

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

**STATE FOREST TRACT NO. 271-S**

CONTRACT NO.  
M-110271-S-10

**NON-DEVELOPMENT OIL AND GAS LEASE FOR STATE FOREST LANDS**

THIS AGREEMENT made and entered into on this 10 day of May 2010 (the "Effective Date"), by and between the COMMONWEALTH OF PENNSYLVANIA (the "Commonwealth"), acting through the DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES, hereinafter designated "Department" or "Lessor" and ANADARKO E&P COMPANY LP, with its principal place of business at 1201 Lake Robbins Drive, The Woodlands, TX 77380, and authorized to do business within the Commonwealth of Pennsylvania (the "Lessee").

**WITNESSETH:**

**WHEREAS**, Lessor is authorized pursuant to the Section 302(a)(13) of the Conservation and Natural Resources Act ("CNRA"), Act of June 28, 1995, P.L. 89, No. 18 (71 P.S. §§1340.302(a)(13)), to enter into agreements with owners or lessees of property or property rights located in the same area as land owned or leased by the Commonwealth for the protection, preservation or recovery of fuel, oil, natural gas or any other mineral deposits owned by the Commonwealth underlying those lands; and

**WHEREAS**, Lessee has entered into oil and gas leases on lands adjacent to and in the same area as TRACT NO. 271-S, which is described below in Section 1.01 of this lease; and

**WHEREAS**, Lessee has agreed that TRACT NO. 271-S is a Non-Development status lease tract, and has entered into oil and gas leases on lands adjacent to and in the same area as TRACT NO. 271-S, from which all surface exploration and development activity under TRACT NO. 271-S shall take place, which is described below in Section 1.01 of this lease; and

**WHEREAS**, in order to properly develop and produce the oil and natural gas beneath, adjacent to, and near TRACT NO. 271-S, the Department has determined that leasing this tract to allow oil and natural gas development in accordance with the provisions of this lease 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 agree as follows:

**1. LEASE TERM**

**1.01** Department hereby leases to Lessee all that certain tract of land known as **TRACT NO. 271-S** containing approximately **4,196 acres**, as approximately shown on the map in **Exhibit "A"** and more particularly described in **Exhibit "B"**, both of which are attached hereto and made a part hereof, and referred to hereinafter as the "leased premises," for the sole purposes of (1) exploring, drilling,

operating, producing, and removing of oil, gas and liquid hydrocarbons; and (2) without any disturbance on the surface of TRACT NO. 271-S, which includes, constructing drill pads, laying pipelines, constructing roads, tanks, towers, stations, and structures thereon to produce, save, take care of, and transport extracted products.

1.02 This lease shall remain in force for a term of ten (10) years from the Effective Date, subject to the conditions hereinafter set forth, particularly Section 20 (First Well) providing for the drilling of the first well within the first five (5) years of the Effective Date of the lease, and shall continue from year-to-year thereafter so long as oil or 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 by conducting drilling, or reworking operations on the leased premises.

## 2. LEASE RECORDING AND PUBLIC NOTICE

2.01 Within ninety (90) days following the receipt by Lessee of a fully executed copy of this lease, Lessee shall both record the lease in the county or counties in which the leased premises lie, and also provide a copy of the recorded lease to the Department which clearly shows the recorded reference data. Thereafter, Department shall 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.

## 3. RENTAL

3.01 Lessee shall pay to Department a bonus rental payment of **FOUR THOUSAND DOLLARS (\$4,000.00)** per acre for the leased premises for the first year, which equates to a total payment of **SIXTEEN MILLION SEVEN HUNDRED EIGHTY FOUR THOUSAND DOLLARS (\$16,784,000.00)**. 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.

3.02 Lessee shall pay to Department rental for the leased premises for the second, third and fourth year of the lease in the amount of **TWENTY DOLLARS (\$20.00)** 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 Department **THIRTY-FIVE DOLLARS (\$35.00)** per acre each year, payable on the anniversary of the Effective Date of this lease.

3.03 The drilling of each well in the leased premises shall reduce the rental set out in Section 3.02 by the amount of rental on the number of acres attributable to each well as provided in Section 21 (Subsequent Wells), 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 Department, a well drilled on such unit shall reduce the rental above set out by the amount of rental attributable to the acreage contained in the portion of the leased premises included in such unit.

**3.04** If during a rental year a well capable of producing natural gas on the leased premises is shut-in, suspended, or otherwise not producing and the natural gas is not used or marketed therefrom, Lessee shall pay Department a rental payment for each such well at the full rental rate per acre for the "acreage attributable to the well", as referred to in Section 21 (Subsequent Wells) of the lease.

#### **4. GAS ROYALTY**

**4.01** Lessee shall operate each well with a discrete well meter at the well site, which will measure all the gas produced from that well. Lessee shall ensure that all meters are maintained according to industry standards.

**4.02** Lessee shall pay to Department, as royalty, THIRTY-FIVE CENTS (\$0.35) per thousand cubic feet (Mcf) or EIGHTEEN PERCENT (18%) of the market value, whichever is higher, for all marketable natural gas, marketable casinghead gas, or other marketable gaseous substances produced by Lessee at the wellhead from each gas well drilled on the leased premises; the amount to be paid to Department shall be the royalty rate (either \$0.35/Mcf or 18% of the market value; whichever is higher) multiplied by the fractional interest held by Department and shall be payable monthly based on the market price received for natural gas at the sales meter at the time of delivery.

**4.03** Department may, at its option, however, demand that Lessee deliver to the credit of Department, as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal 18% part of all marketable gas and other marketable gaseous substances produced and saved from the leased premises; the amount to be delivered to Department will be the equal EIGHTEEN PERCENT (18%) part of the gas produced multiplied by the fractional interest held by Department in the oil and gas rights. Lessee shall calculate and deliver a gas balancing statement on a quarterly basis to the Department in order to ensure that the Department receives its equal EIGHTEEN PERCENT (18%) share of the marketable gas production. Adjustments for overage or underage delivery of the Department's equal EIGHTEEN PERCENT (18%) royalty share shall be made by reducing or increasing future delivery gas volumes to the Department's account.

#### **5. OIL ROYALTY**

**5.01** Lessee shall pay to 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 oil, condensate and other liquid hydrocarbons of like grade and gravity which prevails in that area on the day such oil and other products are run into the pipeline or into storage tanks; the amount to be paid to Department will be the EIGHTEEN PERCENT (18%) royalty multiplied by the fractional interest held by Department.

**5.02** Department may, at its option, however, demand that Lessee deliver to the credit of Department, as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal EIGHTEEN PERCENT (18%) part of all oil, condensate and liquid hydrocarbons produced and saved

from the leased premises; the amount to be delivered to Department will be the EIGHTEEN PERCENT (18%) part of the oil produced multiplied by the fractional interest held by Department.

**5.03** If oil, condensate, and other liquid hydrocarbons, each in paying quantities, should be developed from the same well, then the oil and the condensate, and other liquid hydrocarbons shall be saved.

**5.04** Lessee shall provide tanks or other appropriate storage for accurately measuring any crude oil produced from the lease. Lessee shall gauge, measure, sample, and test all petroleum and petroleum 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. PAYMENTS**

**6.01** 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 Section  
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 ninety (90) days after 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.

**6.02** Lessee shall submit statements by individual wells of the production and sales of oil, gas, other hydrocarbon products, and other products within ninety (90) days after each monthly sales period.

**6.03** When Lessee has failed to make any payment due under this lease for thirty (30) days, Lessee shall pay an additional twelve percent (12%) annual interest on the overdue amount calculated from the time payment was due. Payment of such interest shall not waive Lessee's duty to make timely payments under this lease or limit Department's remedies for Lessee's failure to pay on time.

## 7. GAS MEASUREMENT

7.01 The volume of gas 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 the following requirements, unless otherwise approved in writing by the Department:

- (a) The unit of volume for the purpose of measurement shall be one (1) 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 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 Natural Bureau of Standards 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 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, whether completed at the specific request of the Department or not, shall be provided by the Lessee to the Department for its records within ninety (90) days of the date of the test.
- (g) The following factors used in the calculation of produced gas volumes shall be clearly 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 ( $F_{pv}$ )

## 8. AUDITS

**8.01** Lessee shall furnish to Department, at its request, the meter charts covering the production of each well on the leased premises. Department may keep such charts for examination for a period not to exceed one-hundred and twenty (120) days. Lessee shall furnish or secure for Department promptly any statements furnished to Lessee by any person or corporation to whom Lessee delivers for sale or transport any oil, gas, or other products produced from the leased premises.

**8.02** Lessee further authorizes and directs any person, association, company, partnership, corporation, or other entity to whom it sells or furnishes oil, gas, or liquid hydrocarbons produced from any well covered by this lease to disclose and exhibit accounts and other instruments to representatives of Department at Department's request having to do with the transactions involving payment to Lessee, its heirs, administrators, executors, successors, and assigns for oil, gas, or liquid hydrocarbons from wells covered by this lease.

**8.03** Lessee further grants to Department or Department's designated representative the right, at any time, to examine, audit, or inspect books, records, and accounts of Lessee pertinent to the purpose of verifying the accuracy of the reports and statements furnished to Department, and for checking the amount of payments due under the terms of this lease. Lessee agrees to provide every aid or facility to enable such audit to be made by Department. If such audit should disclose any gross error (i.e., deficiency of equal to or greater than 3% of reported volume) or fraud by Lessee in payment of royalties, then Lessee shall pay the cost and expense of the audit together with the deficiency. However, in case of fraud by Lessee, such payments shall not preclude Department in its discretion from terminating this lease upon delivery to Lessee of written notice of Department's intention.

## 9. INTERPRETATION

**9.01** In case of ambiguity, the lease shall always be construed in favor of Lessor and against Lessee.

## 10. LIMITATION ON WARRANTY

**10.01** The Commonwealth is considered to be the owner of the oil and gas rights under the surface of the leased premises but makes no warranty as to the presence of oil and gas, nor 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 and gas 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 hereinafter provided in this paragraph. In the event of an adverse claim affecting title to all or a portion of the oil and gas rights under the leased premises, notice of such claim will be given to 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 and gas 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.

**10.02** This proportionate reduction clause shall not apply to and shall not reduce the bonus payments or rents payable under Sections 3.01 and 3.02 of this lease.

## **11. LAWS, RULES AND REGULATIONS**

**11.01** Nothing in this Lease shall in any way be so construed as to impair the powers, privileges or duties of the Commonwealth, or its representatives, in the execution of the laws of the Commonwealth or the United States or the applicable rules and regulations promulgated thereunder, now in force or hereafter enacted or adopted.

**11.02** The Lessee is solely responsible for obtaining any and all local, State or Federal 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 or non-compliance of any relevant laws, rules, and regulations.

**11.03** Lessee shall strictly adhere to all rules, regulations and requirements governing the withdrawal and use of surface and ground waters, including, but not limited to, those administered by the Department of Environmental Protection, the Susquehanna River Basin Commission, the Delaware River Basin Commission, and any other river basin commission, agency or authority having designated jurisdiction of the waters of the Commonwealth. In addition, Lessee shall obtain written authorization from the District Forester prior to using surface waters located on State Forest lands as a take point for fracing or any other well drilling or well development operations. Department reserves the right to deny any such request(s) without cause.

**11.04** This lease does not constitute an estate or interest in submerged lands pursuant to Section 15 of the Dam Safety and Encroachment Act, act of November 26, 1978, P.L. 1375, No. 325, as amended, 32 P.S. § 693.15.

## **12. INDEMNITY AND HOLD HARMLESS**

**12.01** Lessee shall, at all times hereafter, indemnify and hold harmless Department from and against all detriment, damage, loss claims, demands, suits, expenses, or other claims of any kind whatsoever which Department may sustain, suffer, or be subject to directly or indirectly by reason of the location, obstruction, presence, maintenance, renewal, or removal of the operations permitted by this lease or resulting therefrom.

**12.02** 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.

### **13. LIABILITY**

**13.01** Lessee shall be alone liable and responsible for any pollution or other damage to any portion of the environment in or adjacent to the leased premises which occurs as a result or consequence of Lessee's occupation and 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 section, a presumption shall exist that, but for Lessee's occupation and use of the leased premises, 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 Department against Lessee shall not bar Department from bringing other actions under the Clean Streams Law or other pertinent State or federal laws, rules, or regulations.

**13.02** Department shall not be liable to Lessee for any time during which the leased premises cannot be used.

### **14. ASSIGNMENTS**

**14.01** Lessee shall not use, or allow to be used, the leased premises for any purpose other than those specifically authorized by this lease and shall not assign or sublet the leased premises in whole or in part at any time or from time to time without the prior written consent of Department. Lessee shall make application to the Department to obtain such consent in writing accompanied by a plat describing the land to be assigned and the interest therein if less than the whole, together with the interest retained by assignor. Assignee shall agree in writing to be bound by all of the terms and provisions of the lease and shall furnish a surety or performance bond satisfactory to Department. Upon Department's consent to the assignment and assignee's assumption of all liability under this lease arising or accruing subsequent to the date of such assignment as to the part or parts so assigned, Lessee shall be released from all such liability; and assignee shall be deemed to have assumed and be responsible for the covenants, conditions, and obligations of this lease as to the part or parts assigned. In the event that a portion only of the leased premises is assigned, the default of any of the covenants, conditions, or obligations of this lease by one of the holders of a portion of the leased premises created by an assignment will not affect the interests of a party not in default.

**14.02** In the event that the Lessee enters into a "Farmout Agreement" with a third party for the purpose of allowing a "Farmee" to explore, develop, or produce oil and/or gas from the leased premises, or any portion thereof, Lessee shall be liable for enforcing all the provisions of this lease, including the posting of the required plugging sureties for each and every well drilled and operated by the Farmee. Although the Department recognizes a right of the Lessee to farmout its leased premises or portions thereof from time-to-time, Department will hold the Lessee solely responsible for the enforcement of all the provisions of this lease.

**15. RELATED AGREEMENTS**

**15.01** 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.

**16. FINANCIAL SECURITY**

**16.01 PERFORMANCE SECURITY** – Upon execution of this lease, Lessee shall provide Department with financial security in a form acceptable to Department (*i.e.*, surety bond, irrevocable letter of credit with evergreen provisions, bank certificate of deposit, *etc.*) for the principal sum of **TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00)** 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 (1) year from the termination of this lease, Commonwealth can execute upon the performance security provided to pay for 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.

**16.02 WELL PLUGGING SECURITY** - Additionally, prior to acquiring any existing well on the leased premises, or upon the Lessee's decision to keep a newly drilled well, Lessee shall provide Department with financial security in a form acceptable to Department (*i.e.*, surety bond, irrevocable letter of credit with evergreen provisions, bank certificate of deposit, *etc.*) in an amount equal to or exceeding the reasonably expected estimated total cost of plugging the well one (1) year after its completion as a producer or shut-in well, unless the well has originated on an adjacent Commonwealth lease tract and a plugging bond has been secured for the subject well. Wells originating on adjacent private lands will require a plugging bond, unless the requirement is waived in writing by the department. This well plugging security shall remain in effect until the plugging and abandonment of the well has been completed in compliance with applicable state law and the well site has been restored and re-vegetated to the satisfaction of District Forester. The minimum well plugging security coverage per well acceptable to Department as of the date of this agreement is as follows and shall be based on the well's measured depth (MD), regardless of its true vertical depth (TVD):

<u>Measured Depth (MD)</u>	<u>Minimum Surety Amount</u>
Less than 5000'	\$ 10,000
5000' to 8500'	\$ 30,000
8500' to 10,000'	\$ 50,000
10,000' and Deeper	\$100,000

**16.03** Every five (5) years during the term of this lease, and effective on the anniversary of the Effective Date of this lease, new financial security amounts may be instituted at the option of Department by notice in writing from Department to Lessee at least six (6) months prior to the anniversary date.

Such new security amounts shall equal the original security amounts set forth in paragraphs 16.02 and 16.03 herein adjusted for inflation so that the security amounts will adequately cover the expected lease obligation costs prevailing at the time of adjustment. The new adjusted security amounts will be rounded off to the nearest ONE THOUSAND DOLLARS (\$1,000.00) and will be computed by multiplying the original security amounts set forth herein by a ratio derived from the Producers Price Index for All Commodities using a base of 1982 = 100, compiled and issued monthly by the U.S. Department of Labor's Bureau of Labor Statistics, as follows:

The numerator of the ratio shall be the index number for the item "All Commodities" for the month appearing in the issue of the index most recently preceding the anniversary when the security adjustment is made.

The denominator of the ratio shall be the index number for the item "All Commodities" for the month of **January 2010**. The parties agree that such index number is **182**.

If the base period of such index should change to other than 1982 = 100, the aforementioned numerator shall be adjusted by the usual method of linkage of base periods to the end that the ratio shall accomplish its purpose; namely, to adjust the dollar amount of the security or securities for changes in the price level between the date of this agreement and the date when the adjustment is made.

In the event such monthly index should be discontinued, or a new or revised one substituted therefore by the Bureau of Labor Statistics or other agencies of the United States of America, such new or revised or other similar index shall be used for the purpose of computations as described in this paragraph, using such conversion factors or other devices which may be generally recognized or adopted in connection with requirements based on this index.

## **17. COMPREHENSIVE AND POLLUTION LIABILITY INSURANCE**

**17.01** Lessee shall, at its sole expense, provide and maintain in full force and effect 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 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. Department shall be named as additional insured as their interests may appear on Lessee's liability insurance. Lessee shall also maintain equivalent insurance coverage for the operation of its motor vehicles.

**17.02** Lessee shall, at its sole expense, provide and maintain in full force and effect during the term of this lease such pollution liability insurance as shall protect the Commonwealth, the Lessee and its contractors, if any, from claims of environmental impairment and pollution that may arise during the execution of this lease. The amount of pollution liability insurance shall be consistent with industry standards, but not be less than \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate.

Department shall be named as additional insured as their interests may appear on Lessee's liability insurance.

**17.03** Lessee or its insurer shall be liable to Department for any damage done to Commonwealth property as the result of Lessee's operations.

**17.04** Lessee shall provide Department with a certificate of insurance for its comprehensive general liability insurance and pollution liability insurance demonstrating the above coverage prior to beginning its operations on the leased premises.

**17.05** Lessee shall advise Department of the cancellation of any insurance policy or surety bond 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.

**17.06** Lessee shall provide Department, upon Department's request, proof of current insurance policy in full force and effect as described in Section 17.01.

## **18. DEEP WELL CONTROL INSURANCE AND SAFETY**

**18.01** Prior to the beginning of well-drilling operations on a true vertical depth (TVD) well of 10,000 feet or deeper, Lessee shall acquire well-drilling insurance coverage in an amount estimated to be sufficient as specified below to cover control of well, seepage and leakage, pollution, cleanup and contamination, unlimited redrilling and/or reworking expenses, and equipment in Lessee's care, custody and/or control. This insurance coverage shall be continuously maintained until the cessation of any well-drilling operations, well-reworking operations, well-completion operations and well-to-pipeline-hookup operations. Lessee shall have Department listed as an additional insured on its well-drilling insurance policy.

**18.02** Lessee shall obtain well-drilling insurance in an amount consistent with industry standards, but not less than TWENTY MILLION DOLLARS (\$20,000,000.00), for wells drilled into the Trenton-Black River formation unless Department waives or modifies this amount in writing upon Lessee's request.

**18.03** Lessee shall provide a complete copy of the Well Control Insurance Policy to Department and shall not commence well drilling operations until Department has given its written acceptance of the Well Control Insurance Policy. Lessee shall not seek to terminate the well-drilling insurance coverage without prior written approval of Department.

**18.04** At a minimum, the Lessee shall ensure that the Well Control Insurance Policy complies with and includes the following provisions, or provides alternate provisions which are acceptable to the Department:

- (1) A minimum of a 10,000 psi double ram and a 5,000 psi annular blowout preventer and a fully operational remote closing device should be used for the well operation and tested successfully at least every thirty (30) days.

- (2) No well should be drilled ahead unless the "leak off" pressure determined by the most recent casing shoe test or formation integrity test (as measured by mud weight equivalent in pounds per gallon) exceeds the hydrostatic pressure extended by the actual mud weight in use by at least 0.5 pounds per gallon.
- (3) No wells should be drilled with an open hole section of length greater than 8,000 feet.
- (4) Casing pressure should not be allowed to exceed seventy-five percent (75%) of the rated burst pressure for a continuous period of greater than three (3) months.
- (5) Reasonable review of the drilling and/or workover contractor's personnel and equipment shall be conducted to ensure that:
  - (a) The contractor's equipment is of adequate size capacity and pressure rating to perform all anticipated operations;
  - (b) The contractor has crews with a reasonable level of experience and maintains at least one employee with well-control certification on location at all times; and
  - (c) The contractor's tubulars, choke manifold and other pressure-rated equipment are tested properly and achieve satisfactory results prior to commencement of operations.

## **19. OPERATIONS, PROTECTION AND CONSERVATION**

**19.01** Lessee shall carry on all operations under this lease with all due diligence and in a good and workmanlike manner, in accordance with the best and most up-to-date oil and gas field practices.

**19.02** 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 lands located in the vicinity of the area covered by this lease, including areas of ingress and egress.

**19.03** The leased premises are non-development with no surface activity allowed whatsoever on the leased premises.

## **20. FIRST WELL**

**20.01** Lessee shall commence a well ("First Well") on the leased premises, or on unitized acreage containing a portion of the leased premises, within five (5) years from the Effective Date of this lease and shall proceed with due diligence to complete the First Well. In the event the First Well is not commenced within the five (5) year period, this lease shall automatically terminate in its entirety, unless the Department, in its sole discretion, provides Lessee with written notice of an extension of the period to commence the First Well at least thirty (30) days prior to the fifth anniversary date of this lease. An

extension shall be granted only when the Department considers it to be in the best interests of the Commonwealth.

**20.02** The rental rate provision of the lease shall not be affected by such extension of the 5-year first-well deadline. Additionally, the granting of an extension shall in no way affect the anniversary dates of this lease, or the rights and responsibilities of Department and Lessee associated therewith.

## **21. SUBSEQUENT WELLS**

**21.01** If the First Well drilled by Lessee, or any subsequent well, is productive of oil and/or gas, and the well is expected to return the investment and operating costs on that well during the anticipated productive life of the well to its economic limit, then Lessee shall drill an additional well on the leased premises or on a unit containing a portion of the leased premises, but not necessarily on the portion of the leased premises contained within the unit, if such a well would be drilled by an ordinary prudent operator acting under the same or similar circumstances. If Lessee concludes an additional well is not justified, then Lessee shall submit to Department the information upon which its conclusion is based. If upon review of such information, Department determines that an additional well should be drilled, then Lessee shall have the option of drilling an additional well within two (2) years from Department's determination or releasing all of the acreage covered by the lease except for the following:

- (a) forty (40) acres around each well from which oil is produced as the principal product;
- (b) three-hundred twenty (320) acres around each well completed above the top of the Onondaga Formation from which gas is being produced as the principal product;
- (c) six-hundred forty (640) acres around each well completed below the top of the Onondaga Formation from which gas is being produced as the principal product; or
- (d) that amount of leased acreage actually contained within an established unit, whichever is less.

**21.02** Lessee shall not be required under this provision to drill more wells than required or allowed under any spacing order, rule, or regulation of the DEP Bureau of Oil and Gas Management or any other appropriate state or federal authority, or in the absence of any such order, more than one well for each well completion depth horizon described in Section 21.01 above.

**21.03** The amount of acreage around the subsurface location where oil and gas enters the well bore, commonly referred to as the "take point", included in a spacing unit ordered by the DEP Bureau of Oil and Gas Management or other appropriate state or federal authority, or in the absence of any such order, the well completion depth horizons described in Section 21.01 above, shall be referred to elsewhere in the lease as "acreage attributable to a well," which comprises acreage directly above the subsurface "take point."

## **22. DEVELOPMENT AND WELL SPACING**

**22.01** Lessee agrees that no surface disturbance is to take place on TRACT NO. 271-S, which includes, constructing drill pads, laying pipelines, constructing roads, tanks, towers, stations, and structures thereon to produce, save, take care of, and transport extracted products. Development well spacing shall conform to industry standards for proper spacing, and placement and for efficient drainage of the reservoirs beneath TRACT NO. 271-S from adjacent State Forest and private lands as deemed necessary by the lessee.

## **23. DRILLING RESTRICTIONS**

**23.01** The non-development status of TRACT NO. 271-S does not allow for any surface disturbance by the lessee on the leased premises for any reason. Lessee shall conduct its operations on the adjacent State Forest lands and private lands so as to minimize interference with the other Department authorized activities on TRACT NO. 271-S and shall comply with the following restrictions along the borders of the leased premises on adjacent State Forest lands.

No drilling or well site clearing is permitted on the surface within:

- (a) 200 feet of any building;
- (b) 200 feet of any stream or body of water;
- (c) 300 feet of any stream or other body of water designated by DEP's Environmental Quality Board as being Exceptional Value Waters;
- (d) 300 feet of any picnic area or sheltered area which has been so designated by Department;
- (e) 300 feet of any trail, road, existing right-of-way or defining line of any scenic viewshed or municipal watershed;
- (f) 300 feet of any area of historic value, tree plantation, designated overlook, designated vista or fire tower site;
- (g) 300 feet of the boundary line of the leased premises; or
- (h) 600 feet of the boundary line of State Park lands or State Forest lands designated as Wild and Natural Areas.

**23.02** Upon written request by Lessee, Department may allow the acquisition of seismic data on the surface of the leased premises if, in Department's judgment, such a waiver is justified and in its best interests.

## **24. DRILLING OPERATIONS**

**24.01** Lessee shall submit to Department and to District Forester for their approval as to location, a plat showing the location of each well before drilling is commenced, and no well shall be commenced until a permit has been issued by DEP Bureau of Oil and Gas Management.

**24.02** A legible sign listing the name and address of the well operator, the permit number, the farm name, and well number shall be placed in a conspicuous place near where the access road enters the well location. 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.

**24.03** Except where Lessee intentionally drills a deviated well to a bottomhole location not vertically beneath the well site, Lessee shall drill a straight hole to the best of its ability. The maximum point at which a well penetrates a producing formation shall not vary unreasonably from the vertical drawn from the center of the hole at the surface. Minor deviations will be permitted for short distances to straighten the hole, to sidetrack junk, or to correct other mechanical difficulties.

**24.04** Lessee shall run a device for measuring deviation from the vertical periodically during the drilling of the well and at the total depth, if requested by Department.

**24.05** After the completion of an intentionally deviated well, a complete angular deviation and directional survey of the well obtained by an approved well surveying company and certified as to correctness shall be furnished to Department.

**24.06** Lessee shall maintain, at all times, casing control equipment that effectively controls any oil, gas, or water encountered during well drilling, testing, completing, or reconditioning. All wells shall be equipped with working blowout control equipment consistent with and tested according to industry standard. For wells shallower than ten-thousand (10,000) feet, such equipment shall be tested, at a minimum, to twice normal hydrostatic pressure for the depth drilled. Wells deeper than ten-thousand (10,000) feet deep shall, at a minimum, (a) be tested to at least ten-thousand (10,000) psia, (b) have control equipment that will completely close off the open hole and completely close off around any equipment being employed in the well, and (c) be equipped with a bleed-off valve of the proper size and working pressure. If the blowout preventer is hydraulically operated, adequate pressure shall be available at all times for efficient operations. Blowout control equipment must be capable, in case of an emergency, of shutting in the well at a point at least fifty (50) feet from the wellhead. For wells being serviced, blowout protection equipment shall be of sufficient capacity to control pressures and flow rates measured in the wells being serviced.

**24.07** All wells shall be equipped with casing heads of rated working pressure consistent with industry standards, but such pressure must be at least twenty-eight percent (28%) greater than the maximum rock pressure anticipated, or rated to withstand test pressure exceeding the maximum well treatment or stimulation pressure anticipated by ten percent (10%), whichever is higher, with adequate connections and valves available to permit pumping mud-laden fluid between any two strings of casing at the surface. Reconditioning shall be required on any well showing pressure on the casing head, or leaking oil or gas between the producing string or next larger size casing string when such pressure or leakages assume hazardous proportions or indicate the existence of underground waste. No casing shall be perforated until adequate control equipment has been installed and is in good working order. Such control equipment shall consist of a Master Valve and Lubricator, or their equivalent. The entire equipment shall be in good working order and condition at all times.

**24.08** Lessee shall test control equipment daily, to the extent possible, without causing premature removal of drill pipe from the hole while drilling, and record the results of such tests daily.

**24.09** Whenever an inspection shows that the casing or control equipment at a well is not adequate, Department may prescribe remedial measures with which Lessee shall comply before continuing any further drilling.

**24.10** Drilling mud or salt water of sufficient weight to prevent oil, gas, or water blowouts, or flows to the surface, shall be mixed and ready to use in wells prior to drilling any reservoir deemed by Department to be capable of flowing liquid or gas to the surface.

**24.11** All casing, tubing, and equipment used in the drilling and completion of a well should be in good condition and adequate in strength for the depths to be drilled and the pressures that may be encountered.

**24.12** Lessee shall use a casing program which complies with applicable state and federal statutes, and rules and regulations, and which prevents the escape of oil, gas, or water out of one stratum into another, the pollution of fresh water supplies, and blowouts.

**24.13** The surface casing shall extend from the surface to a depth below all fresh water zones known to exist in the field and adjacent area to protect them from contamination.

**24.14** The production casing shall be of new or reconditioned pipe of a grade and weight consistent with industry standards and designed, at a minimum, to withstand the greater of the following pressures to which the casing is planned to be stressed:

- (a) The maximum anticipated rock pressure, at any point in the casing string, shall not stress the casing in yield greater than seventy-five percent (75%) of the American Petroleum Institute (API) specified internal yield pressure of the pipe at minimum yield, as shown in API Bulletin 5C2 (dated April 1972) or later amendments or equivalents.
- (b) If the well is to be fractured, the casing shall be designed so that the fracture pressure anticipated, at any point in the casing, does not exceed the API specified internal yield pressure of the casing at minimum yield, as shown in API Bulletin 5C2 (dated April 1972) or later amendments or equivalents.

**24.15** After cementing and before perforating or drilling-in, the casing shall be tested consistent with, and shall meet, industry standards. Notwithstanding the foregoing, the casing shall be tested, by pump pressure at the wellhead to a minimum pressure twenty percent (20%) greater than the anticipated maximum pressure at the wellhead. If, at the end of thirty (30) minutes, pressure shows a drop of fifty (50) pounds per square inch or more, the casing shall be repaired sufficiently to withstand the pressure test described herein. After corrective operation, the casing shall again be tested in the same manner.

**24.16** All surface casing and production casing shall be cemented consistent with industry standards. At a minimum, the casings shall be cemented in a manner that meets the following requirements:

- (a) Casings shall be cemented in the ground with good quality cement equaling or exceeding API specification in the manner hereinafter described.

- (b) Cementing of all casing strings shall be accomplished by pump and plug or another method approved by Department. Sufficient centralizers shall be attached to the casing to keep it centered in the hole during cementing.
- (c) An attempt shall be made to circulate the cement to the surface in cementing the surface casing. In cementing the surface casing, cement of sufficient quantity shall be used to fill the calculated annular space plus twenty percent (20%) back of the casing shoe to the surface. In the event that the cement cannot be circulated to the surface, due to the presence of fractures or other lost circulation zones, Lessee shall determine, as accurately as possible, the depth of the top of the cement in the annular space behind the surface casing and record it on the well record.
- (d) In wells where cement has not been circulated to the surface, there must be sufficient good quality cement in place in the annular space behind the casing to tightly hold the casing in place so that the escape of oil, gas, or water from one stratum to another, or to the surface, does not occur behind the casing.
- (e) Cement shall be allowed to stand a minimum of twenty-four (24) hours before drilling the plug or initiating tests. The waiting period for cement to harden may be reduced from twenty-four (24) hours upon approval by the Department.

**24.17** Lessee, its agents, contractors and subcontractors, and employees of contractors and subcontractors, shall not allow the well to blow open for over twenty-four (24) hours after drilling, except in case of an emergency. Lessee will pay Department, at the regular royalty rate, for any gas allowed to escape, except in case of an emergency not caused by Lessee's operations, after this initial twenty-four (24) hour period. Such gas will be estimated by a method approved by Department.

**24.18** After an initial open flow test has been taken, all future open flow potential shall be determined based on the back pressure method described in United States Bureau of Mines Monograph 7 (1936) or by other current industry standards approved, in writing, by the Department.

**24.19** The determination of the initial open flow of a well, as that phrase is used in this lease, shall be made before any attempts are undertaken to increase the flow of such well through mechanical or chemical stimulation.

**24.20** Annually, or more frequently when requested in writing by Department, Lessee will determine the open flow potential of each producing well as required in Section 24.18 and will also take a twenty-four (24) hour reservoir pressure test and will furnish Department a copy of the results of all such tests. Department may, at the request of Lessee, waive, in writing, all or parts of this requirement if, during any calendar year, production averages less than sixty (60) Mcf per day and/or the pressure tests show reservoir pressures to be less than one hundred (100) psi.

**24.21** Lessee shall, at all times, conduct prudent drilling operations including the setting and cementing of casing in such a manner as will permit the production of oil, gas, and liquid hydrocarbons, without waste and including the taking of all reasonable precaution by the use of proper equipment and drilling practices as will protect persons and property against fires and hazards from blowouts.

**24.22** Lessee shall have the privilege of using sufficient water and gas from the leased premises, free of royalty, to run all machinery necessary for drilling thereon only.

**24.23** Lessee shall take all safety precautions necessary to prevent the uncontrolled escape of hydrogen sulfide (H<sub>2</sub>S) gas from oil and gas wells and facilities. In areas where H<sub>2</sub>S is known to be present in the formations that are to be drilled, Lessee shall, at a minimum:

- (a) Install adequate emergency shutdown equipment, H<sub>2</sub>S gas detection and monitoring equipment, hazardous condition alarms and personnel safety equipment, particularly protective breathing apparatus at all facilities where H<sub>2</sub>S gas exists or is anticipated in concentrations exceeding 100 ppm.
- (b) Make gas masks and portable H<sub>2</sub>S gas detectors readily available for use at all sites, particularly drill sites, where H<sub>2</sub>S gas is anticipated or used.
- (c) After H<sub>2</sub>S has been initially detected by any device, conduct frequent checks of all areas of poor ventilation with a portable H<sub>2</sub>S detector.
- (d) Use special steel pipe and casing which is resistant to H<sub>2</sub>S gas stress cracking, in wells and facilities handling the gas in concentrations exceeding 100 ppm.
- (e) Quickly notify and evacuate, if necessary, all persons in the vicinity if dangerous quantities of H<sub>2</sub>S gas uncontrollably escape from oil or gas facilities.
- (f) Post warning signs around all well sites or other facilities handling toxic H<sub>2</sub>S gas in concentrations exceeding 100 ppm. The warning signs should be visible on all approaches to, and at a safe distance from, all facilities handling the H<sub>2</sub>S gas, including warning markers on all pipelines which may be used to transmit the toxic gas.
- (g) Install a fence around any fixed surface facility handling H<sub>2</sub>S gas in concentrations exceeding 100 ppm and keep the gate locked.

**24.24** During well drilling and production operations, in order to reduce night lighting pollution in designated dark sky areas, Lessee is required to utilize drilling rigs equipped with fully shielded lighting consistent with Occupational Safety & Health Administration (OSHA) regulations and other applicable state and federal requirements.

**24.25** Upon written request by Lessee, Department may waive, in writing, any portion of the above drilling requirements if, in the Department's judgment, such a waiver is justified by new technology or knowledge and/or will be in the best interest of the Commonwealth.

## **25. WELL RECORDS, LOGS AND REPORTS**

**25.01** Lessee shall keep a daily drilling record which describes the formations penetrated, and the depth and volumes of water, oil, gas, and liquid hydrocarbons found while drilling each well on 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 those items listed in Section 26 (Confidentiality), shall be provided to the Department within ninety (90) days of the data's collection, or upon oral or written request by the Department and within a timeframe specified by the Department. All above-described data shall be submitted in both hard-copy and digital forms. Digital well logs shall be submitted in .LAS format.

**25.02** Upon Department's request, 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 Department at Lessee's expense within one (1) year after completion of each well.

**25.03** 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 contracted storage facility, 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, at its own expense, make arrangements for the transportation of any rock samples it requests.

**25.04** Upon written request and within a timeframe specified by the Department, Lessee shall provide Department with production and pressure test data, production and pressure decline curves, gas analysis data including BTU value determinations, 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.

## **26. CONFIDENTIALITY**

**26.01** Records that 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 Department in writing of any records submitted pursuant to this lease that contain trade secrets or confidential proprietary information. Department shall maintain such records solely for use by the Commonwealth as provided below and shall not disclose such records to any third party unless Lessee consents or Department is directed to do so pursuant to a court order. The Department shall notify Lessee of any request received for such records.

**26.02** Department shall maintain the following well-related documents solely for use by the Commonwealth for a period of three years from the date the well is spud unless (1) Lessee does not advise Department that such records contain trade secrets or confidential proprietary information, (2) Lessee does so advise Department, but nevertheless consents to disclosure of the records, or (3) Department is directed to disclose these records by court order:

- (a) all drill time logs
- (b) all electric well logs
- (c) all nuclear well logs

- (d) all acoustic or sonic well logs
- (e) all caliper or hole diameter measurement logs
- (f) all cement bond or integrity logs
- (g) all mud or geologic well logs
- (h) all dip measurement well logs
- (i) all well flow or production test data
- (j) all well completion data
- (k) all well fracturing and stimulation data
- (l) all well pressure tests or pressure data
- (m) all record of lost circulation zones and caving strata
- (n) all well casing records
- (o) all core analysis, mud log analysis
- (p) all well perforation records
- (q) all lithologic well logs
- (r) all written well history
- (s) all well cutting samples requested by Department
- (t) drill stem tests and charts
- (u) formation water analysis
- (v) and any other geophysical well data not specifically named.

**26.03** Department shall maintain the following well related documents solely for use by the Commonwealth unless (1) Lessee does not advise Department that such records contain trade secrets or confidential proprietary information, (2) Lessee does so advise Department, but nevertheless consents to disclosure of the records, or (3) Department is directed to disclose these records by court order:

- (a) all raw preprocessed data on tapes, discs, or other storage devices
- (b) all processed data on tapes, discs, or other storage devices
- (c) all paper or reproducible copies of stacked seismic data presentations
- (d) all paper or reproducible copies of migrated seismic data presentations
- (e) all paper or reproducible copies of relative amplitude seismic data presentations
- (f) all paper or reproducible copies of premigrated stacked seismic data presentations
- (g) all paper or reproducible copies of depth conversion seismic data presentations
- (h) all paper or reproducible copies of amplitude versus offset seismic data presentations
- (i) all paper or reproducible copies of any attribute seismic data presentations
- (j) all post plot shot point and receiver location maps
- (k) all time-depth conversion charts or calculations
- (l) all velocity charts and calculations
- (m) all sonic/acoustic well charts and data calculated from well logs
- (n) all synthetic seismograms
- (o) all seismic models for tuning and velocity variation
- (p) and all other incidental or miscellaneous seismic related data or presentations.

**26.04** Department shall maintain the following well related documents solely for use by the Commonwealth for the life of the lease unless (1) Lessee does not advise Department that such records contain trade secrets or confidential proprietary information, (2) Lessee does so advise Department, but

nevertheless consents to disclosure of the records, or (3) Department is directed to disclose these records by court order:

- (a) meter charts
- (b) all third party statements related to Commonwealth's royalty volumes and payments
- (c) all internal account statements of Lessee or third party related to Commonwealth's royalty volumes and payments
- (d) all business books of the Lessee or third parties provided to the Commonwealth to substantiate Commonwealth's royalty volumes and payments
- (e) all Lessee and third party contracts related to the Commonwealth's royalty volumes and payments
- (f) all production agreements between Lessee and third parties related to Commonwealth's royalty volumes and payments
- (g) all farmout agreements between Lessee and third parties related to Commonwealth's royalty volumes and payments
- (h) all purchase and sale agreements between Lessee and potential purchaser of the leased premises
- (i) all agreements providing for areas of mutual interest between Lessee and third parties
- (j) and all other business documents and agreements provided to the Commonwealth that Lessee or a third party consider confidential trade secrets.

## **27. UNITIZATION**

**27.01** Lessee shall have the right, at any time or times, to enter into joint operating or unit agreements with owners and/or lessees of lands adjoining or in the vicinity of the leased premises to pool, consolidate and create a unit or units for the development of such lands and the leased premises, in whole or in part, or as to any stratum or strata, to prevent the drilling of an excessive number of wells, or of wells located too close to the boundary of the leased premises; provided, however, that such agreements and termination thereof shall not become valid without written approval of the Department unless such agreements are entered into pursuant to a valid spacing or integration order.

**27.02** Drilling, mining, or reworking operations upon, or production of oil or gas from any part of such unit shall be treated, for all purposes hereunder, as operations upon or production from the leased premises, provided that the Lessee is the owner of the off-lease property.

**27.03** Upon production from any part of any such unit, Department shall be entitled to and Lessee shall pay royalties calculated as follows: a fractional part of the production shall be allocated to the Department based on the ratio of the acres from the leased premises included in such unit to the total number of acres included in the unit, and Department shall be entitled to the royalties provided for in this lease on such fractional part of such production.

## **28. OFFSETS**

**28.01** Upon the failure of Lessee to enter into a unitization agreement to protect affected acreage of the leased premises from drainage through offset wells, Lessee agrees to offset within sixty (60) days any well drilled on land not owned by the Commonwealth which is completed within six hundred and

sixty (660) feet of the boundary line of the leased premises and from which oil is being produced as the principal product, any well drilled on lands not owned by the Commonwealth which is completed within one-thousand six-hundred and seventeen (1617') feet (i.e., 60 acres) of the boundary line of the lease premises and from which gas is being produced as the principal product, or any well drilled on lands not owned by the Commonwealth which is completed within the radius of the drainage areas set by an order of the DEP Bureau of Oil and Gas Management or other appropriate state or federal authority; provided, however, that Lessee may present evidence to Department to show that such offsetting well is unnecessary or economically unsound. Upon review of such evidence, Department may, at its discretion, relieve Lessee of its obligation to drill the offsetting well. However, if Department determines that an offsetting well should be drilled, Lessee will have the option of drilling the well as required, or paying to the Commonwealth compensatory royalty on production from the offset well as if it had been drilled based on the production from the completed well which is to be offset and on the ratio the affected acreage bears to the total acreage which would have been drained by the well, or release all the acreage of the leased premises except:

- (a) forty (40) acres around each well from which oil is being produced as the principal product;
- (b) three hundred twenty (320) acres around each well from which gas is being produced as the principal product; or
- (c) that acreage attributable to a well by an order of the DEP Bureau of Oil and Gas Management or other appropriate state or federal authority if the affected acreage falls within an area subject to such a spacing order.

**28.02** No well on the leased premises shall be shut in if drainage will occur through any well within the above distances for oil and gas wells on lands not owned by the Commonwealth and, if such draining gas wells are on compression, the offset wells on the leased premises shall be placed on compression, as long as safety and environmental integrity are maintained.

**28.03** In cases where the offset drilling obligations of this section conflict with the restriction in Section 23, then the restriction in Section 23 shall take precedence and prevail unless waived in writing by Department.

## **29. OIL AND GAS PIPELINES**

**29.01** No natural gas transmission pipelines of any sort or use shall be constructed on the leased premises.

## **30. GAS STORAGE RIGHTS**

**30.01** No gas storage rights are demised to the Lessee by this lease.

**30.02** If the Lessee wishes to develop the leased premises for gas storage, Lessee must first obtain a gas storage lease from the Department.

**30.03** 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 indicates its potential for a gas storage reservoir, 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.

**30.04** Any well and equipment identified by 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 Department or its nominee or assignee in writing, at the then fair market value of the well and attendant equipment, at least one hundred twenty (120) days before Lessee begins abandonment procedures.

### **31. SEISMIC SURVEYS**

**31.01** Lessee, its agents, contractors and subcontractors, and employees of contractors and subcontractors shall have the right to conduct seismic surveys over and across the leased premises with the prior written approval of the department. Prior to conducting any seismic work, Lessee shall submit for approval to the District Forester, a map showing the proposed location of each and every seismic line. When Lessee's seismic lines cross State Forest lands not already under lease to Lessee, Lessee must obtain a separate seismic survey agreement from Department. The Department can execute upon the performance security required in Section 16 (Financial Security) of this lease for all damages that may arise as a result of Lessee's seismic surveys.

**31.02** A final plat will be submitted to Department within ninety (90) days after completion of any seismic survey showing the location, elevation, and depth of shot holes drilled; and indicating which holes contained ground water, at what depth it occurred, and an estimate of the amount of flow.

**31.03** During the term of this lease, a copy of all seismic data gathered or obtained from any seismic survey conducted on the leased premises will be made available to Department for review at any time after a period of one (1) year from the date of completion of each individual seismic survey. The Department may examine the information gathered in the seismic survey at the location where such information is normally maintained and worked by the Lessee during regular business hours. The Department hereby agrees that none of the seismic information examined by the Department's staff will be copied or taken from the Lessee's premises without the express written permission of the Lessee.

**31.04** Upon termination of this lease, or earlier with approval of the Lessee, the Lessee shall submit to the Department a copy of all seismic data collected by the Lessee or the Lessee's agent which represents the leased premises, including but not limited to those items specified in Section 26 (Confidentiality) of this lease. The submitted data may be in digital form, hard copy form (paper), or in a reproducible form (film or Mylar), and shall be the "processed" version of the data. The presentation will include the stacked, migrated, and relative amplitude presentations in time as well as depth, if any or all of these presentations are generated from the processing procedures. Special processing, such as amplitude versus offset or any attribute processing, will be supplied in hard copy form only. All hard copies will be in industry standard format, and the digital copy will be presented in the format available or in a format Department requests, as long as it is an industry standard format. The Lessee will not be required to submit interpreted versions of the seismic data.

**31.05** If a seismic survey is begun but not completed, any data collected even though incomplete shall be submitted to the Department within thirty (30) days after the seismic effort has been terminated. If the seismic effort is suspended for more than ninety (90) days, all data collected to the date the effort was suspended shall be submitted to the Department.

**31.06** A "post plot" map will accompany both the hard copy and digital versions of the data identified in Sections 31.04 and 31.05 above, wherein the shot points are clearly marked on the map in reference to known landmarks or other reference points so that the location of all shot points can be clearly located. If multiple survey lines are completed during one survey, all lines will be shown on the post plot map in their correct relationship to one another with tie points clearly marked on the map as well as the seismic lines. All post plot maps will be provided at no cost to Department.

**31.07** A Data Transmittal Listing is required by Department, to accompany the seismic information identified in Sections 31.04 and 31.05 above which shall be transmitted to Department. Department will acknowledge in writing its receipt of the transmitted information.

## **32. TEST OF WELL ECONOMY**

**32.01** For purposes of this lease, if a gas well does not produce more than an average of one (1) thousand cubic feet per day (Mcf/day) of natural gas in a calendar year (calculated by dividing its annual production in Mcf by 365 days), it shall be considered uneconomic (*i.e.*, not in paying quantities) to maintain and operate; and if during the following calendar year gas production from the well also fails to exceed a one (1) Mcf/day average, Lessee shall plug and abandon the well as per Section 33 (Plugging), and restore the wellsite and access road to the satisfaction of District Forester, all no later than six (6) months after the end of the following calendar year.

**32.02** This provision shall apply to all wells drilled or operated by Lessee on the leased premises, whether the wells are shut-in or producing, unless the Department has informed the Lessee that a well or wells falls under the provisions of Section 30 (Gas Storage Rights).

**32.03** Department may, at its sole discretion and in writing, waive all or part of the requirements of this provision of the lease, if in 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.

### **33. PLUGGING**

**33.01** Lessee shall properly and effectively plug all wells on the leased premises before abandoning, in accordance with the requirements of the DEP Bureau of Oil and Gas Management and all applicable state and federal laws, rules and regulations.

**33.02** For any well drilled under the terms of this lease which shall be plugged, Lessee shall provide a proposed plugging plan to Department and shall obtain written approval of the plan from the Department prior to filing a notice of intent to plug with the DEP Bureau of Oil and Gas Management. 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 the DEP Bureau of Oil and Gas Management or another appropriate state or federal authority.

**33.03** In no case shall brush plugging be proposed or be used to plug any wells drilled under the terms of this lease.

**33.04** A copy of the Certificate of Well Plugging showing the plugging procedure used and submitted to the DEP Bureau of Oil and Gas Management shall be supplied to the Minerals Section, Bureau of Forestry for each well plugged and abandoned. In addition, upon completion and plugging of a well, a permanent marker of concrete or any other marker approved by Department shall be erected over the well. The marker shall extend from ten (10) feet below the surface to at least two (2) feet above the surface. The name of the person, firm, company, or corporation by whom the well was drilled and the number of the well shall be stamped, cast, or otherwise permanently made a part of the marker. The erection of the marker shall in no way interfere with the vent pipe if one is required.

**33.05** Failure to comply with the above plugging requirements may result in forfeiture of the well plugging financial security to fund the proper plugging of the well or wells by Department and/or termination of this lease.

### **34. DEPARTMENT'S TERMINATION**

**34.01** 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 thirty (30) calendar days after Lessee's receipt of written notification from Department of such refusal, violation or failure, Department shall have the right to terminate the lease.

### **35. LESSEE'S TERMINATION**

**35.01** Lessee may, at any time, or from time to time, surrender this lease or a portion of the leased premises if Lessee is not then in default of any obligations under this lease; provided, however, that such surrender must be evidenced by written notice delivered to Department thirty (30) days prior to the effective date thereof, and that Lessee has performed all commitments with which Lessee is charged to the effective date of surrender. Any amount paid as an advance bonus or land rental previous to the effective date of the surrender shall be deemed liquidated damages due Department and shall not be prorated or subject to claim by Lessee for return to Lessee.

**35.02** In the event that Lessee desires to retain portions 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 as previously provided under Section 21 (Subsequent Wells). Lessee shall deliver to Department a release or releases of its rights related to the leased premises being surrendered in duly recordable form approved by 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.

### **36. FORCE MAJEURE**

**36.01** In the event that 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 Lessee's control and which Lessee, by the exercise of all reasonable diligence, is unable to prevent, then Lessee may petition 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 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.

**36.02** Lessee shall only be entitled to the benefits of this Section if it notifies Department within five (5) working days by telephone and within ten (10) working days in writing of the date it becomes aware or reasonably should have become aware of the event impeding performance. 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 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 (10) working days of its submission. Lessee's failure to comply with the requirements of this Section specifically and in a timely fashion shall prevent Lessee from using this Section to excuse any failure to comply with any obligation of this lease relating to the particular incident involved.

**36.03** Department shall decide whether to grant all or part of the extension requested on the basis of all documentation submitted by Lessee and other information available to Department. In any subsequent litigation, Lessee shall have the burden of proving that Department's refusal to grant the requested extension was an abuse of discretion based upon the information then available to the Department.

### **37. REMOVAL**

**37.01** Lessee shall have six (6) months after termination, abandonment, or surrender of the lease for all or part of the leased premises, in which to plug and abandon all wells; remove all buildings, machinery, equipment, structures, unused pipelines, rubbish, and debris resulting from Lessee's operations; to fill and level all pits; and to the extent practicable

### **38. RIGHTS RESERVED BY DEPARTMENT**

**38.01** Department reserves the right to use the leased premises in any and all respects not specifically limited by the terms of this lease.

**38.02** 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 Department is otherwise legally entitled to lease the same, subject to rights granted to Lessee under this lease.

**38.03** Department reserves the right to approve, in writing, all plans for the construction upon the leased premises of structures, rigs, machinery, communication facilities, ways and roads, well locations, pipelines and equipment and for drilling of wells. Detailed written plans for any such construction shall be submitted to Department at least thirty (30) days prior to planned commencement of construction on the leased premises unless, upon due cause shown, Department waives the thirty (30) day requirement and allows a shorter, but reasonable, time for review.

**38.04** The surface rights of Department shall be considered dominant and the oil and gas leasehold rights of Lessee servient. Any dispute between the parties hereto concerning surface use shall be resolved in favor of the interests of the public.

### **39. THIRD PARTIES' RIGHTS**

**39.01** The public shall have access to the leased premises, including areas surrounding Lessee's facilities that do not pose a safety hazard. Lessee shall control public access to areas that present a safety hazard or as necessary to protect Lessee's private property. Lessee shall set reasonable restrictions on access to such areas and allow public access to observe Lessee activities.

### **40. DISPUTE RESOLUTION**

**40.01** In the event that Lessee wishes to dispute a decision made by Department, the following procedure shall be used:

- (a) Lessee shall notify the Department in writing of the decision in dispute and provide Department with Lessee's position on the issue, along with all appropriate supporting documentation.
- (b) Within ten (10) business days from the date of the Department's receipt of the Lessee's written notice of the dispute, Department shall fix a time and place for a conference with Lessee to discuss the disputed decision.
- (c) The conference shall be held within thirty (30) days of the Department's receipt of the Lessee's written notice of the dispute, unless Department and Lessee agree to an extension of time for the conference.

- (d) At such conference, the Director of the Bureau of Forestry or his/her representative shall represent Department.
- (e) Department may continue the conference if supplemental data, maps or other information are required to evaluate the basis for Lessee's objections, if further review is needed to ascertain whether a mutually agreed upon settlement is consistent with the terms of the lease agreement, or if all parties to the conference agree that a continuance is beneficial to the resolution of the objection.
- (f) Any agreement(s) reached at the conclusion of the conference or follow-up discussions shall be consistent with the provisions of this lease. A record of such agreement(s) shall be documented in writing by the Department, copies of which shall be provided to the Lessee, the appropriate District Forester, and all other parties involved.

**40.02** In the event that a party is dissatisfied with the decision(s) made as a result of the dispute resolution conference, it may 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.

#### **41. CONTRACTOR INTEGRITY PROVISIONS**

**41.01** Lessee agrees to comply with the CONTRACTOR INTEGRITY PROVISIONS FOR COMMONWEALTH CONTRACTS, attached hereto as **Exhibit "F"**, and made a part hereof.

#### **42. NONDISCRIMINATION CLAUSE**

**42.01** Lessee agrees to comply with the NONDISCRIMINATION CLAUSE, attached hereto as **Exhibit "G"**, and made a part hereof.

#### **43. HEADINGS**

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

#### **44. RELEASE**

**44.01** Lessee shall not be granted a final release from the terms of this lease until all records and reports and other data described above have been provided to the Department, all wells required by the Department to be plugged have been plugged and plugging certificates provided, all other terms of this lease have been met, and the District Forester has met with Lessee's field engineer or other authorized representative on the ground, inspected the 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 findings based on his/her independent inspection of the leased premises. A copy of the release statement will be provided to the Minerals Section, Bureau of Forestry.

**45. BINDING EFFECT**

45.01 This lease shall be binding upon and inure to the benefits hereto, and their respective successors and permitted assigns.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.]

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

**ANADARKO E&P COMPANY LP**

ATTEST:

*Margaret E. Lark*  
\_\_\_\_\_  
ASST. Secretary/~~Treasurer~~

*James J. O'Malley* *JMO*  
\_\_\_\_\_  
~~President/Vice President~~ JAMES J. O'MALLEY  
ATTORNEY-IN-FACT

Federal Identification No.: 73-0739973



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

*James R. Grace*  
\_\_\_\_\_  
James R. Grace, PhD  
Deputy Secretary for Parks & Forestry

Approved as to Legality and Form:

*Kimberly A. Hummel*  
\_\_\_\_\_  
CHIEF/ASSISTANT COUNSEL  
DEPARTMENT OF CONSERVATION AND  
NATURAL RESOURCES

*[Signature]*  
\_\_\_\_\_  
OFFICE OF GENERAL COUNSEL

*[Signature]*  
\_\_\_\_\_  
OFFICE OF ATTORNEY GENERAL

APPROVED:

*Edward G. Rendell*  
\_\_\_\_\_  
Governor of Pennsylvania

STATE OF TEXAS  
COUNTY OF MONTGOMERY

On this 28<sup>th</sup> day of April, 2010, before me, Jennifer Shea Lay, the undersigned officer, personally appeared James J. O'Malley, who acknowledged himself to be the Attorney-in-Fact of Anadarko E&P Company LP, a Delaware Limited Partnership, and that he, as such Agent and Attorney-in-Fact, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Agent and Attorney-in-Fact.

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

Notary Public in and for the State of Texas

Printed Name: Jennifer Shea Lay

Signature: \_\_\_\_\_

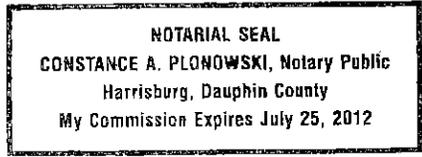
Commission Expires: \_\_\_\_\_



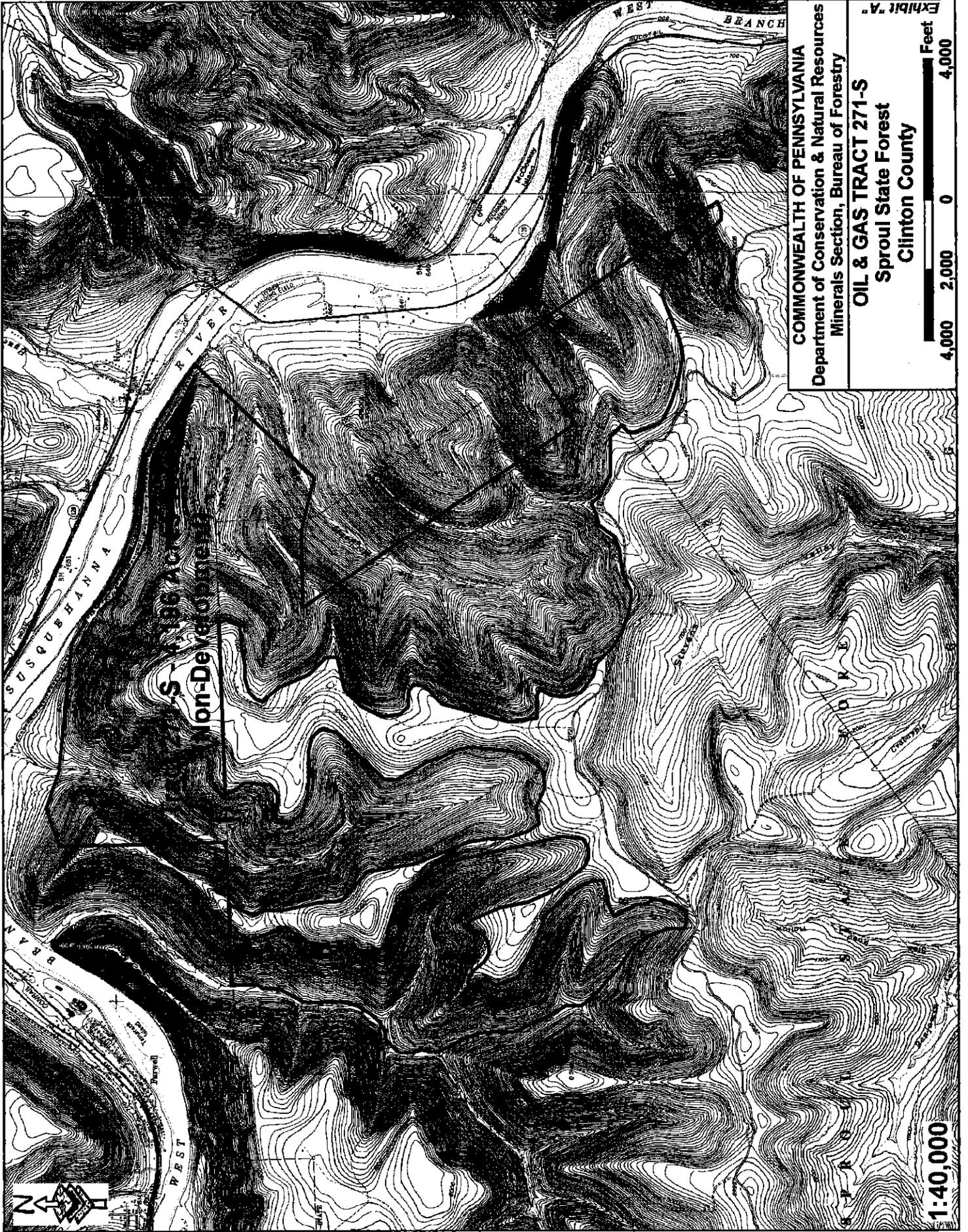
COMMONWEALTH OF PENNSYLVANIA, :  
 : ss.  
COUNTY OF DAUPHIN :

On this the 10<sup>th</sup> day of April, 2010 before me, the undersigned officer, personally appeared James R. Grace, Deputy Secretary for 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.



*Constance A. Plonowski*  
Notary Public



COMMONWEALTH OF PENNSYLVANIA  
Department of Conservation & Natural Resources  
Minerals Section, Bureau of Forestry

**OIL & GAS TRACT 271-S**  
Sproul State Forest  
Clinton County



1:40,000

Exhibit "A"

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

OIL AND GAS LEASE FOR STATE FOREST LANDS ATTACHMENT

EXHIBIT "B"

Attached to and made a part of Oil and Gas Lease for State Forest Lands, No. M-110271S-10, by and between: COMMONWEALTH OF PENNSYLVANIA and ANADARKO E&P COMPANY LP.

**Tract 271-S**

State Tract 271 containing 4,196 acres of Sproul State Forest land comprising parts of the Waters Duvies, William Duvies, Thomas Willing, John Cowden, Andrew Carson, B. Hubley, Chris Deering, D. K. Jackman, Hugh Frazier, Samuel Blodgett, Eben Hazzard, Wm. M. Smith, William Jackson, Henry Antis, James Hepburn, Andrew Bayard, Andrew Pettit, Thomas McKean and Joseph Barden McKean Warrants in Noyes and Chapman Townships, Clinton County, Pennsylvania, conveyed to the Commonwealth of Pennsylvania from C. O. Dunlap by deed dated September 8, 1919; from Gardner and Law by deed dated March 12, 1932; from Louis Kment by deed dated October 23, 1947; from Anna Worthington McCorkle by deed dated July 24, 1961; from James E. Robbins by deed dated December 20, 1900; and from Edith C. and Robert Wilson by deed dated October 6, 1930; and described as follows:

Beginning at a point formed by the junction of the Sproul State Forest boundary (and the Bucktail State Park Natural Area boundary) and the centerline of the Boggs Hollow Trail (on the west side of the Boggs Hollow stream); approximately 12,000 feet east of the south end of the Susquehanna River Bridge at South Renovo, Pennsylvania, also being a point on the north line of the Samuel Blodgett Warrant; thence generally southward approximately 14,400 feet along the centerline of the Boggs Hollow Trail and the centerline of the Chuck Keiper Trail (the Four Ridge Trail segment and the Sled Road Hollow segment) through the Samuel Blodgett, Eben Hazzard, James Hepburn, and Andrew Bayard Warrants to a point; thence in a northeasterly direction, and roughly following the contours of the ridge area, approximately 44,774 feet to a point, also being a point on the designated Bucktail State Park buffer area; thence in a northeasterly direction approximately 4,828 feet along the southern boundary of the designated Bucktail State Park buffer area to a point; thence in a southeasterly direction, and roughly following the contours of the ridge area approximately 23,941 feet to a point, also being a point in the common boundary between COP Tract 271 and COP Tract 346; thence generally southeastward approximately 7,800 feet along the winding Bucktail State Park Natural Area boundary through the Henry Antis and William Jackson Warrants to a point on the Sproul State Forest boundary and the Bucktail State Park Natural Area boundary; also being a point on the northeast line of the William Jackson Warrant; thence in a general northwesterly direction counterclockwise along the Sproul State Forest and Bucktail State Park Natural Area boundaries, approximately 6,900 feet northwest, 2,900

feet southwest, 9,300 feet northwest, 2,300 feet east, 1,450 feet east-southeast, 4,700 feet northeast, 8,200 feet generally northwest (along the south side of the West Branch of the Susquehanna River), 200 feet southwest, 800 feet northwest, 3,600 feet west-northwest, 1,050 feet northwest, 1,250 feet west-southwest, 4,700 feet south and 4,100 feet west; a traverse which follows the northeast and northwest lines of the William Jackson Warrant, the northeast line of the Chris Deering Warrant, part of the east line of the B. Hubley Warrant, part of the south line of the Thomas Willing Warrant, the southeast and northern boundaries of the William Duvies Warrant, the northern and western boundaries of the Waters Duvies Warrant, and part of the north line of the Samuel Blodgett Warrant; to a point formed by the junction of the Sproul State Forest boundary and the centerline of the Boggs Hollow Trail (on the west side of the Boggs Hollow stream), the place of the beginning.

The above-described acreage is the same acreage defined as "Surrendered Acreage" in the *Partial Release of Oil and Gas Lease for COP Tract 271*, effective June 19, 1995 and duly executed by Eastern States Exploration Company and the Commonwealth of Pennsylvania; and being the same acreage defined as "Surrendered Acreage" in the *Partial Release of Oil and Gas Lease for COP Tract 271*, effective June 19, 1995 and duly executed by Texaco Exploration and Production Incorporated and the Commonwealth of Pennsylvania.

#### **NON-DEVELOPMENT TRACT**

No surface disturbance or development of any nature shall be allowed within the lease boundary of Tract 271-S. All 4,196 acres are delineated as "Non-Development" as shown on Exhibit "H".

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

**EXHIBIT "F"**

**CONTRACTOR INTEGRITY PROVISIONS FOR COMMONWEALTH CONTRACTS  
FOR STATE FOREST LANDS**

CONTRACTOR INTEGRITY PROVISIONS

For purposes of this clause only, the words "confidential information," "consent," "contractor," "financial interest," and "gratuity" shall have the following definitions:

- 1) **Confidential information** means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Commonwealth.
- 2) **Consent** means written permission signed by a duly authorized officer or employee of the Commonwealth, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Commonwealth shall be deemed to have consented by virtue of execution of this agreement.
- 3) **Contractor** means the individual or entity that has entered into the Contract with the Commonwealth, including directors, officers, partners, managers, key employees and owners of more than a five percent interest.
- 4) **Financial interest** means:
  - a) Ownership of more than a five percent interest in any business; or
  - b) Holding a position as an officer, director, trustee, partner, employee, or the like, or holding any position of management.
- 5) **Gratuity** means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

The Contractor shall maintain the highest standards of integrity in the performance of the Contract and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the Commonwealth.

The Contractor shall not disclose to others any confidential information gained by virtue of the Contract.

The Contractor shall not, in connection with this or any other agreement with the Commonwealth, directly, or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Commonwealth.

The Contractor shall not, in connection with this or any other agreement with the Commonwealth, directly or indirectly, offer, give, or agree or promise to give to anyone any gratuity for the benefit of or at the direction or request of any officer or employee of the Commonwealth.

Except with the consent of the Commonwealth, neither the Contractor nor anyone in privity with him or her shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under the Contract except as provided therein.

The Contractor, upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify the Commonwealth in writing.

The Contractor, by execution of the Contract and by the submission of any bills or invoices for payment pursuant thereto, certifies, and represents that he or she has not violated any of these provisions.

The Contractor, upon the inquiry or request of the Inspector General of the Commonwealth or any of that official's agents or representatives, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to the Contractor's integrity or responsibility, as those terms are defined by the Commonwealth's statutes, regulations, or management directives. Such information may include, but shall not be limited to, the Contractor's business or financial records, documents or files of any type or form which refers to or concern the Contract. Such information shall be retained by the Contractor for a period of three years beyond the termination of the Contract unless otherwise provided by law.

For violation of any of the above provisions, the Commonwealth may terminate this and any other agreement with the Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another Contractor to complete performance hereunder, and debar and suspend the Contractor from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or nonuse of anyone shall not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or otherwise.

#### CONTRACTOR RESPONSIBILITY PROVISIONS

For the purpose of these provisions, the term contractor is defined as any person, including, but not limited to, a bidder, offeror; loan recipient, grantee, or subgrantee, who has furnished or seeks to furnish goods, supplies, services, or leased space, or who has performed or seeks to perform construction activity under contract, subcontract, grant, or subgrant with the Commonwealth, or with a person under contract, subcontract, grant, or subgrant with the Commonwealth or its state-affiliated entities, and state-related institutions. The term contractor may include a permittee, licensee, lessee or any agency, political subdivision, instrumentality, public authority, or other entity of the Commonwealth.

1. The Contractor certifies, for itself and all its subcontractors, that as of the date of its execution of this Bid/Contract, that neither the Contractor, nor any subcontractors, nor any suppliers are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Contractor cannot so certify, then it agrees to submit, along with its Bid, a written explanation of why such certification cannot be made.

2. The Contractor also certifies, that as of the date of its execution of this Bid/Contract, it has no tax liabilities or other Commonwealth obligations.

3. The Contractor's obligations pursuant to these provisions are ongoing from and after the effective date of the contract through the termination date thereof. Accordingly, the Contractor shall have an obligation to inform the Commonwealth if, at any time during the term of the Contract, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within 15 days of the date of suspension or debarment.

4. The failure of the Contractor to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the Federal government shall constitute an event of default of the Contract with the Commonwealth.

5. The Contractor agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Contractor's compliance with the terms of this or any other agreement between the Contractor and the Commonwealth, which results in the suspension or debarment of the Contractor. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime, travel and lodging expenses, and expert witness and documentary fees. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.

6. The Contractor may obtain a current list of suspended and debarred Commonwealth contractors by either searching the Internet at <http://www.dgs.state.pa.us/debarment.htm> or contacting the:

Department of General Services  
Office of Chief Counsel  
603 North Office Building  
Harrisburg, PA 17125

Telephone No: (717) 783-6472  
FAX No: (717) 787-9138

#### AMERICANS WITH DISABILITIES ACT

a. Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. § 35.101 et seq., the Contractor understands and agrees that it shall not cause any individual with a disability to be excluded from participation in this Contract or from activities provided for under this Contract on the basis of the disability. As a condition of accepting this contract, the Contractor agrees to comply with the "General Prohibitions Against Discrimination," 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act, which are applicable to all benefits, services, programs, and activities provided by the Commonwealth of Pennsylvania through contracts with outside contractors.

b. The Contractor shall be responsible for and agrees to indemnify and hold harmless the Commonwealth of Pennsylvania from all losses, damages, expenses, claims, demands, suits, and actions brought by any party against the Commonwealth of Pennsylvania as a result of the Contractor's failure to comply with the provisions of subparagraph a above.

#### OFFSET PROVISION

The Contractor agrees that the Commonwealth may set off the amount of any state tax liability or other obligation of the Contractor or its subsidiaries to the Commonwealth against any payments due the Contractor under any contract with the Commonwealth.

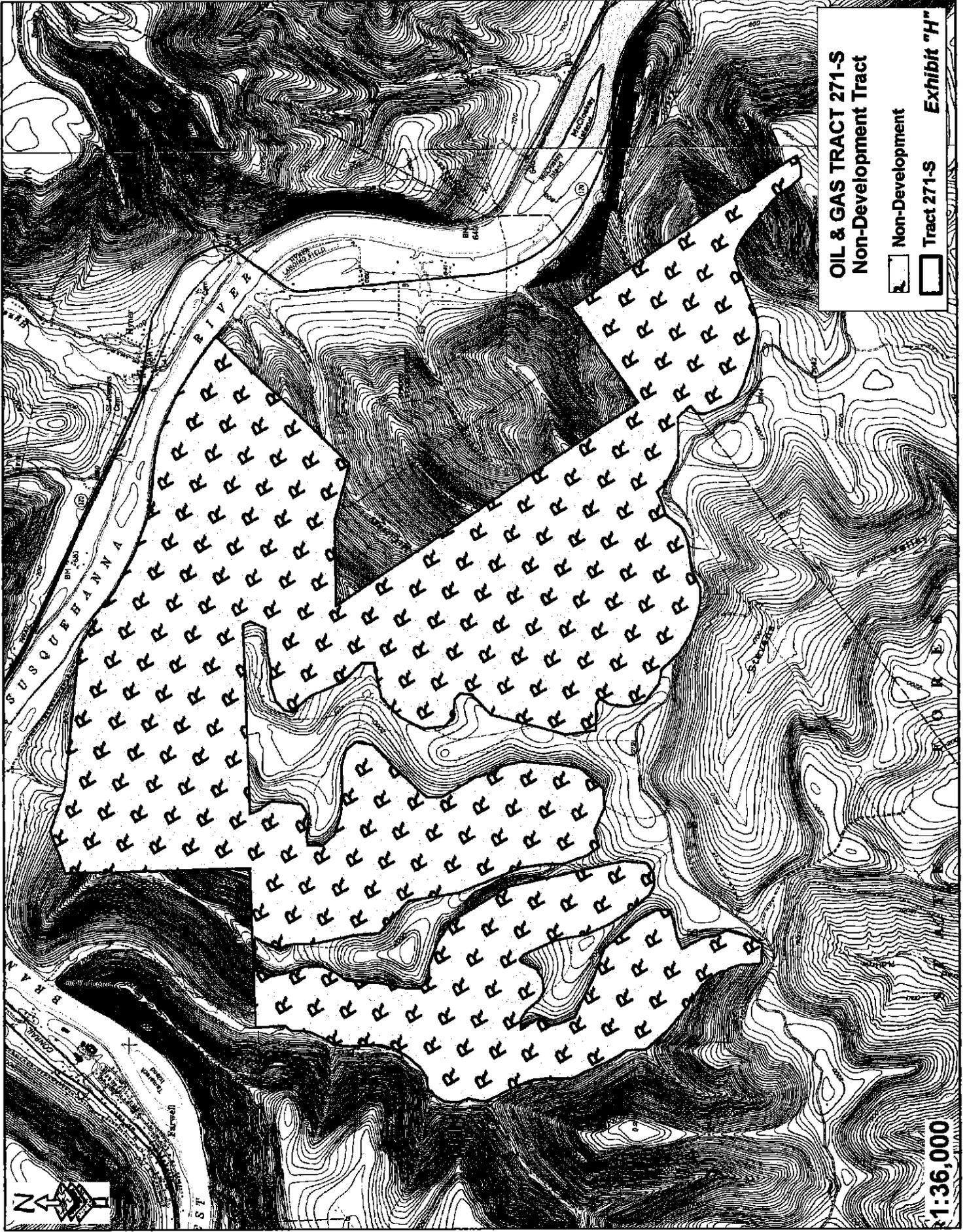
**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES**

**EXHIBIT "G"**

**NONDISCRIMINATION/SEXUAL HARASSMENT PROVISIONS FOR  
COMMONWEALTH CONTRACTS FOR STATE FOREST LANDS**

During the term of the Contract, the Contractor agrees as follows:

- a. In the hiring of any employees for the manufacture of supplies, performance of work, or any other activity required under the Contract or any subcontract, the Contractor, subcontractor or any person acting on behalf of the Contractor or subcontractor shall not by reason of gender, race, creed, or color discriminate against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.
- b. Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work or any other activity required under the Contract on account of gender, race, creed, or color.
- c. The Contractor and any subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.
- d. The Contractor shall not discriminate by reason of gender, race, creed, or color against any subcontractor or supplier who is qualified to perform the work to which the contract relates.
- e. The Contractor and each subcontractor shall furnish all necessary employment documents and records to and permit access to its books, records, and accounts by the contracting officer and the Department of General Services' Bureau of Contract Administration and Business Development for purposes of investigation to ascertain compliance with the provisions of this Nondiscrimination/Sexual Harassment Clause. If the Contractor or any subcontractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the contracting officer or the Bureau of Contract Administration and Business Development.
- f. The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that such provisions will be binding upon each subcontractor.
- g. The Commonwealth may cancel or terminate the Contract, and all money due or to become due under the Contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.



**OIL & GAS TRACT 271-S**  
**Non-Development Tract**

 Non-Development  
 Tract 271-S  
 Exhibit "H"

1:36,000