

PAID UP
OIL AND GAS LEASE

This Lease Agreement is made and entered into this _____ day of _____, 20____.

between John Doe (SAMPLE) _____

as Lessor, (whether one or more), and **SWEPI LP, having an office at 190 THORN HILL ROAD, WARRENDALE, PENNSYLVANIA 15086**, as Lessee.

(1) **LEASE** - In consideration of the bonus consideration paid, the receipt of which is hereby acknowledged, and in further consideration of the covenants and agreements herein contained, Lessor does hereby grant, demise, lease and let exclusively to Lessee, its successors and assigns, the lands hereafter described for the purpose of exploring for, developing, producing and marketing oil, gas or other related substances produced in association therewith by all methods now known or hereafter known or hereafter discovered, in and under the following described land:

(2) **DESCRIPTION** - All that certain tract of land situate in the Township of _____, _____ County, Commonwealth of Pennsylvania, generally bounded now or formerly as follows:

On the North by _____

On the East by _____

On the South by _____

On the West by _____

and for reference purposes only, being County Tax Parcel No. _____, being the same tract of land acquired by Lessor by virtue of a document recorded in the office of the Recorder of Deeds in said county in Pennsylvania, Deed Book and Page No. or Instrument No. _____ and stipulated to contain, for the purpose of calculating payments, _____ (_____), acres, more or less, and hereinafter called “leased premises”. This lease includes all accreted or submerged lands contiguous to the leased premises claimed or owned by Lessor.

(3) **TERM** - Subject to the other provisions contained herein, this lease shall be in force for a primary term of five (5) years and for so long thereafter as oil, gas or other substances covered hereby are capable of being produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained pursuant to the provisions hereof. It is understood that so long as this lease is extended beyond the primary term by any provision of this lease, Lessee may commence, resume, or continue the exercise of any of the rights, privileges or purposes hereof during such extension.

EXTENSION OF TERM: At Lessee’s option, Lessee may extend the primary term of this lease for an additional period equal to the primary term by paying or tendering to Lessor an extension payment of Three Thousand Two Hundred Fifty and 00/100 Dollars (\$3,250.00) per acre payable at any time prior to the expiration of the primary term. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date hereof and continuing to the end of the extended primary term.

(4) **ROYALTY PAYMENT** – On oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith, (except storage gas) Lessee shall deliver to Lessor, as royalty eighteen percent (18%) of the proceeds (less all applicable excise taxes, including production, severance and windfall profits taxes, and less transportation, compression, dehydration and gathering costs, if any) realized by Lessee for that produced and marketed off the leased premises.

(5) **LESSOR’S INTEREST** - If Lessor owns an interest in the leased premises less than the entire and undivided estate herein leased, then all payments herein provided shall be paid by Lessee only in the proportion to which Lessor’s interest bears to the whole and undivided estate. If the leased premises shall hereafter be subdivided, the leased premises shall nevertheless be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety, and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each owner bears to the entire leased acreage. Lessee shall not be bound by any change in the ownership of the leased premises or any change of the address of Lessor until furnished with such documentation from Lessor as Lessee may reasonable require.

(6) **DIRECTION OF PAYMENT** – All payments herein may be directed to the Lessor or deposited to Lessor’s credit or to the credit of Lessor’s respective heirs or assigns by check payable to the order and address as set forth above. Lessee shall not be obligated to alter payments as directed above unless with written notice by Lessor or Lessor’s heirs or assigns direct Lessee otherwise.

(7) **CONTINUING OPERATIONS** – If at the end of the primary term or any extension thereof this lease is not being kept in force by any other provision hereof but Lessee has commenced operations for drilling, completing, reworking, equipping or any other operation calculated to obtain production on the leased premises or lands pooled therewith, this lease shall remain in force as long as such operations are conducted in a reasonably prudent manner. At any time after the expiration of the primary term, this lease is not being kept in force by any other provision hereof, Lessor agrees to extend the term one year beyond the completion of plugging operations of the last well on leased premises to permit Lessee to deepen, rework or recomplete said well or to commence operations for the drilling of another well and if such operations result in the production of any substance covered hereby, this lease will be extended as long thereafter as production continues in paying quantities.

(8) **POOLING & UNITIZATION** - Lessee is hereby granted the right to pool or unitize the leased premises, or any part thereof, with any other property for the production of any substance covered hereby, so as to create one or more drilling or production units. Furthermore, Lessee shall in no event be required to drill more than one well on such unit. Said drilling or

production units shall not exceed one thousand two hundred eighty (1,280) acres or such size as may be permitted to conform to the rules and regulations of any governmental agency claiming jurisdiction. In the event this lease is so unitized, the Lessor agrees to accept in lieu of the royalty herein before recited, such proportion of the royalty above provided as the acreage contributed by this lease bears to the total acreage comprising the unit.

Lessee shall create the unit by executing an instrument identifying and describing the pooled acreage and shall mail a copy thereof to the Lessor's last known address. Lessee shall have the recurring right to revise any unit formed hereunder either before or after commencement of production. In the event of a revision, Lessee shall execute a written instrument describing the revised unit and stating the effective date of the revision. Lessee shall mail a copy thereof to the Lessor's last known address and the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination.

Commencement of operations for drilling, completing, reworking, equipping or any other operation calculated to obtain production, or production anywhere on a unit which includes all or any part of the leased premises shall, except for the payment of royalties, be treated as if it were commencement of operations for drilling, completing, reworking, equipping or any other operation calculated to obtain production, or production on the leased premises.

(9) **GAS STORAGE** – Lessee shall have the exclusive right to use any formation underlying the leased premises for the storage of gas and shall have all rights necessary to store and produce such stored gas. At the time of exercising the rights to store gas hereunder, Lessee shall pay Lessor's proportionate share of the estimated recoverable gas remaining in the relevant well located on the leased premises using methods of calculating gas reserves as are generally accepted by the oil and gas industry. Lessee agrees to pay Lessor an annual rental of five dollars (\$5.00) per acre for all leased premises which Lessee wishes to use for the storage of gas payable in advance while the leased premises are so used and so long as storage payment is made all provisions of this lease shall remain in full effect.

(10) **ANCILLARY RIGHTS** - Lessor grants to the Lessee the right of ingress and egress over, under and through said leased premises with the exclusive right to conduct such operations on the leased premises as may be necessary for the exploration and production of oil, gas or other related substances covered hereby, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, and other facilities necessary, useful or convenient to produce, save, take care of, treat, process, store and transport oil, gas and other products with the right to transport by pipelines or otherwise, oil, gas, water and their constituents from the leased premises and other lands regardless of the source of such substances and the exclusive right of injecting water, air, brine, gas and other fluids into subsurface strata. Lessee shall also have the right of placing electric and telephone lines over the leased premises; the right to erect necessary buildings, tanks, towers, stations or other structures thereon; the right to use free from royalty sufficient oil, gas and water produced from the leased premises for all operations thereon (provided it finds water at its own expense).

The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, methane produced from coal formations and other commercial gases, as well as normal hydrocarbon gases including casinghead gas.

Lessee at any time, and from time to time, may surrender this lease as to all or any part thereof by recording an appropriate instrument of surrender in the proper county and thereupon this lease and the rights, rentals and obligations of the parties hereunder shall terminate as to the part so surrendered: provided however, that upon each surrender as to any part of the lease, Lessee shall maintain such easements rights to the surrendered portion as may be appropriate to its enjoyment of the portion not surrendered.

When requested by Lessor in writing, Lessee shall bury its pipelines below plow depth in areas utilized for farming operations. No well shall be located within two hundred (200) feet from any house now on the leased premises without Lessor's consent and Lessee shall pay for reasonable damage caused by its operations to growing crops and marketable timber thereon. Lessee shall have the right to remove its fixtures, equipment and materials, including well casing, from the leased premises during the term of this lease and within a reasonable time thereafter.

(11) **SHUT-IN ROYALTY** – If after the primary term of this lease, all wells on the leased premises or within a unit that includes all or a part of the leased premises, are shut-in, suspended or otherwise not producing for any reason whatsoever for a period of twelve (12) consecutive months, and there is no current production of oil and gas or operations on said leased premises sufficient to keep this lease in force and this lease is not otherwise kept in force by other provisions of this lease, Lessee may maintain this lease in effect by tendering to Lessor as shut-in royalty, a sum equal to five dollars (\$5.00) per acre. Said shut-in royalty shall be paid or tendered to the Lessor on or before the next ensuing yearly anniversary of the date of this lease, and thereafter on or before each yearly anniversary of the date hereof while the wells are shut-in or production therefrom is not being marketed by Lessee. Upon payment of the shut-in royalty as provided herein, this lease will continue in force during all of the time or times while such wells are shut-in but failure to properly pay shut-in royalties shall render Lessee liable only for the amount due and shall not operate to terminate this lease.

(12) **TAXES** – Subject to paragraph four (4) above regarding post-production costs all taxes assessed or payable on the oil and gas including any ad valorem, production, severance, business, occupation or other excise taxes or any increase in the real estate taxes, or taxes in lieu of real estate taxes imposed because of the oil and gas operations under this lease shall be paid by the parties hereto in proportion to their interest.

(13) **LIENS**- Lessee may, at its option, pay and discharge any past due taxes, mortgages, judgments, and/or other liens and encumbrances on or against any land or interest included in the Leasehold. Lessee shall be entitled to recover any such amounts paid from Lessor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means.

(14) **FORCE MAJEURE** – Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling, or re-working operations thereon or from producing oil and gas or other substances by reason of scarcity of or inability to obtain or use equipment, men or material, or by operation of force majeure such as storm flood, fire, or other acts of God, war, rebellion, insurrection, riot, strikes, differences with workmen or failure of carriers to transport or furnish facilities for transportation, or as a result of a lawsuit or some law, order or regulation of the government, or as a result of shortage in material or equipment, or as a result of any cause whatsoever beyond the control of the Lessee, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended for so long as compliance is thus prevented and for six (6) months thereafter.

(18) **WAIVER IN WRITING** - The failure of either party to enforce or exercise any provision of this lease shall not constitute or be considered as a waiver of the provision in the future unless the same is expressed in writing and signed by the respective parties.

LESSOR:

Phone #: _____

Phone #: _____

Phone #: _____

Phone #: _____

Notary Public

THIS MEMORANDUM OF LEASE has been made to indicate the existence of an Oil and Gas Lease ("Lease") dated _____ by and between _____ of _____, as Lessor and **SWEPI LP**, **having an office at 190 THORN HILL ROAD, WARRENDALE, PENNSYLVANIA 15086**, as Lessee.

1. The primary term of the Lease is for a period of Five (5) years commencing on the date immediately set forth above and for so long thereafter as oil, gas or other substances covered by the Lease are capable of being produced in paying quantities from the leased premises or from lands pooled therewith or the Lease is otherwise maintained or prolonged pursuant to the provisions contained in the Lease, including an extension of term contained therein. Lessee may extend the primary term of the Lease for an additional Five (5) years after the end of the primary term, thereby continuing the term of the Lease to the end of the extended primary term.

On the North by _____

On the East by _____

On the South by _____

On the West by _____

This Memorandum of Lease has been executed for the purpose of providing notice in the Records Office of _____ County, Commonwealth of Pennsylvania, of the existence of the Lease and shall not be considered in any way a modification or alteration of the Lease.

WITNESS:

LESSOR:

SWEPI LP

Its: _____

COMMONWEALTH OF PENNSYLVANIA }

COUNTY OF _____ } ss:

On the _____ day of _____ in the year 20____ before me, the undersigned, a notary public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

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