

## OIL AND GAS LEASE

THIS AGREEMENT, made this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between:  
\_\_\_\_\_, Lessors and parties of the first  
part, hereinafter called "LESSOR" and \_\_\_\_\_  
\_\_\_\_\_, party of the second  
fit, herein called "LESSEE":

WITNESSETH: For and in consideration of the sum of \$\_\_\_\_\_, paid by the Lessee to the Lessor, the receipt of which is hereby acknowledged and of the covenants and agreements herein contained, Lessor does hereby lease, demise and let unto the Lessee, for its exclusive possession and use, for the purpose of exploring, operating for, producing, removing and marketing oil and gas, or either of them, all of the certain tract or parcel of land and/or oil and gas situated in \_\_\_\_\_ District, \_\_\_\_\_ County, West Virginia, bounded substantially as follows:

On the North by- \_\_\_\_\_  
On the East by- \_\_\_\_\_  
On the South by- \_\_\_\_\_  
On the West by- \_\_\_\_\_

Containing \_\_\_\_\_ acres, more or less, and being the same lands acquired by the Lessors by deed dated \_\_\_\_\_ from \_\_\_\_\_, and recorded in Deed Book No. \_\_\_\_\_, at page \_\_\_\_\_, the \_\_\_\_\_ County Clerks Office in \_\_\_\_\_ West Virginia.

This lease is made upon the following terms, rents, covenants and conditions, all of which are agreed to by the parties hereto:

- 1. RIGHTS OF LESSEE:** Lesser shall have all rights, privileges and rights of way possessed by the Lessor which are reasonably necessary for the purpose of this lease, including, but not being limited to drilling, reconditioning, redrilling, - completing and operating wells; and grading, constructing, maintaining and using access roads, pipelines, power lines, drips, tank, stations, cathodic protection devices, houses for gates, meters, and regulators, for use in connection with operations upon the demised premises. Lessee may use existing roads or easements over the surface of said lands only with permission of the owners thereof.
- 2. TERM:** This lease shall remain in force for a term of \_\_\_\_\_ years from the date of the execution hereof and so long thereafter as oil or gas is produced in paying quantities therefrom.
- 3. RENTALS AND ROYALTIES:** The Lessee Covenants and agrees as follows:

- (a) Production Royalty:
  - (i) Oil:

To pay the Lessor, as royalty for all oil and constituents thereof, produced and saved from any well or wells drilled on the leased premises, an amount equal to one-eighth (1/8) of the price paid to Lessee by the Purchaser of any such oil from the sale of such oil in the tanks, pipelines or other facilities, to which the Lessee may connect its wells. Said royalty shall be paid monthly directly to the Lessor by the purchaser of the oil.

(ii) Gas:

To pay Lessor as royalty for all gas and constituents thereof, including all liquid, solid or gaseous substances produced and saved from any sand or sands and/or formation or formations on the leased premises, an amount equal to one-eighth (1/8) of the price received by the Lessee from the sale of such gas and the constituents thereof at the first good faith, arms-length sale from the Lessee to an unrelated third party without deduction for fees, taxes or expenses of any kind, whether production or post-production. Payment of royalty for gas produced and marketed during any calendar month is to be made within sixty (60) days from the end of the month of production. Notwithstanding any provision herein, gas royalty shall be not less than one-eighth (1/8) of the Inside FERC Appalachian (Dominion) Index Price, for the month such gas is produced, without deductions.

All gas produced shall be measured by a meter set at the well head and royalty shall be paid on the volume measured accurately at that point. The meter or meters used shall be designed and recommended by the manufacturer thereof for use under the conditions then and there prevailing to a degree of accuracy acceptable in the industry in the sale and transfer of natural gas generally.

(b) Delay Rental Payment:

To pay or tender to Lessor as delay rental at the rate of \$\_\_\_\_\_ per acre annually, in advance, beginning on the date of this lease and continue thereafter until a well actually yielding royalty from natural gas or oil in paying quantities to Lessor as provided above is drilled on the leased premises.

(c) Free Gas:

The Lessor hereby excepts and reserves from one (1) well on said land producing gas an amount of gas not to exceed two hundred fifty thousand (250,000) cubic feet per year for the use of the surface owner upon whose land the well is situate. It is understood that such free gas installation will be made by Lessor at Lessor's own risk, and Lessor does hereby relieve and release Lessee, its heirs and assigns from all liability in connection therewith.

(d) Manner of Payment:

All payments hereunder may be made directly to the Lessor or by check payable and mailed to \_\_\_\_\_, as agent of the Lessor, who is hereby appointed agent to receipt for the same and to receive notices given by the Lessee as provided herein. All Checks shall be mailed to the following address: \_\_\_\_\_

- 4. DRILLING NEAR DWELLING:** No wells shall be drilled, without the consent of the surface owner, within a radius of three hundred (300) feet around any dwelling house existing at the time of the drilling or within a radius of two hundred (200) feet around any other building thereon.
- 5. UNITIZATION:** Lessee shall not without the express written approval of the Lessor, have the right to pool or unitize the leased acreage, or any parts thereof, with other tracts.
- 6. SURRENDER:** Lessee may at any time, upon the payment or tender of \$\_\_\_\_\_ and all royalties, rental and damages then due under this lease, surrender all, but not part, of the land demised.

- 7. OUTSTANDING INTERESTS:** The royalties and payments herein specified are intended to be paid for a 100% ownership of the oil and gas. If Lessor owns less than 100% interest in the oil and gas, the royalty and payments shall be reduced to equal *the* interest of Lessor (i.e., if Lessor owns only a 50% interest in the oil and gas, then the royalty and payments shall automatically be reduced to 50% of the amounts herein specified).
- 8. ASSIGNMENT:** This lease shall not be assigned, hypothecated, sold or otherwise transferred to any other party without the express written consent of the Lessor, which shall not be unreasonably withheld. Provided, however, that in the event said lease is conveyed to another party, that said conveyance shall not relieve the Lessee of any duty or responsibility to the Lessor hereunder and that in the event any assignee or successor to the Lessee is not financial responsible, the Lessee shall be responsible to the Lessor for any and all sums due hereunder.
- 9. FORFEITURE:** In addition to any other grounds provided by law, the rights of Lessee hereunder shall be forfeited in full upon its failure to pay royalties upon all production and sale of minerals under this lease as and when due. This forfeiture may not be invoked by Lessor unless and until notice to Lessee is given in writing at the address shown above and Lessee fails to comply with demand from Lessor within sixty (60) days of the mailing thereof by certified mail, return receipt requested.
- 10. FORCE MAJEURE:** Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by operation of force majeure, or Federal or state law or any order, rule or regulation of governmental authority, not imposed because of failure of compliance or other misconduct of Lessee, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 11. SHUT-IN PROVISION:** In addition to the provisions in the preceding provision, If market conditions make it economically prudent for Lessee and/or us assigns to shut-in a well, Lessee and/or its assigns may, from time to time, shut-in any well or wells drilled hereunder, and this oil and gas lease shall nonetheless continue in full force and effect; provided, however, that no such well may be shut-in under this provision for more than six months in any calendar year and, in lieu of royalty for any shut-in period, Lessee shall pay to Lessor a fee of \$\_\_\_\_\_ for each month for each such well shut-in.
- 12. BINDING EFFECT:** This lease shall be binding upon the parties hereto, their heirs, successors, and assigns.
- 13. NO STORAGE:** There shall be no storage of gas on leased tract without written permission of Lessor.
- 14. MEMORANDUM OF LEASE:** The parties hereto agree that Lessee may record a memorandum of lease executed by Lessor and Lessee.
- 15. LEGAL CONSTRUCTION:** This lease shall be construed under the laws of the State of West Virginia and the reasonable-prudent-operator rule whereby due regard is given by the Lessee to the promotion of the best mutual interests of both

Lessor and Lessee in all operational decisions hereunder.

**16. SURFACE DAMAGES:** (Where Lessor is surface owner.) Before drilling has commenced, but after construction of drilling sites and roadways, Lessee shall pay to Lessor, as liquidated damages, the sum of \$ \_\_\_\_\_ for each acre of surface lands disturbed during such process. This payment shall not relieve Lessee of its obligation of restoration of surface under applicable laws and regulations.

**17. SPECIAL CONDITIONS:** (If none, write NONE) \_\_\_\_\_  
\_\_\_\_\_

**18. IN WITNESS WHEREOF THE** parties have hereunto set their hands as of the day and date hereinabove written.

Signed and acknowledged in the presence of:

**Lessor Signature(s):**

Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

**Lessee Signature:**

Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_, to-wit

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of 20\_\_\_\_, by

\_\_\_\_\_.

My Commission expires:

Notary Public      AFFIX SIGNATURE AND SEAL HERE

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_, to-wit

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of 20\_\_\_\_, by

\_\_\_\_\_.

My Commission expires:

Notary Public      AFFIX SIGNATURE AND SEAL HERE

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