

## **DRILLING**

### **OIL AND GAS LEASE**

THIS LEASE made and entered into by and between the County of Tompkins, a municipal corporation of the State of New York, having its offices at 125 East Court Street, Ithaca, New York, party of the first part hereinafter referred to as "LESSOR", and [ ] party of the second part hereinafter referred to as "LESSEE", pursuant to the provisions of the Environmental Conservation Law of the State of New York, and New York State County Law.

WITNESSETH:

1. The LESSOR, for and in consideration of payment of [ ] per acre, the sums, royalties, covenants, stipulations and conditions hereinafter contained and hereby agreed to be paid, observed and performed by the LESSEE, does hereby demise, grant, lease and let unto the LESSEE all the oil deposits and natural gas, in or under all that tract or parcel of the following described land situate in Tompkins County (see attached Appendix A) all as shown on a map of said area attached, hereto identified as Appendix B and made part hereof [number] acres more or less, hereinafter referred to as the "Property", with exclusive right to prospect for, extract, pipe and remove oil and natural gas, and occupy and use only so much of the surface of the Property as is approved by the LESSOR as reasonably necessary to carry on the work of prospecting for, extracting, piping and removing such oil and natural gas and also the right to use, free of cost, oil and natural gas as fuel insofar as may be necessary to the development and operation of the Property. It is understood that LESSOR grants only those rights owned by it and by execution of this agreement makes no warranty or guarantee to LESSEE with respect to ownership of any rights under the Property described in Appendix A and B. For the purpose of determining the amount of any rentals and shut-in royalties

hereunder, the number of gross acres above-specified shall be deemed correct, whether actually more or less.

2. LESSOR also hereby grants to LESSEE the right to take, with the approval of LESSOR, a sufficient supply of water to carry on said operations on the Property by means of pipelines or otherwise. Prior to the initiation of any activity in furtherance of such taking, LESSOR or its representative shall approve the amount of water necessary for such purpose, the manner and duration of its taking and the plans and specifications for any works required in connection therewith.

3. No underground storage rights are granted to LESSEE under any terms of this Lease.

4. Subject to the other provisions herein contained, the Lease shall become effective for a term of [ ] years from the date this Lease is approved by the Tompkins County Board of Representatives and executed by the County Administrator, hereinafter referred to as the "Primary Term" and for an additional term thereafter for as long as oil or natural gas is produced from the Property in commercially paying quantities, hereinafter referred to as the "Secondary Term."

5. The LESSEE covenants and agrees that during the Primary and Secondary Terms:

(a) LESSEE shall pay to the LESSOR, as royalty, a sum equal to the value, at the field price per barrel, of one-eighth (1/8) part of all oil, distillate, condensate, natural gasoline or other liquid hydrocarbons, hereinafter referred to as "Oil", measured at the wellhead, produced from the Property and delivered into the pipeline or storage tanks to which the well is connected, without deduction for exploration, production, operation or other costs of LESSEE, the field price being that which prevails in that area on the day the Oil is delivered into the pipeline or storage tanks. Payments or royalty for oil marketed during any calendar month are to be made on or about the 30<sup>th</sup> day of the following month.

(b) LESSEE shall pay to the LESSOR, as royalty, a sum equal to one-eighth (1/8) of the contract price of all natural gas, casinghead gas or other gaseous substance, hereinafter referred to as "Gas", produced from the Property, measured at the wellhead on the date delivered to the purchaser of the Gas and sold or used off the Property or used in the manufacturing of gasoline or other products therefrom, without deduction for exploration, production, operation or other costs of LESSEE. Payments or royalty for gas marketed during any calendar month are to be made on or about the 30<sup>th</sup> day of the following month.

(c) Where the royalty payable under subparagraphs (a) and (b) above do not in any year equal or exceed the sum of two dollars [ ] per acre of the Property per year, LESSEE shall pay to the LESSOR with respect to such year an amount equal to such sum.

(d) LESSEE shall pay LESSOR an Annual Delay Rental in accordance with the provisions detailed in Paragraph 7 of this Lease.

6. All payments to be made pursuant to Paragraph 5 shall be made by check payable to the order of Tompkins County and mailed or delivered to: The Tompkins County Finance Office, c/o David Squires, Director at 125 East Court Street, Ithaca, NY 14850.

These payments shall be remitted not less frequently than once per year nor more frequently than once per month and shall be accompanied by a sworn statement of the LESSEE, its manager or other authorized agent in such form as may be prescribed by the LESSOR which shall provide an itemized accounting of Oil and/or Gas produced from each well, the gross amounts of Oil and/or Gas produced since the last report, the market value of Oil on the applicable delivery dates and the contract price of Gas during the applicable contract periods. The schedule for these payments shall be established at the applicable time and shall be subject to annual revision. Copies of current and applicable gas sales contracts shall be provided to LESSOR for its files as they are entered into.

For each producing well completed on the Property, LESSEE shall install and properly maintain, at its expense, adequate and correct meters for the purpose of measuring, recording and reporting all hydrocarbons produced and sold off the Property.

7. If operation for drilling are not commenced on the Property on or before one year after the effective date of this lease, this Lease shall then terminate as to both parties, unless on or before that date LESSEE shall pay to LESSOR the sum of [ ] per acre of the Property for the second year of the primary term [ ] per acre of the Property for the third year of the Primary Term and [ ] per acre of the Property for each remaining year of the

Primary Term, hereinafter referred to as the "Annual Delay Rental", which shall permit the operator to defer commencement of drilling operations for successive periods of twelve (12) months each during the life of the Primary Term. The payment of Annual Delay Rental shall be mailed or delivered to LESSOR on or before one year after the effective date of this lease or any anniversary thereof, hereinafter referred to as the "Annual Delay Rental payment date." Drilling operations herein shall be deemed to be commenced when a new well is "spudded in" or an existing well is re-entered for workover, deepening or plugging back in a continuous effort to reestablish production or obtain new production of oil or gas. LESSEE may, at any time, upon 30 days written notice to LESSOR and subject to LESSOR's approval, execute and deliver to LESSOR a release or releases covering any portion or portions of the Property and thereby surrender this Lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter if such surrender be within the Primary Term, the Annual Delay Rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

8. If, after operations have commenced but prior to discovery of Oil or Gas on the Property, LESSEE drills a dry hole thereon or if, after discovery of Oil or Gas, the production thereof ceases for any reason, other than from one or more of the causes set forth in Paragraph 14, this Lease shall terminate as to both parties unless LESSEE commences additional drilling or reworking operations within ninety (90) days after completion of such dry hole or cessation of production or commences or resumes the payment of Annual Delay Rental on the next succeeding Annual Delay Rental payment date.

9. If, at the expiration of the Primary Term, Oil or Gas is not being produced on the Property, this Lease shall terminate, but if LESSEE is then engage in maintenance drilling or redrilling operations thereon, this Lease shall remain in effect so long as any drilling or redrilling

operation are prosecuted on the property, with no interval of more than ninety (90) consecutive days during which no drilling or redrilling operations are conducted on the Property and, if such operations result in the continued production of Oil or Gas, so long thereafter as Oil or Gas in commercially paying quantities is produced from the property.

10. In the event a well or wells producing Oil or Gas in commercially paying quantities is completed on land adjacent to the Property and within six hundred sixty feet (660') of any boundary of the Property, LESSEE shall, with the approval of the LESSOR in writing, drill a sufficient number of wells to offset the wells upon such adjacent land. The first offset well shall be commenced within ninety (90) days after completion of any producing well upon such adjacent land, unless a different period of time is approved by the LESSOR in writing and shall be prosecuted diligently and continuously until completed.

11. All tools, derricks, boilers, boiler house, buildings, pipelines, pumping and drilling equipment, tanks, engines and machinery, and the casing of all dry or exhausted wells, shall remain the property of the LESSEE, and shall be removed at any time prior to or within ninety (90) days after termination of the Lease. LESSEE shall not permit any nuisance to be maintained on the Property. LESSEE shall not use the Property for any purpose other than those authorized in the Lease, and before abandoning any well. LESSEE shall securely plug the same in accordance with the rules and regulations of the LESSOR.

12. The LESSEE agrees not to assign, transfer or convey, sublet or otherwise dispose of this Lease or any of its contents or of its rights, title or interest therein or of its power to execute the Lease to any other person, company or corporation without the previous consent in writing of the LESSOR. With the written consent of LESSOR, the rights of LESSEE hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, successors and assigns of LESSEE,

but no change or divisions in ownership of the Property, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of LESSEE. Should LESSEE assign this Lease in whole or in part with the approval of LESSOR, LESSOR ma, as to the part assigned, look solely to the assignee for the performance of all duties and obligations hereunder, whether express or implied.

13. After the discovery of Oil or Gas in commercially paying quantities on the Property, LESSEE shall reasonably develop the acreage retained hereunder in accordance with a drilling plan approved by the LESSOR in writing. In discharging this obligation LESSEE shall in no event be required to drill more than one well per forty (40) acres of the Property and capable of producing Oil in commercially paying quantities, and one well per three hundred twenty (320) acres of the Property and capable of producing Oil in commercially paying quantities, and one well per three hundred twenty (320) acres of the Property and capable of producing gas in commercially paying quantities. In the event of the issuance of a well spacing order by the LESSOR which provides for a greater or lesser well density, the density provided for in such well spacing order shall supersede such densities.

14. Should LESSEE be prevented from complying with any express or implied covenant of this Lease, from conducting drilling or reworking operations on the Property, or from producing Oil and/or Gas therefrom, by reason of acts of God, fire, riot, war, strikes, lack of market, inability to obtain equipment due to governmental order or action, or by failure of carrier to transport equipment, Oil or Gas, or by State or Federal regulation, then during the period so prevented and for ninety (90) days thereafter, 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 and continued in full force and effect 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 Property, and

for ninety (90) days thereafter, and for so long thereafter as Oil or Gas is being produced from the Property. The period during which LESSEE is so prevented shall not be considered part of the Primary Term, anything in this Lease to the contrary notwithstanding. LESSEE agrees, in the event that it intends to invoke the terms of this paragraph and suspend the terms of this lease as provided for in this section, subject to the conditions set forth above, to notify LESSOR in writing of such intention and demonstrate sufficient good cause. Nothing contained in this Lease shall be deemed to be a covenant or agreement on the part of the LESSEE to explore for, prospect for, extract, produce, pipe or remove Oil and Gas from the Property during the primary Term, it being expressly understood that LESSEE may satisfy its obligations under this Lease by the payment of Annual Delay Rental during the Primary Term.

15. LESSEE, at its option, and upon complete disclosure to LESSOR of the joint agreement and plan, and upon approval thereof by the LESSOR, is hereby granted the right to unitize the acreage or any portion there if covered by this Lease as to Oil and Gas, or either of them, contiguously with other land, lease or leases in the immediate vicinity thereof to the extent hereinafter provided, when in LESSEE's judgment it is necessary or advisable to do so in order properly to develop and operate the Property in compliance with the spacing rules of LESSOR or when to so would, in the judgment of LESSEE, promote the conservation of Oil and Gas or either of them. LESSEE under the provisions hereof may unitize acreage or any portion thereof covered by this Lease as above provided as to Oil in any one or more strata and as to Gas in any one or more strata. Units formed as to different strata need not conform in size or boundaries. The creation of units in one or more instances shall not exhaust the rights of the LESSEE hereunder to unitize this Lease or portion thereof into other units. LESSEE shall execute and deliver to LESSOR and file or record an instrument describing and designating the unit. Operations for drilling on or production of

Oil or Gas from any part of a unit embracing all or part of the Property, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of the instrument designating the unit, shall be considered as operations from drilling on or production of Oil or Gas from the Property irrespective of whether the well or wells be located on the Property, and the entire acreage constituting such unit or units, as to Oil and/or Gas as herein provided, shall be treated for all purposes, except the payment of rentals and the payment of royalties on production from the unit, as if the same were included in this Lease. For the purpose of computing all royalties payable hereunder on Oil and/or Gas produced and saved from the unit, there shall be allocated to the Property and included in said unit a fractional portion of the Oil and/or Gas produced and saved from the unit after deducting that used for operations on the unit, such fraction to have as its numerator the number of surface acres constituting the Property and included in said unit and as its denominator the number of surface acres included in the unit. Royalties hereunder shall be computed on the portion of such production, whether it be Oil and/or Gas, so allocated to the Property and included in the unit, just as though such production were from the Property. The creation of a unit or units shall not have the effect of changing the ownership of the Property or the amount of rental which may become payable under this Lease. A unit may be dissolved by LESSEE at any time when there is not a unit well thereon producing or capable of producing Oil and/or Gas in paying quantities.

16. The LESSEE shall carry on the development and operations in a workmanlike manner, commit no waste on the Property and suffer none to be committed hereon, exercise proper care of the property, and promptly surrender and return the Property upon termination of this Lease to the LESSOR in a condition that in so far as possible is the same as at the commencement of this Lease, excepting natural changes.

17. The LESSEE shall reimburse reasonable costs incurred by the LESSOR for its hiring of a private entity to monitor the compliance with the provisions of this lease. LESSEE shall also pay on execution hereof the LESSOR for technical advice hired by LESSOR in review of the environmental consequences of this lease. The amount of these costs may not exceed \$\_\_\_\_\_.

18. The LESSEE shall pay for any and all damages to roads and bridges directly related to LESSEE's use of heavy equipment thereon, including unusual wear and tear, which sums, as determined by the County's monitor, shall be paid to the municipality owning and maintaining said road.

19. Upon termination of this lease, LESSEE shall restore the leasehold fully by repairing all damages caused by the drilling operation to include, among other things, deep ripping methods to restore said soil permeability where the structures or equipment were located, and restore natural drainage systems where created wet locations were developed by LESSEE's operation.

20. All by-products of drilling activities, toxic or otherwise, shall be removed from the leasehold on a regular basis and LESSEE shall comply with all DEC and EPA standards for disposal off-site of same.

21. The LESSEE shall notify LESSOR in advance of any intentions to perform seismic tests on the leasehold and shall secure written consent of LESSOR prior to performing same. If consent is given, the LESSEE shall share all data with LESSOR immediately.

22. LESSEE shall install all drilling pits with beveled walls to ensure safety.

23. The LESSEE shall keep an accurate account of all drilling operations. Accurate and reliable information concerning all wells and their production, operation, and management shall be furnished to LESSOR upon demand. The said LESSEE shall also keep an accurate account showing the sales, prices, dates, purchases and whole amount of Oil and/or Gas produced. The LESSOR and

the Comptroller of the State of New York or any of their duly authorized representatives shall have access to any of the LESSEE's books, documents, papers and records directly pertinent to the subject matter of this Lease for the purpose of making audits, examination, excerpts or transcripts.

24. All sums due to the LESSOR under this Lease shall be a first lien on the implements, tools, and movable machinery or personal chattels used in operating the Property, and also upon all the unsold Oil and/or Gas obtained from the Property as security for the payment of said sums.

25. This Lease is not, in and of itself, an authorization to drill. Issuance of drilling permits for specific locations are subject to separate application to and approval by the Department of Environmental Conservation pursuant to the policies and provisions of the Environmental Conservation Law.

In all activities of exploration, prospecting, extraction, piping, removal and other occupation and use of the Property, the LESSEE shall be subject to the direction and control of the LESSOR in so far as may be necessary to achieve compliance with the policies and provisions of the Environmental Conservation Law, as from time to time may be in effect, and rules and regulations issued thereunder. All work associated with the drilling of wells and the laying of pipes shall be approved by the LESSOR in writing in order to minimize damage to the natural resources contained in the Property. Prior to the drilling of any well by LESSEE, the LESSOR or its representatives shall, upon application of the LESSEE, designate the location of such well, the area to be occupied surrounding the well location and the rights-of-way necessary for ingress and egress to such well and for pipes necessary to be used for the purpose of conveying Oil and/or Gas from such location and for conducting water necessary to convey Oil and/or Gas across the Property from land adjacent thereto owned by or leased by the LESSEE. Such rights-of-way, to be used by the LESSEE during the life

of the Lease only, and no longer, shall be maintained, to satisfaction of LESSOR, in good operable condition pursuant to the New York State.

Notwithstanding forfeiture, termination or expiration of this lease, the LESSEE shall be responsible for restoration of damaged areas in a manner approved by the LESSOR. The LESSEE shall also be liable to the LESSOR for all damages or loss to the LESSOR in the remainder of the Property including, but not limited to, the remaining trees growing thereon, the improvements thereupon and the appurtenances and hereditament thereunto belonging, by reason of the Oil and/or Gas drilling operations hereunder, including all damages that may be caused the LESSOR by fires on the Property, if started by the LESSEE or its agents or employees whether the same be done willfully or carelessly or accidentally. The LESSEE further agrees to pay for all such damage within ten (10) days after the amount thereof is determined by the LESSOR. The LESSEE covenants and agrees to take such precautions against setting fire to the Property or trees thereon as the LESSOR may require, and shall prevent the contamination of water in any manner whatsoever. The LESSOR shall be the sole judge as to whether any such contamination is occurring or adequate precautions are being taken. The LESSEE shall further permit the full force of its employees to assist in any endeavor to extinguish all fires endangering forest or woodland burning on or within a reasonable distance of the Property which may be started from any cause whatsoever.

In furtherance of the obligations of LESSEE under this Lease, but not by way of limitation of such obligations, LESSEE hereby agrees to observe the following conditions incident to any planned exploration, drilling or extraction activities on the Property:

- a. The LESSEE shall notify the LESSOR at least thirty (30) days prior to entry upon the Property and shall obtain written permission before such entry unless the LESSEE can

demonstrate that such thirty-day period creates an undue hardship, but under no condition shall the LESSEE enter Property without prior approval by LESSOR.

- b. LESSEE shall prior to making any disturbance to the Property apply for and obtain from LESSOR a permit which may prescribe certain specific conditions required to protect the Property, including fish, wildlife, plant, land, air, water and recreational resources, aesthetics, and may limit access to or disturbance of certain areas of the Property which, in the judgment of LESSOR, should not be disturbed. The application for the permit shall be accompanied by such plans, maps or other information as the LESSOR may require.
- c. When is it deemed necessary in the judgment of LESSOR, prior to approval for drilling, LESSEE will conduct an archaeological survey on the proposed disturbed area(s). After the survey is completed, conditions of approval will be formulated, if necessary, to mitigate any adverse impacts upon archaeological resources.
- d. Prior to the approval of drilling an examination will be performed by the LESSEE to determine if any State or Federal listed threatened or endangered species are present. After the survey is completed, conditions of approval will be formulated, if necessary, to mitigate any adverse impacts upon threatened or endangered species.
- e. All access roads to drilling sites and all pipelines shall be constructed and subsequently maintained on routes selected and designated by the LESSOR and in a manner approved by LESSOR.
- f. No trees shall be cut on the Property without the express prior approval of the LESSOR. All trees, brush and vegetation cut during the clearing operations shall be cut as close to the ground as practicable, but no higher than three (3) inches above the ground. All marketable forest products over four (4) inches in diameter resulting from the clearing

- operations shall be cut to specified lengths of not less than eight (8) feet and shall be transported to and piled at points designated by the LESSOR. All unmarketable woody material resulting from the clearing operation shall be toplogged, chipped or buried or removed from the Property , as the LESSOR may direct. The LESSEE shall reimburse the LESSOR for the fair market value based on appraisals prepared by the LESSOR for all marketable forest products removed in the clearing operations but not delivered to LESSOR and for any other damage to the Property by the actions of the LESSEE.
- g. LESSEE shall not damage existing boundary line or property corner markers: in the event that any such damage does occur, the LESSEE shall bear the full cost of repair.
  - h. No occupancy or other surface disturbance will be allowed within 250 feet of any waterbody, wetland, streams, lakes, etc. This distance may be modified when specifically approved in writing by an authorized officer of the LESSOR.
  - i. No occupancy or other surface disturbance is allowed in any wetlands without written approval from the authorized officer of the LESSOR.
  - j. No occupancy or surface disturbance on slopes exceeding 15 percent without specific approval of the authorized officer of the LESSOR.
  - k. Erosion control devices shall be constructed where necessary in the judgment of LESSOR to prevent soil erosion, and shall be constructed and/or installed to the satisfaction of the LESSOR.
  - l. LESSOR may inspect any works, structures, operations, equipment, materials or other possessions or activities of LESSEE at any time.

- m. At all times, LESSEE shall maintain the property in a neat and orderly condition and shall not permit surplus equipment, material or debris to be stored or to accumulate on the property.
- n. For areas in which unproductive test wells have been drilled or in which producing wells have been taken out of production, all access roads thereto shall be returned as nearly as possible to their original condition. At the conclusion of drilling and/or production operations, all nonessential equipment, material and debris shall be removed from the site and site shall be left in a condition satisfactory to the LESSOR.
- o. LESSOR, at its discretion, may require, or, upon application of LESSEE, may approve the installation of gates on access roads of LESSEE when and where they are deemed necessary.
- p. Any and all storage tanks installed on the property shall be diked to 150 percent of their capacity. LESSEE shall be responsible for prompt removal of any and all fluid accumulations.
- q. All approval under this Paragraph shall be secured from the agent designated by LESSOR to perform same.

26. This Lease shall be subject to the Constitution and laws of the State of New York and the applicable rules and regulations of the New York Department of Environmental Conservation now or hereafter in force all of which are made a part and condition of this Lease; provided however, that no rules or regulations made after the execution of this Lease affecting either the length of the term hereof or the rate or royalty, or payment hereunder, shall operate to affect the terms and conditions of this Lease pertaining to the term hereof or royalties or other payments hereunder.

27. In the event that LESSEE fails to comply with any provision of this Lease, the LESSOR may terminate this Lease at any time upon fifteen (15) days written notice. In the event of termination, LESSEE shall cease work upon the expiration of such fifteen (15) day period, or such other period as the LESSOR shall specify. The LESSEE may at any time hereafter surrender and wholly terminate this Lease upon payment of any sums due hereunder, and may exercise such right by executing and delivering to LESSOR a release covering the above-described premises.

IF THIS LEASE BECOMES FORFEITED, TERMINATED OR EXPIRES, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, THE ASSIGNEE IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF RECORD, AT NO COST TO THE CURRENT LANDOWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATION LAW.

28. The LESSOR shall continue to have the full right to administer, control, manage, protect, maintain, develop and utilize the Property, and the natural resources thereof other than Oil and Gas, as though this Lease had not been made; but in so doing will, in so far as practicable, avoid doing any damage to any of the structures or equipment of the LESSEE.

29. The LESSEE shall procure such public liability insurance as will protect the LESSOR, its officers and employees from any claim for damages to property and for bodily injuries, including death, which may arise from the execution of this Lease. Policies or certificates of insurance shall be delivered to the LESSOR with full premium paid before the commencement of any operations by LESSEE and shall be maintained in force until such times as all operations on the property are concluded and the property has been reclaimed to LESSOR's satisfaction. All policies of insurance

of any nature shall name the County of Tompkins as an additional insured; shall not be subject to cancellation without 30 days written notice to LESSOR; and shall be subject to the approval of the LESSOR for adequacy and form of protection.

All policies shall provide a minimum of one-million dollars (\$1,000,000) in general liability coverage and fifty-thousand dollars (\$50,000) coverage for damage to property.

30. Appendices A,B and C are attached hereto and incorporated herein.

**(COMPANY)**

**COUNTY OF TOMPKINS**

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

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

Date:

Date: