but not all of the terms of the Lease signed by Lessor and Lessee.

Lessor and Lessee entered in to that certain oil and gas lease (the "Lease") exclusively for the purpose of carrying on geophysical and other exploratory work, including core drilling, and the drilling, operating for, producing and gathering of all the oil, gas, casinghead gas, casinghead gasoline, condensate, distillate, natural gas liquids, hydrocarbon and non-hydrocarbon minerals or products that may be associated with oil or gas, all other gases and their respective constituent vapors and liquid or gaseous hydrocarbons produced in association therewith other than as reserved unto Lessor herein below (herein called "Lease Products").

1. Description of the Land Included in this Lease

The land included in the Lease, herein called the "Leased Premises" is located in the County of Trumbull, State of Ohio, with a permanent parcel number (or numbers) as follows: []. A legal description of the Leased Premises is attached hereto as Exhibit A, along with the prior deed reference.

2. Limitations on Grant of Lease

(a) Lessor's Reserved Rights. Lessor reserves all rights not specifically granted to Lessee in the Lease. Specifically reserved by Lessor are all oil, gas and other mineral rights from the surface to the top of the Queenston Shales, other than such rights allowed to Lessee to drill through such reserved portions as are necessary for Lessee to have access to the Queenston Shales and below.

(b) Other Minerals Reserved. The Lease does not include and there is hereby excepted and reserved unto Lessor all of the sulfur, coal, lignite, uranium, and other fissionable material, geothermal energy, base and precious metals, rock, stone, gravel, and any other mineral substances (excepting those described above) presently owned by Lessor in, under, or upon the Leased Premises, together with rights of ingress and egress and use of the Leased Premises by Lessor or its lessees or assignees for purposes of exploration for and production and marketing of the materials and minerals reserved hereby, provided such use does not interfere with Lessee's operations on the Leased Premises.

3. Unitization - Pooled Units

Subject to the terms, conditions and limitations contained in the Lease, Lessee is granted the right, at its option, to pool or unitize any land covered by the Lease with any other contiguous lands included with other leases as to any or all horizons or gas, oil, or other minerals described in the Lease so as to establish pooled units.

Name _____
Address _____
Fax No. _____

Lessee's information is as follows:

Name _____
Address _____
Fax No. _____

Either party's notice information may be changed upon prior written notice delivered to the other party.

11. Assignments

The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any horizon, subject to the written consent of the Lessor. Lessor's consent shall not be unreasonably withheld, conditioned or delayed. Provided, however, that consent from the Lessor shall not be required in the event of an assignment by Lessee: to an affiliate, subsidiary, or internal partner, joint venture partners or in consequence of a merger or amalgamation.

12. Copy of Original Lease

This Memorandum of Lease is not a complete summary of the Lease. In the event of any conflict between the terms hereof and the terms of the Lease, the terms of the Lease shall govern and control. Original counterparts of the complete, signed Lease have been delivered to Lessor and Lessee. True copies of the signed lease, including all signatures, will be kept so long as the Lease is in effect, and at least five (5) years thereafter, by Lessee or its designee, and will be made available to Lessor upon request at the address listed for Notices in Paragraph 5 of this Memorandum of Lease.

IN WITNESS WHEREOF, the parties have signed this Memorandum of Lease.

LESSOR:

By: _____

Name: _____

LESSEE:

By: _____

Name: _____

Exhibit "D"

Form of Acknowledgment and Agreement by ALOV Lessor

The undersigned ALOV Lessor, having affiliated with ALOV for the purposes of negotiating and signing a Lease with [_____] hereby acknowledges and agrees to the terms of the Agreement as set forth above. The undersigned has had full opportunity to obtain legal counsel and other counsel to the degree desired by the undersigned prior to committing to this process, and committing to sign the Lease with [_____] and this acknowledgment and agreement to the Agreement.

Individuals

Date

If partnership, trust, corporation, LLC, or other entity:

Name of Entity

By _____

Its _____

Address for notice per Section 16 of the Agreement:

Address: _____

Attn: _____

Tel: _____

Email: _____

7. Affiant is not currently receiving free gas from any well(s) or pipelines located on the Subject Lands, other than in the case of any well owned solely by Affiant.

Nothing contained in this Affidavit shall alter or amend provisions of the Lease being signed by Affiant on the same date as this Affidavit which states that it is Lessee's sole responsibility to determine record title. Lessor makes no representation or warranties regarding record title by this Affidavit.

Executed this ___ day of April, 2012.

Print name: _____

Signature: _____

Sworn and subscribed to before me on this ___ day of April, 2012, by _____

Notary Public