

Commonwealth of Pennsylvania
Department of Conservation and Natural Resources
Bureau of Forestry, Minerals Division
P.O. Box 8552
Harrisburg, PA 17105-8552

STATE FOREST/PARK TRACT NO. **XXX**

CONTRACT NO.
M-110XXX-XX

**NON-SURFACE DISTURBANCE OIL AND GAS LEASE
FOR STATE FOREST AND PARK LANDS**

THIS AGREEMENT made effective on this ____ day of _____ 20__ (the Effective Date), by and between the COMMONWEALTH OF PENNSYLVANIA (the Commonwealth), acting through the **DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES** (the Department or Lessor) and [Lessee name], with its principal place of business at [Lessee address], and authorized to do business within the Commonwealth of Pennsylvania (the Lessee).

WITNESSETH:

WHEREAS, the Department is authorized pursuant to Section 302(a)(6) of the Conservation and Natural Resources Act (CNRA), Act of June 28, 1995 (P.L. 89, No. 18), 71 P.S. § 1340.302(a)(6), to lease State Forest lands for oil and gas development when such disposition is deemed by the Department to be in the best interest of the Commonwealth;

WHEREAS, the Department is authorized pursuant to Section 302(a)(13) of CNRA, 71 P.S. § 1340.302(a)(13), to enter into lease agreements with owners or lessees of natural gas underlying lands which are located in the same area as State Forest or Park lands owned by the Commonwealth; and

[ADD ANY ADDITIONAL NECESSARY WHEREAS CLAUSE(S) HERE]

WHEREAS, the Department has determined that the leasing of oil and gas rights in the premises described below is in the best interests of the Commonwealth and has authorized this lease.

NOW THEREFORE, in consideration of the foregoing and the mutual promises contained herein, and intending to be legally bound, the parties hereto agree as follows:

I. LEASE TERM AND ROYALTY PAYMENTS

1. Leased Premises

1.1 The Department hereby leases to Lessee, subject to the restrictions set forth herein, all that certain tract of land known as **Tract No.** ____ containing approximately ____ acres, as approximately shown on the map in attached **Exhibit A** and more particularly described in attached **Exhibit B** (the Leased Premises), for the sole purposes of exploring, drilling, operating, producing, and

removing oil, natural gas and other liquid products underlying the Leased Premises without disturbing the surface of the Leased Premises by constructing well pads, laying pipelines, or constructing roads, tanks, towers, stations or other structures on the Leased Premises.

2. Lease Term

2.1 This Lease shall remain in force for a term of five years from the Effective Date, subject to the conditions hereinafter set forth, and shall continue from year-to-year thereafter so long as oil or natural gas is produced in paying quantities from the Leased Premises in accordance with the terms of this Lease, or as long as Lessee demonstrates to the Department's satisfaction bona fide attempts to secure or restore the production of oil or gas from the Leased Premises.

2.2 For purposes of this Lease, the term "paying quantities" shall be defined as a well associated with the Leased Premises which produces an annual average of at least one thousand cubic feet per day (Mcf/day), which shall be calculated by dividing the well's total annual calendar year production in Mcf by 365 days. The term shall not apply within the same calendar year during which a well first begins producing after being completed and turned-to-line if that production does not average one Mcf/day. The term shall be satisfied as long as a minimum of one well associated with the Leased Premises meets the average production of one Mcf/day criteria.

2.3 In the event that oil or gas is not being produced in paying quantities within five years from the Effective Date, or this Lease is otherwise not being maintained in effect according to its provisions, this Lease shall automatically terminate in its entirety.

2.4 Lessee may seek a one-year extension of the Lease term by submitting a written request for an extension to the Department at least 180 days prior to the fifth anniversary date of this Lease. The Lease term will only be extended if the Department provides Lessee with written notice of an extension prior to the fifth anniversary date of this Lease. No extension will be granted unless the Lessee pays to the Department, as consideration for the extension, an amount equal to the bonus rental payment for the first year stated in Paragraph 4.1.

3. Lease Recording and Public Notice

3.1 Within 90 days following receipt by Lessee of a fully executed copy of this Lease, Lessee shall record the Lease, or a memorandum of the Lease, in the county or counties in which the Leased Premises lie, and also provide a copy of the recorded Lease or Memorandum to the Department which clearly shows the recorded reference data. Thereafter, the Department will publish at least the following information in the *Pennsylvania Bulletin*:

- (a) Subject of this Lease;
- (b) General location of the Leased Premises;
- (c) Names of Department and Lessee; and
- (d) Recording reference data for this Lease.

4. Rental

4.1 Lessee shall pay to the Department a bonus rental payment of Three Thousand Dollars (\$3,000) per acre for the Leased Premises for the first year, which equates to a total payment of _____ (\$XX.00). Lessee shall provide this payment at the time Lessee delivers to the Department signature pages of this Lease duly executed by Lessee. The Department shall not deposit this payment until the Lease has been fully executed.

4.2 Lessee shall pay to the Department rental for the Leased Premises for the second, third and fourth years of the Lease in the amount of Twenty Dollars (\$20) per acre each year, payable no later than the anniversary of the Effective Date of this Lease. For the fifth year and all subsequent years thereafter, Lessee shall pay to the Department Thirty-Five Dollars (\$35) per acre each year, payable on the anniversary of the Effective Date of this Lease.

4.3 The drilling of each well into the Leased Premises shall reduce the rental set out in Paragraph 4.2 by the amount of rental on the number of acres attributable to each well, which reduction shall become effective on the next rental date, provided the well is producing in paying quantities. If such wells are drilled on a unit created by a spacing order issued by the Department of Environmental Protection (DEP) Bureau of Oil and Gas Management, or on a unit created by a voluntary unitization agreement entered into with the approval of the Department, a well drilled on such unit shall reduce the rental set forth above by the amount of rental attributable to the acreage contained in the portion of the Leased Premises included in such unit.

4.4 If during a rental year a well capable of producing oil or natural gas on the Leased Premises is shut-in, suspended, or otherwise rendered not producing such that it does not produce an average volume of at least one thousand cubic feet per day (Mcf/day), calculated by dividing its total annual production in Mcf during the rental year by 365 days, then the Lessee shall pay the Department a rental payment for each such well at the full rental rate per acre for the acreage attributable to the well.

5. Gas Royalty

5.1 Lessee shall install at the wellhead of each well drilled horizontally into the Leased Premises a discrete well meter to measure all the natural gas produced from that individual well; alternatively, Lessee shall provide a method for measuring production for all wells drilled horizontally into the Leased premises that is acceptable to the Department. Any such alternative method must be approved in writing by the Department prior to being utilized. Lessee shall ensure that all meters are maintained according to industry standards.

5.2 Lessee shall pay to the Department, as royalty, Thirty-Five Cents (\$0.35) per thousand cubic feet (Mcf) based on the volume measured at the wellhead, or Eighteen Percent (18%) of the fair market value multiplied by the Commonwealth's fractional interest, whichever is higher, for all marketable natural gas, marketable casinghead gas, or other marketable gaseous substances, (referred to collectively as "natural gas"), produced and measured at the wellhead from each natural gas well associated with the Leased Premises, free of all expenses of production and post-production expenses and deductions.

5.3 There shall be no deductions from any royalty payment for any costs of post-production handling, processing, conditioning, transporting or marketing that may be necessary to deliver a marketable product between the wellhead and the point of sale where fair market value is received. The gross royalty reserved to the Department shall be free of all costs of and subsequent to production, whether incurred before, at or after the point of sale.

5.4 In the event that oil or natural gas is sold at less than fair market value to an affiliated party of the Lessee, or used by the Lessee on or in connection with the Leased Premises, then the royalty due shall be paid to the Department based upon a price that could have otherwise been obtained in an arms-length sale by Lessee to a nonaffiliated third-party purchaser during the month in which such sale or use occurred.

5.5 For purposes of this Lease, the term "fair market value" shall be defined as the first point of sale where the natural gas is transferred from the Lessee to a nonaffiliated third-party purchaser in an arms-length transaction.

5.6 Lessee shall pay the Department for any natural gas which is flared from a well which is planned to produce natural gas from the Leased Premises. Payment shall be made for any gas flared beyond the initial twenty-four hour period of flaring following well completion, and during any other time periods, unless the gas is flared in the case of an emergency. Gas volume shall be metered or determined by a method acceptable to the Department. The gas price to be used for the flaring royalty payment shall be based on the average NYMEX (New York Mercantile Exchange) price for natural gas for the month and year in which the well is flared.

6. Royalty On Other Well Products

6.1 If oil, condensate, natural gas liquids or other liquid hydrocarbons (referred to collectively, for purposes of this Lease, as "liquid products"), each in paying quantities, should be produced from any natural gas well drilled on the Leased Premises, then said liquid products shall be saved, and royalty shall be paid thereon, as described below.

6.2 Lessee shall provide tanks for accurately measuring and storing any liquid products produced from the Leased Premises. Lessee shall gauge, measure, sample, and test all liquid products in accordance with API Standard 2500, "Measuring, Sampling, and Testing Crude Oil," Second Edition, March 1961, as amended or updated, or another method consistent with industry standards prescribed, or approved, in writing by the Department. Observed gravity at the observed temperature shall be corrected to (API) gravity and volume at sixty degrees Fahrenheit (60° F) as per the American Society for Testing Materials and the Institute of Petroleum, "ASTM-IP petroleum measurement tables" (ASTM designation No. 1250; IP designation 200), as amended or updated, or another method consistent with industry standards prescribed, or approved, in writing by the Department.

6.3 Lessee shall pay to the Department, as royalty, Eighteen Percent (18%) of the field price per barrel (42 U.S. Gallons) at 60° F, produced and saved from the Leased Premises for all liquid products of like grade and gravity which prevails in that area on the day such liquid products are sold/run

into the pipeline or into storage tanks; the amount to be paid to the Department will be the Eighteen Percent (18%) royalty multiplied by the fractional interest held by the Department, free of all expenses of production and post-production expenses and deductions.

7. Unitization And Unit Agreements

7.1 The Department and Lessee acknowledge that the intent of this Lease is to allow for development, production and marketing of oil, natural gas and other liquid products underlying the Leased Premises from wells having surface locations on adjacent or nearby lands. Lessee shall have the right to pool and consolidate this Lease, in whole or in part, or as to any subsurface geologic horizon, with lands or leases located adjacent to or in the immediate vicinity of the Leased Premises, provided that the Lessee obtains prior written approval of the unit from the Department.

7.2 Prior to producing from any well associated with the Leased Premises, the Lessee shall submit to the Department for its review and approval the following items:

- (a) a declaration and notice of unit agreement;
- (b) a plat identifying the name of the unit, the boundaries of the unit, the well or wells planned to be included in the unit including a depiction of any horizontal laterals, the API number of each well in the unit, and the boundaries of ownership for all other parties included in the unit agreement;
- (c) a division of interest table which includes the name of the unit, the total number of acres in the unit, the lease number, lessor name, lessee name (correlated to the ownership parcels shown on the plat), lease date, number of acres for each lessee in the unit, percentage of each lessee's acreage based on the total unit acreage, tax parcel identification number, deed recording information for each lease which is a part of the unit;
- (d) the county(ies) and township(s) within which the unit is located;
- (e) the producing zone(s) covered by the unit;
- (f) a calculation showing the Commonwealth of Pennsylvania's net royalty interest for each well in the unit, based on the royalty provision section(s) specified in this Lease; and
- (g) a GIS shape file or equivalent of the unit.

7.3 Upon approval of the items listed in Paragraph 7.2, above, the Department shall execute a ratification, which Lessee shall record along with the entire declaration and notice of unit agreement at the applicable county courthouse prior to the commencement of production from any well within the unit. Within 30 days after recording, Lessee shall provide to the Department a complete, recorded copy of the ratification and declaration and notice of unit agreement for its records.

7.4 Any subsequent amendment by Lessee to the declaration and notice of unit agreement ratified by the Department shall be submitted to the Department for its review and approval, in accordance with the above paragraphs, prior to the recording of the amended declaration and notice of unit agreement.

7.5 Upon production from any part of any unit involving the Leased Premises, the Department shall be entitled to, and the Lessee shall pay, royalties calculated as follows: the number of acres involving the Leased Premises shall be divided by the total number of acres within the unit, multiplied by the payment provision section(s) of this Lease as described in Paragraphs 5 (Gas Royalty) and 6 (Royalty on Other Well Products) above. Provided, however, that if State or Federal regulatory authorities shall prescribe a different method of allocation, the method so prescribed shall prevail.

7.6 The Lessee's drilling or reworking operations upon a unit approved by the Department, or production of oil, natural gas or other liquid products from any part of a unit approved by the Department, shall be treated, for all purposes as operations upon or production from the Leased Premises, provided that the Lessee is the owner/operator of the unit.

7.7 Should a unit be established pursuant to a valid spacing or integration order issued by DEP or any other jurisdictional agency having such authority, the Department's approval shall not be required.

8. Shut-In Royalty

8.1 Lessee shall have the right to interrupt or not market, produce, or sell the production from any well that is capable of producing oil, gas, and/or other liquid products in commercial quantities on any pool/unit containing all or portions of the Leased Premises, only when the following conditions apply: whenever the valves are closed and production at a well capable of producing in commercial quantities is temporarily halted (a) to repair or clean the well, (b) to allow repairs and maintenance to occur to facilities directly supporting the production from the well, (c) to allow reservoir pressure to build, or (d) for lack of a satisfactory market, provided Lessee exercises all reasonable diligence to obtain a market for such production. (Referred to as "Shut-In").

8.2 If a Shut-In occurs, any Shut-In well shall nonetheless be deemed a commercially producing well and shall serve to maintain this Lease in full force and effect. If a well is Shut-In, as specifically defined above, a Shut-In Royalty of One Hundred Dollars (\$100.00) per acre per year for the Leased Premises shall be paid in advance at the time the well is declared to be Shut-In by the Lessee. The Shut-In Royalty shall be paid in addition to the annual rental payment due pursuant to Paragraph 4 (Rental). The Shut-In Royalty shall be paid in full for the first year at the time the well is declared to be Shut-In and shall not be prorated or refunded to the Lessee if a Shut-In period for the well is less than one year. The Shut-In period for any well may not exceed one year and any well that has been declared Shut-In for a period longer than one year shall be subject to the provisions of Paragraph 9 (Test of Well Economy).

9. Test of Well Economy

9.1 For purposes of this Lease, if a gas well associated with the Leased Premises does not produce more than an average of one thousand cubic feet per day (Mcf/day) of natural gas during two consecutive calendar years (calculated by dividing its annual production in Mcf by 365 days), it shall be considered uneconomic to maintain and operate. Lessee shall plug and abandon the well as per Paragraph 28 (Plugging), and restore the well site, access road and any associated pipeline right-of-way to the satisfaction of the District Forester, all within a timeframe established by the Department.

9.2 This provision shall apply to all wells associated with the Leased Premises, whether the wells are shut-in or producing, unless the Department has informed the Lessee that a well or wells fall under the provisions of Paragraph 35 (Gas Storage Rights).

9.3 The Department may, in its sole discretion and in writing, waive all or part of the requirements of this provision, if in the Department's judgment such a waiver is warranted by economic conditions or other circumstances and is deemed to be in the best interest of the Commonwealth.

10. Payments

10.1 Lessee shall be held responsible for the payment of all rentals and royalties. **Payments shall be mailed to:**

Commonwealth of Pennsylvania
Department of Conservation and Natural Resources
Bureau of Forestry -- Minerals Division
P.O. Box 8552
Harrisburg, PA 17105-8552

All checks shall be made payable to the Commonwealth of Pennsylvania. Payments of royalties shall be made monthly within 90 days after the end of each monthly sales period. An alternate form of payment such as a wire transfer may be acceptable, but only in accordance with procedures approved in writing by the Department.

10.2 Within 90 calendar days after the end of each monthly sales period, Lessee shall submit a statement to the Department detailing the production and sale of oil, natural gas and other liquid products for each individual well associated with the Leased Premises. Such statements shall include, for each well:

- (a) the gross wellhead volume as metered at the wellhead;
- (b) the net royalty interest in the natural gas and liquid products attributable from the Leased Premises or any unit which includes a part of the Leased Premises;
- (c) the average monthly sales price received for the natural gas and liquid products produced;
- (d) the applicable royalty (*i.e.*, royalty rate or minimum price per Mcf) as established by this Lease; and,
- (e) the net royalty amount paid on each well.

10.3 When Lessee fails to make any payment due under this Lease for 30 calendar days, or within another timeframe which the Department has agreed to in writing, Lessee shall pay an additional twelve percent (12%) annual interest on the overdue amount calculated from the time payment was originally due. Payment of such interest shall not waive Lessee's duty to make timely payments under this Lease or limit the Department's remedies for Lessee's failure to pay on time.

10.4 Notwithstanding any joint venture or other similar type of agreement that Lessee may have with third parties for the exploration and development of oil, natural gas, or other liquid products, including the oil, natural gas and other liquid products granted under this Lease, Lessee shall remain solely responsible for submitting payment to the Department pursuant to this Lease. Fractional payment by multiple parties shall not occur unless the Department approves such form of payment in writing prior to the submission of any fractional payment.

11. Gas Measurement

11.1 The volume of oil, natural gas, and other liquid products produced, saved, and marketed shall be measured according to American Gas Association (AGA) standards, Boyle's Law for the measurement of gas under varying pressures, and meeting the following requirements, unless otherwise approved, in writing, by the Department:

- (a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at a temperature of sixty degrees Fahrenheit (60° F) and an absolute pressure of 14.73 pounds per square inch.
- (b) The average absolute atmospheric pressure shall be assumed to be 14.4 pounds to the square inch, regardless of actual elevation or location of Point of Delivery above sea level or variations in such atmospheric pressure as occur from time to time.
- (c) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer installed in a manner that properly records the temperature of the gas flowing through the meters. The arithmetic average of the temperature recorded each 24-hour day shall be used in computing gas volumes. If a recording thermometer is not installed, or if installed and not operating properly, an average flowing temperature of sixty degrees Fahrenheit (60° F) shall be used in computing gas volume.
- (d) The specific gravity of the gas shall be determined by tests made by the use of an Edwards or Acme gravity balance, annually, or at such intervals as are found necessary in practice. Specific gravity so determined shall be used in computing gas volumes.
- (e) The deviation of the natural gas from Boyle's Law shall be determined by tests annually or at such other shorter intervals as are found necessary in practice. The apparatus and the method to be used in testing shall be in accordance with recommendations of the National Institute of Standards and Technology of the Department of Commerce, or Report No. 3 of the Gas Measurement Committee of the American Gas Association, or any amendments thereof, or any other mutually agreed upon method. The results of such tests shall be used in computing the volume of gas delivered hereunder.
- (f) Gas compositional analyses by chromatograph or other approved methods shall be completed as necessary, or upon written request by the Department, and within a timeframe

specified by the Department, for the determination of gas composition, specific gravity and BTU content. A copy of the results of all such analyses shall be provided by the Lessee to the Department for its records upon the Department's written request for such, and within a timeframe specified by the Department.

- (g) The following factors used in the calculation of produced gas volumes shall be provided to the Department, upon its request, if the information isn't otherwise specified on the meter statements:

Basic orifice factor (F_b)
Reynolds number factor (F_r)
Expansion factor (Y)
Pressure base factor (F_{pb})
Temperature base factor (F_{tb})
Flowing Temperature factor (F_{tf})
Specific gravity factor (F_g)
Supercompressibility factor (F_{pv})

12. Audits

12.1 Lessee shall furnish to the Department, at its request, the meter charts or other equivalent recordings of the production of each well associated with the Leased Premises. The Department may keep such charts or records for examination for a period not to exceed 180 days unless otherwise agreed to in writing by all parties. Lessee shall promptly furnish or secure for the Department any statements furnished to Lessee by any person or corporation to whom Lessee delivers for sale or transport any oil, natural gas or other liquid products produced from the Leased Premises.

12.2 At the Department's request, Lessee shall authorize and direct any entity to whom it sells or furnishes oil, natural gas or other liquid products produced from any well covered by this Lease to disclose and make available to the Department or its representatives account statements, post-production cost itemizations and any other instruments related to the transactions involving payment to Lessee for oil, natural gas, or other liquid products recovered from wells covered by this Lease.

12.3 Lessee grants to the Department or the Department's designated representative the right, at any time, to examine, audit, or inspect all books, records, and accounts of the Lessee pertinent to the purpose of verifying the accuracy of the reports and statements furnished to the Department, and for checking the amount of payments due under the terms of this Lease. Lessee agrees to allow the Department or the Department's designated representative the right to make copies of any of the aforementioned records for the Department's own use. Lessee agrees to provide every aid or facility to enable such audit to be made by the Department.

12.4 If the audit finds a royalty underpayment of three percent (3%) or greater, or fraud by the Lessee, then the Lessee shall pay the cost and expense of the audit together with the deficiency. In the case of fraud by the Lessee, such payments shall not preclude the Department, in its sole discretion, from

terminating this Lease upon delivery to the Lessee of written notice of the Department's intention, or pursuing any other appropriate remedy.

12.5 Upon request by the Department, Lessee shall furnish a copy of all agreements made, contracts entered into, and all letters or other memoranda made by or provided to the Lessee which in any way concern the development, operation, or sale of products related to this Lease. Such documents include, but are not limited to, all third-party statements related to the Department's royalty volumes and payments. Any documents provided under this provision shall be deemed to be confidential for the life of this Lease unless the Department is directed to disclose these records by court order.

II. LIABILITY AND INSURANCE REQUIREMENTS

13. Limitation on Warranty of Title

13.1 The Commonwealth is considered to be the owner of the oil and natural gas rights under the surface of the Leased Premises but makes no warranty as to the presence of oil, natural gas or other liquid products, or as to its ownership thereof. In the event of a determination by compromise or by a final judgment of a court of competent jurisdiction that the Commonwealth does not have title to all or part of the oil, natural gas and other liquid products rights on the lands hereby leased, the Lessee shall pay the Department royalties thereafter accruing in proportion to the Commonwealth's ownership. Any sums of money previously paid pursuant to the terms of the Lease shall not be reimbursable to Lessee, except as provided in this paragraph.

13.2 In the event of an adverse claim affecting title to all or a portion of the oil, natural gas and liquid products rights under the Leased Premises, notice of such claim shall be given to the Department which may, with the approval of the Attorney General, enter into an escrow arrangement for future royalties accruing to such disputed portion under terms and conditions proper to safeguard the rights and interests of the Commonwealth. In the event an adverse claimant files suit against the Commonwealth or against Lessee claiming title to all or a portion of the oil, natural gas and liquid products rights under the Leased Premises, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to secure an adjudication of the validity of the claim, the royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest shall be determined by a court of competent jurisdiction. The royalties placed in escrow shall be refunded at the direction of the court in an amount proportionate to the outstanding title if it is finally determined by compromise or by a court of competent jurisdiction that all or part of such rights are not owned by the Commonwealth.

13.3 This proportionate reduction clause shall not apply to and shall not reduce the bonus payments or rents payable under Paragraph 4 (Rental) of this Lease.

14. Lessee Representations And Warranties

Lessee hereby represents and warrants as follows:

14.1 The Lessee is duly organized and existing under the laws of the Commonwealth of Pennsylvania or is duly authorized to do business in the Commonwealth of Pennsylvania and has the power and authority to carry on its business as now conducted.

14.2 The Lessee has the full power, authority and legal right to execute, deliver and comply with this Lease and has taken all actions necessary or appropriate for the execution and delivery of and compliance with this Lease. This Lease constitutes valid and legally binding obligations of the Lessee enforceable against the Lessee in accordance with its respective terms.

14.3 The Lessee has not applied for or consented to the appointment of a receiver, conservator, trustee or liquidator for itself or any of its property; admitted in writing its inability to pay its debts as they mature; made a general assignment for the benefit of creditors; been adjudicated a bankrupt or insolvent or filed a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegation of a petition filed against it in any proceeding under any such law; and no action has been taken by it for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of the Funding Recipient or all or a substantial part of the assets of the Lessee, or appointing a receiver, conservator, sequestrator, trustee or liquidator of it or any of its property.

15. Indemnity And Hold Harmless

15.1 Lessee shall, at all times hereinafter, indemnify and hold harmless the Department from and against all detriment, damage, loss claims, demands, suits, expenses, or other claims of any kind whatsoever which the Department may sustain, suffer, or be subject to directly or indirectly by reason of Lessee's oil and gas activities associated with the Leased Premises. Lessee or its insurer shall be liable to the Department for any damage done to Commonwealth property as the result of Lessee's operations.

15.2 The Department shall hold the Lessee liable for enforcing all the provisions of this Lease, regardless of whether any of the operations authorized by this Lease are conducted by the Lessee or Lessee's contractors, subcontractors, consultants, or other agents or representatives.

15.3 The Department shall not be liable to Lessee for any time during which the Leased Premises cannot be used.

15.4 No provision of this Lease shall be construed to be a waiver by the Department of its right to assert a defense of sovereign immunity to any claim for damages, pursuant to the authority contained in the JARA Continuation Act of 1980, Act of October 5, 1980, Public Law 693, No. 142, as amended, or any other legal authority established in the Commonwealth which permits use by the Commonwealth of a sovereign immunity defense.

16. Environmental Damage

16.1 Lessee shall at all times conduct oil and gas production activities in a manner which minimizes the possibility of polluting the environment. In the event any of Lessee's operations cause pollution or other environmental damage to any portion of the Leased Premises, Lessee shall, at its own expense, fully remediate the environmental damage.

16.2 Where Lessee's oil and gas activity causes damage to a watershed or pollution of water resources on State Forest or State Park lands, Lessee agrees to repair such damage at its own expense and to take corrective measures to prevent further damage to the watershed and further pollution of water resources.

16.3 Lessee shall contact both the District Forestry office or the Park Manager's office, as applicable, and the Minerals Division as soon as possible after any spill, release, or leak of any substance or material occurs or is discovered to have occurred on the Leased Premises, regardless of the volume of material released, including those expected to be completely contained by secondary containment, and regardless of whether such notification is required by DEP. Lessee shall simultaneously copy the Department on any correspondence Lessee submits to DEP pursuant to any spill notification requirement or other environmental assessment or remediation related to State Forest or State Park Lands, including any subsequent follow-up correspondence.

16.4 If Lessee receives a Notice of Violation (NOV) or any other correspondence from DEP concerning Lessee's operations on the Leased Premises, Lessee shall provide a copy of such correspondence to the Department within five business days of Lessee's receipt of same. The provision of such documents by Lessee to the Department may be made electronically.

16.5 Lessee shall be responsible for any pollution or other damage to any portion of the environment which occurs on or adjacent to the Leased Premises as a consequence of Lessee's occupation or use of the Leased Premises, regardless of whether or not such pollution or damage is due to negligence or to the inherent nature of Lessee's operations, unless an independent intervening cause is found to be the sole proximate cause of the pollution or damage. In any action for civil damages brought under this Paragraph, a presumption shall exist that, but for Lessee's occupation and use of the Leased Premises for oil and gas activities, the pollution or other damage would not have occurred. Lessee shall have the burden of presenting evidence to rebut this presumption. Any action for civil damages on account of such pollution brought by the Department against Lessee shall not bar the Department from bringing action under the Clean Streams Law or any other applicable law.

16.6 Where Lessee's operations, including those related to vehicular accidents, are responsible for the contamination of any environmental media on the Leased Premises such that the Lessee voluntarily plans to or is otherwise directed to conduct remediation under The Land Recycling and Environmental Remediation Standards Act, 35 P.S. § 6026.101 *et. seq.* (Act 2), the Lessee must first consult with the Department and agree in writing to the selected cleanup standard to be used for the remediation prior to the submission of a Notice of Intent under Act 2. Lessee agrees to abide by the Department's decision regarding what cleanup standard shall be used, regardless of Lessee's other potential options under Act 2 and regardless of any other cleanup standard that would satisfy the

requirements of DEP. Any documents submitted to DEP under Act 2 shall be simultaneously submitted to the Department using the contact information specified in Paragraph 37 (Notification) below.

17. Financial Security

17.1 Performance Security – Upon execution of this Lease, Lessee shall provide the Department with financial security in a form acceptable to the Department (*i.e.*, surety bond, irrevocable letter of credit with evergreen provisions or bank certificate of deposit) for the principal sum of Two Hundred and Fifty Thousand Dollars (\$250,000) to assure faithful performance by Lessee of the covenants of this Lease. The performance security shall be further conditioned that, in the event Lessee shall fail to remove its equipment and machinery or properly abandon all wells within one year from the termination of this Lease, the Commonwealth can execute upon the performance security provided to pay for the cost of removal of the equipment and machinery and proper abandonment of the well or wells. In addition, the performance security shall be conditioned in favor of the Commonwealth for all damages that may arise as a result of fires, accidents, pollution, or any other causes brought about by Lessee or Lessee's agents occupying the Leased Premises and in the use of all State Forest roads off the Leased Premises.

17.2 Lessee shall advise the Department of the cancellation of any financial security required by this Lease immediately upon receipt of notice by Lessee of the cancellation, and in no event later than the effective date of the cancellation.

18. Comprehensive And Pollution Liability Insurance

18.1 Comprehensive Liability Insurance - Lessee shall, at its sole expense, provide and maintain in full force and effect at all times during the term of this Lease general comprehensive liability insurance in an amount consistent with industry standards, but not less than Two Hundred Fifty Thousand Dollars (\$250,000) for each occurrence and One Million Dollars (\$1,000,000) aggregate, which shall cover Lessee and the Department for damage claims including, but not limited to, personal injury, accidental death, and property loss that may arise from operations conducted under this Lease or any occurrence on or about the Leased Premises whether such operations are by Lessee or anyone directly, or indirectly, employed by Lessee. Lessee shall also maintain equivalent insurance coverage for the operation of its motor vehicles.

18.2 Pollution Liability Insurance - Lessee shall, at its sole expense, provide and maintain in full force and effect at all times during the term of this Lease such pollution liability insurance as shall protect the Commonwealth, Lessee and its contractors, if any, from claims of environmental impairment and pollution that may arise from oil and gas activities. The amount of pollution liability insurance shall be consistent with industry standards, but not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate.

18.3 The Department shall be named as additional insured as its interests may appear on Lessee's comprehensive general liability insurance and pollution liability insurance policies.

18.4 Lessee shall provide the Department with a current certificate of insurance for its comprehensive general liability insurance and pollution liability insurance demonstrating the coverage

described above prior to beginning its operations on the Leased Premises, and on an annual basis thereafter.

18.5 Lessee shall advise the Department of the cancellation of any insurance policy required by this Lease immediately upon receipt of notice by Lessee of the cancellation, and in no event later than the effective date of the cancellation.

19. Deep Well Control Insurance And Safety

19.1 Lessee shall provide and maintain well-drilling insurance to cover control of well, seepage and leakage, pollution, cleanup and contamination, unlimited redrilling or reworking expenses, and equipment in Lessee's custody or control. This insurance coverage shall be continuously maintained until cessation of oil and gas activities on the Leased Premises. Lessee shall have the Department listed as an additional insured on its well-drilling insurance policy.

19.2 Lessee shall maintain well-drilling insurance in an amount consistent with industry standards, but not less than Ten Million Dollars (\$10,000,000), for wells drilled to produce from the Leased Premises with a total measured depth exceeding 7,500 feet, unless the Department waives or modifies this amount in writing upon Lessee's request.

19.3 Lessee shall annually provide a complete copy of the current Well Control Insurance Policy to the Department. Lessee shall not seek to terminate the well-drilling insurance coverage without prior written approval from the Department.

19.4 Lessee shall advise the Department of the cancellation of any insurance policy required by this Lease immediately upon receipt of notice by Lessee of the cancellation and in no event later than the effective date of the cancellation.

III. OPERATIONS

20. Seismic Surveys

20.1 The Lessee, or its designated seismic survey contractor, shall have the right to conduct seismic surveys over and across the Leased Premises. Prior to conducting any seismic survey work, the Lessee, or its designated seismic contractor, shall submit for approval to the Department a seismic survey project proposal. The proposal shall include a map showing the proposed location of every seismic line and all shothole locations as applicable, as well as any other pertinent information requested by the Department. The project proposal shall be submitted sufficiently in advance of the planned data acquisition to allow the Department to fully evaluate the proposal.

20.2 Prior to commencement of the proposed seismic survey, Lessee, its designated contractor and the Department shall execute a Seismic Survey Agreement for the proposed survey, which at a minimum must include the terms and conditions in the Seismic Survey Agreement form attached as

Exhibit C. Areas disturbed by the seismic surveying activities shall be restored to the satisfaction of the District Forester or the Park Manager, as applicable.

20.3 The Department shall have the right to temporarily or permanently terminate seismic survey activities associated with the Leased Premises at any time after written approval has been issued by the Department if, in the Department's opinion, said activities are damaging the Leased Premises or any other State Forest or Park lands involved in the survey, are threatening any flora, fauna or their habitat, or are being conducted inconsistent with the Department's approval.

20.4 The Department may execute upon the performance security required in Paragraph 17 (Financial Security) of this lease for any damages resulting from Lessee's seismic surveys.

21. Development And Well Spacing

21.1 Lessee shall submit a comprehensive development plan for review and approval by the Department showing all proposed well pads and infrastructure, including well spider diagrams of all well bores, for all wells associated with the Leased Premises. Any subsequent adjustments to the comprehensive development plan shall be submitted for review and approval by the Department.

21.2 Lessee agrees to drill such wells from adjacent Commonwealth or private lands as a reasonably prudent operator would drill under the same or similar circumstances and after discovery of oil, natural gas or other liquid product on the Leased Premises, to develop and produce from the described Leased Premises efficiently, economically, without waste, and to the best advantage of the Commonwealth.

21.3 Development well spacing shall conform to industry standards for proper spacing and placement and for efficient drainage of the reservoirs beneath the Leased Premises from adjacent Commonwealth or private lands.

22. General Conditions of Operation

22.1 Lessee shall not use, or allow the use of, State Forest or Park lands for any purpose other than that authorized by this Lease. Employees of Lessee, its agents, contractors and subcontractors shall not engage in hunting or fishing on the Leased Premises, except as permitted by law.

22.2 Lessee shall carry on all operations under this Lease with all due diligence and in a good and workmanlike manner, in accordance with industry accepted oil and gas field practices. Lessee agrees that drilling and other well operations shall conform to best industry practices available.

22.3 Lessee is responsible for conducting its operations in such a manner so as not to interfere with the rights of other grantees, licensees, or lessees of the Commonwealth, or any other third parties who may have an interest in the State Forest or Park lands covered by this Lease, including areas of ingress and egress.

22.4 Lessee shall replace or repair, at the Department's direction, all State Forest signs, markers, corners and fences, as well as any service utility lines owned or used by the Department which cross or lie within State Forest lands, that are destroyed or damaged by Lessee's oil and gas activities on the Leased Premises.

22.5 Lessee shall at all times maintain State Forest and Park lands in a neat and presentable manner, removing all rubbish and debris as it accumulates and removing equipment which is no longer in use within a reasonable time.

22.6 This Lease does not grant any right to access or withdraw surface or ground waters from the Leased Premises.

23. Surface Disturbance

23.1 Lessee specifically agrees that the following types of surface disturbance may not take place on the Leased Premises: constructing well pads; drilling wells; laying and burying pipelines; constructing roads; placing or installing storage tanks, constructing towers or stations; installing compressor stations; and constructing slush pits or wastewater impoundments.

23.2 Lessee may not utilize the surface of the Leased Premises for any purposes associated with its oil and gas operations, except that Lessee may enter upon the surface of the Leased Premises to perform boundary surveys, seismic surveys, surveys to locate pre-existing oil and gas wells, surveys of the locations of water sources, sampling of water sources, and other forms of surveying reasonably necessary to support Lessee's oil and gas activities on adjacent or nearby lands associated with the Leased Premises. Any seismic surveys shall comply with the provisions of Paragraph 20 (Seismic Surveys).

23.3 The Department and Lessee intend for the development and production of oil, natural gas and other liquid products from the Leased Premises to be accomplished through authorized oil and gas activities on Commonwealth or private lands adjacent to or nearby the Leased Premises. If the wells associated with development and production of oil, natural gas and other liquid products from the Leased Premises are situated on State Forest or Park lands subject to a lease agreement between the Department and Lessee, the Department acknowledges that Lessee may engage in surface disturbance activities in accordance with such lease on the lands covered by such agreement.

24. Surface Use Restrictions and Setbacks

24.1 Under the Department's multiple use policy, the surface of the lands covered by this Lease are continuously used for recreation, conservation and other purposes, and many Department-authorized activities may be in progress on the lands. Lessee shall conduct its operations on adjacent State Forest, State Park or private lands so as to minimize interference with other authorized activities on the Leased Premises.

24.2 Lessee agrees that no drilling or well site clearing related to oil and gas production from the Leased Premises shall occur within:

- (a) 300 feet of the boundary line of the Leased Premises;
- (b) 600 feet of the boundary line of any State Park lands or State Forest lands designated as Wild and Natural Areas;
- (c) 600 feet of the boundary line of any State Park.

25. Roads

25.1 No access roads for oil and gas activities may be constructed on the Leased Premises. Lessee may not use State Park roads for any oil and gas activities associated with this Lease. Lessee may not use any existing State Forest roads on the Leased Premises for oil and gas activities associated with this Lease, unless prior authorization is obtained from the District Forester. Lessee shall obtain from the District Forester a separate Road Use Agreement for the use of any existing State Forest Roads, located on or off the Leased Premises, prior to initiating any oil and gas activities involving use of such roads.

25.2 Prior to commencing use of any existing State Forest roads, Lessee agrees that it will make improvements to existing roads that will be used for oil and gas activities in accordance with the "ROAD SPECIFICATIONS FOR STATE FOREST LANDS" attached as **Exhibit D**.

26. Pipelines

26.1 No natural gas transmission pipelines of any kind or use shall be constructed on the Leased Premises.

27. Drilling Operations

27.1 Before drilling is commenced, Lessee shall submit to the Department for written approval as to location a plat showing the proposed location of each well, well pad and all associated infrastructure, including but not limited to: roads, pipelines, compressor stations, safety-system communication infrastructure, soil erosion and sedimentation control plans which include post-construction storm water management and restoration plans, antennas, safety poles, and fresh water impoundments. No well, well pad or associated infrastructure shall be commenced on the Leased Premises until the Department has issued its written approval for such to the Lessee and a permit for the well has been issued by DEP.

27.2 Lessee shall insure that all signs necessary for the identification of a well location meet applicable law and the Guidelines specified by the Department's Bureau of Forestry. The District Forester shall be consulted as to the color, location and style of any signs prior to their installation. In addition, a legible sign listing the name of the operator and well number shall be attached or painted on the pumping unit, wellhead or meter box of each well.

28. Plugging

28.1 Lessee shall properly plug all wells associated with the Leased Premises before abandoning the well in accordance with DEP requirements and all applicable state and federal laws, rules and regulations.

28.2 For any well drilled under the terms of this Lease that is being plugged, Lessee shall provide a proposed plugging plan to the Department and shall obtain written approval of the plan from the Department prior to filing a notice of intent to plug with DEP. In the case of an emergency requiring a well to be plugged immediately, prior approval by the Department is not required, provided that plugging is completed as directed by DEP or another appropriate state or federal authority.

28.3 A copy of the Certificate of Well Plugging submitted to the Department of Environmental Protection and showing the plugging procedure used shall be supplied to the Bureau of Forestry, Minerals Division, for each well plugged and abandoned which is associated with the Leased Premises.

29. Fire

29.1 Lessee shall take all reasonable measures to prevent or suppress forest fires on the Leased Premises and any adjacent State Forest or State Park lands, and Lessee shall not allow fires to be set on or adjacent to State Forest or State Park lands, except in accordance with conditions prescribed in written permission obtained from the District Forester. Any burning of refuse, brush, slash, debris or other materials shall only be conducted as approved by the District Forester or State Park Manager. Lessee shall promptly report all forest fires detected by Lessee to the District Forester or State Park Manager.

29.2 Should any fire set by Lessee escape in any manner or damage any State Forest or State Park land or other property, Lessee shall be liable for all damages resulting from such escape and for all costs incurred by the Department in fighting such fires. Lessee's employees and agents in the vicinity shall, with such assistance as Lessee may have at hand or be able to summon, render aid in fighting said fire without cost to the Commonwealth.

29.3 Lessee agrees that, during periods of abnormal forest fire danger as determined by the District Forester, Lessee will suspend operations situated on the Leased Premises which pose a substantial fire risk to State Forest lands until the forest fire danger subsides.

IV. STANDARD PROVISIONS

30. Assignment of Lease

30.1 Lessee shall not assign, farm out, sublet, sell, mortgage or otherwise transfer any interest or partial interest in this Lease without the prior written consent of the Department. The term "transfer" shall also be deemed to include: (1) the placing of any lien, pledge, security interest or encumbrance of any kind whatsoever on Lessee's interest or partial interest in this Lease; (2) any transfer by Lessee

which is deemed to occur by operation of law as a result of a merger or reorganization involving Lessee; and (3) any sale of Lessee's assets which includes a sale of Lessee's interest or partial interest in this Lease. Lessee shall make written application to the Department to obtain consent to a proposed assignment. The request shall include sufficient detail to allow the Department to evaluate the viability of any party seeking to obtain an interest in the Lease, the interest to be transferred, and the relationship among the parties if more than one party will hold an interest in the Lease. If Lessee assigns any interest or partial interest in this Lease without obtaining the prior written consent of the Department, the Department may terminate this Lease in its entirety at the Department's sole discretion.

30.2 The Department's approval of a request for assignment shall be contingent upon satisfying the conditions set forth in this Paragraph and any additional conditions necessary to ensure that the assignment is in the best interest of the Commonwealth.

30.3 A party seeking to obtain an interest in this Lease must agree in writing to be bound by all the terms and provision of this Lease, as well as any additional requirements identified by the Department to ensure the assignment is in the best interest of the Commonwealth. This written Agreement may require a three-party document wherein the third-party interest holder verifies that its interest will be subordinate to any public interest the Department maintains in its real property.

30.4 When an assignment will result in multiple parties holding an interest in this Lease, all parties must agree in writing to be jointly and severally liable for compliance with the terms and provisions of this Lease and any additional requirements identified by the Department to ensure the assignment is in the best interest of the Commonwealth. The parties also must identify the party that will be responsible for operational activities on the Leased Premises (the "Operator Lessee"). The Operator Lessee shall be the point of contact with the Department for the purposes of notification and communication pursuant to this Lease. The Operator Lessee shall communicate with the other parties holding an interest in this Lease regarding any compliance matter raised by the Department.

30.5 All Lessees of record holding an interest in this Lease shall be responsible for providing the full performance security required by Paragraph 17 (Financial Security) of this Lease for the principal sum of Two Hundred and Fifty Thousand Dollars (\$250,000).

30.6 In the event more than one party holds an interest in this Lease and a party defaults on any of the covenants, conditions, or obligations of this Lease, as modified by the Department's consent to assignment, the Department, in its sole discretion, may hold all parties jointly liable for the default and may take action pursuant to this Lease, including termination, against all parties. In the alternative, the Department, may hold one party severally liable and take action against that party while allowing the other parties to continue to operate under the Lease, if it is in the best interest of the Commonwealth to do so.

30.7 The Department will release a Lessee from responsibility and liability under this Lease upon the completion of the following: (1) approval by the Department of the assignment of all of the Lessee's interest in the Lease, (2) verification by the Department that the Lessee has fully complied with the Lease as of the date of release; and (3) assumption by the assignee(s) of responsibility for all the covenants, conditions, and obligations of this Lease, as modified by the Department's consent to assignment.

31. Well Records, Logs And Reports

31.1 Lessee shall keep a daily drilling record which describes the formations penetrated, and the depth and volumes of water, oil, gas, and other liquid products found while drilling each well associated with the Leased Premises. An accurate well location plat and any other data that are acquired during the drilling and completion operations for each well, including but not limited to, drill time logs, well logs, cement bond logs and other geophysical data, shall be provided to the Department within 90 calendar days of the data's collection, or upon oral or written request by the Department and within a timeframe specified by the Department. All data shall be submitted in both hard-copy and digital forms. Digital well logs shall be submitted in .LAS format or in another format mutually acceptable to the parties.

31.2 Upon request by the Department, samples of all formations penetrated and parts of cores taken, accurately labeled with the API number of the well and depth interval of collection, shall be furnished to the Department at Lessee's expense within one year after completion of each well.

31.3 If the Lessee collects rock samples including, but not limited to, whole rock core, parts of core, and cuttings from any well borehole(s) on the Leased Premises and no longer plans to retain the samples at its own or a contracted storage facility, the Lessee must first offer the rock samples to the Department before their disposal or sale. The rock samples shall be accurately labeled with the API number of the well and depth interval of collection. The Department shall make arrangements for the transportation of any rock samples it requests at its own expense.

31.4 Upon written request and within a timeframe specified by the Department, Lessee shall provide the Department with production and pressure test data, production and pressure decline curves, gas analysis data including BTU value determinations, gas gravity, water and waste disposal records, well stimulation and treatment records, maintenance records and reports, and/or any other data or records for any well(s) which the Department deems necessary to protect its interests.

32. Records And Confidentiality

32.1 Records that the Lessee provides to the Department may be subject to public disclosure under the Pennsylvania Right-To-Know Law, Act of February 14, 2008 (P.L. 6, No. 3), 65 P.S. § 67.101 *et seq.* Lessee shall advise the Department in writing of any records submitted pursuant to this Lease that contain trade secrets or confidential proprietary information. The Department shall maintain such records solely for use by the Commonwealth and shall not disclose such records to any third party, unless the Lessee consents to such disclosure or the Department is directed to do so pursuant to a court order. The Department shall notify Lessee of any request received for such records.

33. Department's Termination

33.1 If Lessee fails or refuses to pay any rental or royalty due under the terms of this Lease, or violates or fails to perform any other term or condition of this Lease, within 30 calendar days after the Lessee's receipt of written notification from the Department of such refusal, violation or failure, the

Department shall have the right to terminate the Lease. Upon termination, Lessee shall immediately cease all activity on the Leased Premises, including any further removal of natural gas or liquid products from any completed wells associated with the Leased Premises, regardless of whether the wellhead is physically located on or off the Leased Premises.

34. Lessee's Termination

34.1 Lessee may surrender this Lease, or a portion of the Leased Premises, at any time provided that Lessee has properly plugged all wells associated with the Leased Premises and is not in default of any other obligations under this Lease. Lessee shall submit written notice of intent to terminate the Lease to the Department at least 30 calendar days prior to the intended date of termination, and shall certify that Lessee has plugged all wells associated with the Leased Premises and performed all other obligations required under this Lease. Any amount paid as an advance bonus or land rental previous to the effective date of the surrender shall be deemed liquidated damages due the Department and shall not be prorated or subject to any claim by Lessee.

34.2 In the event that Lessee desires to retain any portion of the Leased Premises on which producing wells are located, the Leased Premises shall be defined based on the drainage acreage attributable to each well. Lessee shall deliver to the Department a release of its rights related to the Leased Premises being surrendered in duly recordable form approved by the Department. Lessee shall be relieved of all obligations thereafter accruing as to acreage surrendered and any rental thereafter coming due shall be reduced in the same proportion that the acreage defined as the Leased Premises is reduced; provided, however, that Lessee shall not be relieved of any obligation, including but not limited to the plugging and abandonment of wells, which accrues prior to such surrender even if the result caused by Lessee's performance or failure of performance of an obligation or covenant does not manifest itself until after the date of surrender.

35. Gas Storage Rights

35.1 No gas storage rights are demised to the Lessee by this Lease. If the Lessee wishes to develop the Leased Premises for gas storage, the Lessee must first obtain a gas storage lease from the Department.

35.2 If the Lessee does not wish to develop the Leased Premises for gas storage, but in the Department's opinion the Leased Premises exhibits characteristics which indicate its potential for a gas storage reservoir, the Department will so inform the Lessee in writing prior to the final plugging and abandonment of the wells and removal of the surface support equipment.

35.3 Any well and equipment identified by the Department as necessary for the development of a gas storage facility on the Leased Premises, and which is not planned for development by the Lessee, shall first be offered to the Department or its nominee or assignee in writing, at the then fair market value of the well and attendant equipment, at least 120 calendar days before Lessee begins abandonment procedures. The Department shall have the right to purchase any such well and equipment by delivering a notice of the exercise of such election, within 30 days of notice from Lessee of the fair

market value of the well and equipment so identified and shall close on the purchase within 90 days thereafter.

36. Release

36.1 Lessee shall not be granted a final release from the terms of this Lease until all records, reports and other data described above have been provided to the Department, all wells required by DEP to be plugged have been plugged and plugging certificates provided, all other terms of this Lease have been met, and the District Forester or Park Manager has met with the Lessee's field engineer or other authorized representative on the ground, inspected the Leased Premises, and both parties have signed a Statement of Release indicating that any necessary site restoration has been completed. Said release shall not be unreasonably withheld by the Department. In the absence of a two-party signed Statement of Release, the Department shall accept the District Forester's or Park Manager's findings based on his/her independent inspection of the Leased Premises.

37. Notification

37.1 All oral and written communication with the Department shall be made to the Bureau of Forestry, Minerals Division unless otherwise indicated by the Department. Written communication shall be sent to the following address:

Chief, Minerals Division
DCNR Bureau of Forestry
P.O. Box 8552
400 Market Street
Harrisburg, PA 17105-8552
(717) 787-2703

38. Force Majeure

38.1 In the event that the Lessee is prevented from complying in a timely manner with any time limit imposed in this Lease solely because of a strike, fire, flood, act of God, or other circumstances beyond the Lessee's control and which the Lessee, by the exercise of all reasonable diligence, is unable to prevent, then the Lessee may petition the Department for an extension of time. An increase in the cost of performing the obligations set forth in this Lease shall not constitute circumstances beyond the Lessee's control. Lessee's financial inability to comply with any of the obligations of this Lease shall not be grounds for any extension of time.

38.2 Lessee shall notify the Department within five working days by telephone and within ten working days in writing of the date it becomes aware or reasonably should have become aware of the force majeure event impeding performance. Lessee shall forfeit the right to obtain an extension of time for performance under this Paragraph if such notice is not provided. The written submission shall include all necessary documentation, as well as a notarized affidavit from an authorized representative of Lessee specifying the reasons for the delay, the expected duration of the delay, and the efforts which have been made and are being made by the Lessee to mitigate the effects of the event and to minimize

the length of the delay. The initial written submission may be supplemented within ten working days of its submission.

38.3 The Department, in its sole discretion, shall decide whether to grant all or part of the extension requested on the basis of all documentation submitted by the Lessee and other information available to the Department. In the event of litigation related to the Lessee's failure to perform within the timeframe established by this Lease, the Lessee shall have the burden of proving that the Department's refusal to grant the requested extension was an abuse of discretion based upon the information then available to it.

39. Rights Reserved By The Department

39.1 The Department reserves the right to use the Leased Premises in any and all respects not specifically limited by the terms of this Lease.

39.2 The Department reserves the rights to all minerals within the Leased Premises other than oil, gas, and liquid hydrocarbons and shall have the right to Lease those mineral rights to third parties insofar as the Department is otherwise legally entitled to Lease the same, subject to rights granted to Lessee under this Lease.

39.3 The Department reserves the right to approve, in advance and in writing, all Lessee's plans for operations upon the Leased Premises, including, but not limited to the construction of well pad sites, any structures, machinery, communication facilities, pipelines, or ways and roads; movement of drill rigs onto and out of drilling sites; surface locations of wells; seismic surveys, and; any ancillary equipment used for the drilling or operation of wells. Detailed written plans for any such construction shall be submitted to the Department at least 30 calendar days prior to planned commencement of construction or operation on the Leased Premises unless, upon due cause shown, the Department waives the 30 day requirement and allows a shorter, but reasonable, time for review.

40. Third Parties' Rights

40.1 The public shall have access to the Leased Premises, including areas surrounding Lessee's facilities that do not pose a safety hazard and are mutually agreed upon by Lessee and the Department. Lessee shall control public access to areas that, in Lessee's sole discretion, present a safety hazard or as necessary to protect the Lessee's private property. Lessee shall set reasonable restrictions on access to such areas.

41. Interpretation

41.1 In case of ambiguity, the Lease shall always be construed in favor of Lessor and against Lessee.

42. Compliance with Legal Requirements

42.1 Nothing in this Lease shall be construed as impairing the powers, privileges or duties of the Commonwealth, or its representatives, in the execution of the laws of the Commonwealth or the applicable rules and regulations promulgated thereunder, now in force or hereafter enacted or adopted. Lessee specifically agrees to comply with the Department's regulations for State Forest lands.

42.2 Lessee is solely responsible for complying with any local, State or Federal requirements applicable to its activities, including obtaining permits or other approvals necessary for and associated with any of the operations related to this Lease, and shall be held liable by the Commonwealth, any agency of the Commonwealth, or any other local or Federal authority for the violation of or non-compliance with any relevant statutes, rules, and regulations.

43. Dispute Resolution

43.1 In the event a dispute arises over the interpretation or implementation of this Lease, the parties will try to resolve their dispute amicably prior to commencing litigation or taking unilateral action which may result in litigation. In the event the dispute cannot be resolved expeditiously by the District Forester or Park Manager, the parties will engage in a process of mediation as follows.

- (a) Lessee shall notify the Department's Director of the Bureau of Forestry in writing of the dispute and provide the Director with Lessee's position on the issue and any relevant documentation.
- (b) Within 10 business days from receipt of Lessee's written notice, the Director of the Bureau of Forestry will fix a time and place for a conference with Lessee and the appropriate District Forester or Park Manager to discuss the issue and attempt to reach an amicable resolution of the dispute.
- (c) The conference shall be held within 30 days of the Department's receipt of Lessee's written notice, unless both parties agree otherwise.
- (d) Any agreement reached at the conclusion of the conference shall be documented by the Director of the Bureau of Forestry, who will provide copies to Lessee and the appropriate District Forester or Park Manager. The written record of the parties' agreement resolving the dispute shall be incorporated as part of this Lease.

43.02 In the event the parties are unable to reach an amicable resolution of the dispute, either party may then submit the dispute to an appropriate forum, including a court, for further consideration or review. Any judicial review or court action shall be de novo.

44. Binding Effect

44.1 This Lease shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns, provided the assignment has been approved in accordance with the terms of this Lease.

45. Contractor Integrity Provisions and Non-Discrimination Clause

45.1 Lessee agrees to comply with the CONTRACTOR INTEGRITY PROVISIONS FOR COMMONWEALTH CONTRACTS, attached as **Exhibit E**, and the NON-DISCRIMINATION CLAUSE, attached as **Exhibit F**.

46. Headings

46.1 The paragraph headings used herein are for reference only and are not intended to have any legal force or effect.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the Department and Lessee have caused this Lease to be duly executed and have caused their seals to be affixed and attached hereto by their proper officers, all hereunto authorized, on the date first above written.

ATTEST:

LESSEE NAME HERE

Name:
Title:

Name:
Title:

Federal Identification No.: **XX-XXXXXXX**

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF CONSERVATION
AND NATURAL RESOURCES**

Daniel A. Devlin
Deputy Secretary Parks and Forestry

Approved as to Legality and Form:

CHIEF COUNSEL
DEPARTMENT OF CONSERVATION AND
NATURAL RESOURCES

OFFICE OF GENERAL COUNSEL

OFFICE OF ATTORNEY GENERAL

GOVERNOR

COMMONWEALTH OF PENNSYLVANIA :
: ss.
COUNTY OF DAUPHIN :

On this the _____ day of _____, 20____ before me, the undersigned officer, personally appeared Daniel A. Devlin, Deputy Secretary Parks and Forestry, Commonwealth of Pennsylvania, Department of Conservation and Natural Resources, known to me to be the person described in the foregoing instrument, and acknowledged that he executed the same in the capacity therein stated and for the purposes therein contained.

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

Notary Public

My Commission Expires:

STATE OF _____ :
COUNTY OF _____ : ss.
_____ :

On this the _____ day of _____, 20____ before me, the undersigned officer, personally appeared _____ (name) _____ (title), for _____ (name of Lessee), known to me to be the person described in the foregoing instrument, and acknowledged that he executed the same in the capacity therein stated and for the purposes therein contained.

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

Notary Public

My Commission Expires: