

STATE OF WEST VIRGINIA
DEPARTMENT OF COMMERCE, DIVISION OF NATURAL RESOURCES
OFFICE OF LAND & STREAMS

324 4th AVENUE, ROOM 200
SOUTH CHARLESTON, WEST VIRGINIA 25303
TELEPHONE :(304) 558-3225

DIVISION OF NATURAL RESOURCES OIL AND GAS RESOURCES
BID PROSPECTUS
FOR
LEASING AND PRODUCTION

A prospectus on the oil and gas resources underlying Miler Marker 117-118 of the Ohio River located in
Marshall County, West Virginia.

Keith Burdette, Secretary
West Virginia Department of Commerce

Robert A. Fala, Director
West Virginia Division of Natural Resources

I. Introduction

The State of West Virginia, through the Division of Natural Resources, holds title to certain lands and mineral resources in the state. The Division of Natural Resources administers and manages those lands in order to provide a comprehensive program for the conservation, development, protection, enjoyment, and use of the natural resources of the state by its citizens and visitors.

The Division of Natural Resources, may lease coal, oil, gas, sand, gravel under its control and management for proper development and production, all in accordance with Chapter 20, Article 1, Section 7, Paragraph 14.

The Division of Natural Resources in its endeavors of managing its real estate resources has decided to lease, by competitive bidding process, the oil and gas resources for development and production from beneath the waters of the Ohio River, beginning at mile post 117 to 118 in Marshall County, West Virginia.

Bids may be submitted for the entire River Bid or for smaller segments of the river within the River Bid, but in any instance, all bids shall be submitted on a per mile basis for each individual mile of river the bidder desires to fully develop.

The Division of Natural resources reserves the right to select the highest responsible bidder for each mile of river up for bid.

The Division of Natural Resources reserves the right to reject any or all bids it receives for the subject property, if any, and the right to re-bid the subject property at a future time.

II. Location of Resources

SUBJECT TO THE RESTRICTIONS ESTABLISHED BY THE CORPS OF ENGINEERS, WV DNR AND WV DEP.

This lease prospectus includes the following oil and gas resources located beneath the waters of the Ohio River in Marshall County, West Virginia, more specifically located and shown on the maps included with this prospectus.

III. Production and Assurance of Maintaining Environmental Integrity

Production of the Division of Natural Resources oil and gas resources beneath the waters of the Ohio River shall be by environmentally sound methods. Procedures will be reviewed by the Department of Commerce, Division of Natural Resources in addition to all other federal and state agencies which may have jurisdiction and/or regulatory control and enforcement authority over such oil and or gas resources and production activities.

The subject oil and gas resources shall be developed and produced by the successful bidder and/or bidders in a prudent manner, efficiently, economically, without waste, and in the best interest of the State of West Virginia, with all diligence and in a workmanlike manner in accordance with the best, most up-to-date oil and or gas producing methods.

IV. Minimum Bid

- A. The Division of Natural resources requires a standard royalty of 20% or 1/5 to develop the oil and gas underlying the River bid.
- B. The Bidder shall submit with its bid an earnest money check in the amount of \$ 10,000.00 for each mile of river the bidder desires to fully develop. The Division of Natural Resources will return earnest money checks to the unsuccessful bidders and will apply the earnest money received against the cash bonus consideration at the closing for the winning bid.
- C. The Bidder shall submit bids for a cash bonus for each mile of river the Bidder desires to fully develop on a per acres basis. Leases will be awarded to the highest responsible bidder for each mile of the river up for bid and based upon the Director's determination the bidder will operate responsibly and develop the prospect that protects the interest of the State of West Virginia.

NOTICE: if a bid is awarded to develop the subject property and the winning bidder subsequently withdraws or rescinds its offer, such bidder forfeits the earnest money check on this bid.

- D. The Division of Natural Resources will consider any other form of consideration.
- E. The bidder shall submit a fully completed Bidder Questionnaire with its bid. A copy of the Bidder Questionnaire is include with this prospectus or maybe downloaded at www.wvmineraldevelopment.org.

V. Bid Submission and cut-off date

All written sealed bids shall be received by the Department of Commerce, Office of the Secretary by 3:30 p.m. eastern time on Thursday, September 10, 2015, at 1900 Kanawha Boulevard, East, State Capitol, Building 6, Room 525, Charleston, West Virginia 25305-0311.

VI. Bid Opening and Review

The Department of Commerce, Office of the Secretary will hold a public opening of all bids on Friday, September 11, 2015, at 1:00 p.m. in Room 525 at its office at 1900 Kanawha Boulevard, East, State Capitol Complex, Building 6, Charleston, West Virginia, 25305-0311. Thereafter, the Department of Commerce, Division of Natural Resources will review all bid proposals. The Department of Commerce, Division of Natural Resources reserves the right to reject any and all bids.

VII. Bidder Registration Form

Each individual bid shall include as a part of their bid package the completed attached bidder registration and submission forms to assist the DNR in its evaluation of the bidding entity to determine if their technical expertise and economic resources are sufficient to carry out their proposal.

VIII. Bid Award

I. Execution of Lease Agreement

Time is of the essence to finalize a lease agreement. The Division of Natural Resources desires to execute a lease agreement as soon as practically possible after notifying the winning bidder of its right to develop the subject property. Unless good cause is shown, the Division of Natural Resources and the winning bidder will execute a lease agreement within 30 days of receipt of notice of the winning bid. If the parties are unable to execute a lease agreement within such timeframe, the Division of Natural Resources reserves the right to cancel the winning bid, retain the earnest money proceeds, and re-bid the subject property through the competitive bidding process.

Bidders are strongly encouraged to review the state's standard template lease agreement before submitting a bid, which can be found at www.wvmineraldevelopment.org.

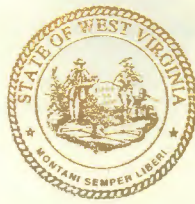
Limitation of Warranty

- II. The Division of Natural Resources is considered to be the owner of the minerals underlying the subject property, but makes no representation or warranty, and expressly disclaims any such representation or warranty, as to the presence or quantity of such minerals or to the title or ownership of minerals underlying the subject property.

The Department of Commerce, Division of Natural Resources will notify the successful bidder of their bid acceptance no later than two weeks from the bid closing date.

III. Limitation of Warranty

The Division of Natural Resources is considered to be the owner of the oil and gas resources, but makes no warranty as to the presence of said resources or any specific amounts.



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
1900 KANAWHA BOULEVARD, EAST
CHARLESTON, WV 25305
(304) 558-2000

EARL RAY TOMBLIN
GOVERNOR

August 19, 2015

Robert A. Fala, Director
Division of Natural Resources
324 Fourth Avenue, Room 200
South Charleston, WV 25303-1228

RECEIVED

AUG 25 2015

DNR
DIRECTOR'S OFFICE



Re: Middle Island Creek (6.39 acres, m/l), Tyler County – Oil & Gas Leasing

Dear Director Fala:

This is in response to your May 12, 2015, request under W. Va. Code § 20-1-7(14) for approval to solicit sealed bids from the public for a lease to develop the oil and gas interests underlying the waters of Middle Island Creek (6.39 acres, m/l) in Tyler County, WV. I hereby approve your request, subject to the division ensuring, at a minimum, that:

1. The bidding process is competitive and accords with § 20-1-7(14);
2. The bidders are responsible and qualified to hold the lease;
3. The mineral interests will be developed in an orderly, diligent, and timely manner;
4. The mineral interests will be developed in compliance with applicable environmental protection laws and regulations;
5. The state shall receive rents, royalties, or other compensation equal to or greater than the fair market value of the mineral interests leased;
6. The state's royalty shall be free of volumetric and cost deductions (*i.e.*, the lessee shall bear all costs incurred in exploring for, producing, marketing, and transporting the mineral interests to the point of sale), unless the particular circumstances warrant the state bearing a portion of the deductions;

OFFICE OF THE GOVERNOR

Fala

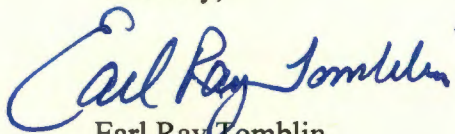
August 19, 2015

Page 2

7. The lessee shall be liable for royalty payments on mineral interests lost or wasted because of negligence or failure to comply with the lease or the law;
8. The lessee shall drill and produce wells necessary to protect the property from drainage or pay compensatory royalty for drainage;
9. The lessee shall regularly furnish detailed statements to the division showing the amount and quality of all minerals extracted and sold, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; and
10. The proposed development is in the best economic interests of the state and will not unreasonably disrupt use and enjoyment of Middle Island Creek or the division's opportunities to develop other mineral interests in the area.

Although the resulting lease will include other important terms and conditions, I believe the foregoing solicitation and lease requirements are of key importance to ensure that the state receives a fair and reasonable deal. Please see that these requirements are adhered to and highlighted in the solicitation process. If they prove unworkable based on the particular circumstances at issue, please advise. Further, please keep my General Counsel, Peter G. Markham, informed of the status of this matter.

Sincerely,



Earl Ray Tomblin
Governor

Cc:

J. Keith Burdette, Cabinet Secretary, Department of Commerce
Joshua Jarrell, Esq., General Counsel, Department of Commerce
Robert Kiss, Cabinet Secretary, Department of Revenue



DIVISION OF NATURAL RESOURCES

324 Fourth Avenue, Room 200
South Charleston WV 25303-1228
TDD (304) 558-1439
TDD 1-800-354-6087
Fax (304) 558-6048
Telephone (304) 558-3225

Earl Ray Tomblin
Governor

Robert A. Fala
Director

May 12, 2015

The Honorable Earl Ray Tomblin
Governor of West Virginia
Office of the Governor
State Capitol Complex
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305

Attention: Peter Marcum

RE: Middle Island Creek-Tyler County
Oil & Gas Leasing

Dear Governor Tomblin:

In accordance with Chapter 20, Article 1, Section 7, Item 14, of the Code of West Virginia, the Division of Natural Resources, hereby requests your approval to put out for public competitive bid the oil & gas resources under the waters of Middle Island Creek (6.39 acres, m/l) in Tyler County, West Virginia.

The advertising and bidding procedure will all be carried out in compliance with West Virginia Code Chapter 59, Article 3, Section One.

Your favorable consideration of this request will be appreciated.

Sincerely,

Robert A. Fala
Director

APPROVED: _____

DATE: _____

Earl Ray Tomblin
Aug. 19, 2015

FJ: js



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OFFICE OF THE GOVERNOR
1900 KANAWHA BOULEVARD, EAST
CHARLESTON, WV 25305
(304) 558-2000

EARL RAY TOMBLIN
GOVERNOR

August 19, 2015

Robert A. Fala, Director
Division of Natural Resources
324 Fourth Avenue, Room 200
South Charleston, WV 25303-1228

Re: Ohio River – Oil & Gas Leasing; Mile Markers 117-118 (Marshall Co., WV)

Dear Director Fala:

This is in response to your May 12, 2015, request under W. Va. Code § 20-1-7(14) for approval to solicit sealed bids from the public for a lease to develop the oil and gas interests underlying the Ohio River between mile markers 117 and 118 in Marshall County, WV. I hereby approve your request, subject to the division ensuring, at a minimum, that:

1. The bidding process is competitive and accords with § 20-1-7(14);
2. The bidders are responsible and qualified to hold the lease;
3. The mineral interests will be developed in an orderly, diligent, and timely manner;
4. The mineral interests will be developed in compliance with applicable environmental protection laws and regulations;
5. The state shall receive rents, royalties, or other compensation equal to or greater than the fair market value of the mineral interests leased;
6. The state's royalty shall be free of volumetric and cost deductions (*i.e.*, the lessee shall bear all costs incurred in exploring for, producing, marketing, and transporting the mineral interests to the point of sale), unless the particular circumstances warrant the state bearing a portion of the deductions;

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OFFICE OF THE GOVERNOR

Fala

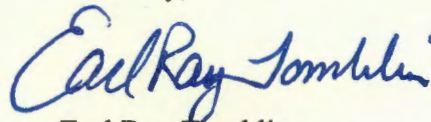
August 19, 2015

Page 2

7. The lessee shall be liable for royalty payments on mineral interests lost or wasted because of negligence or failure to comply with the lease or the law;
8. The lessee shall drill and produce wells necessary to protect the property from drainage or pay compensatory royalty for drainage;
9. The lessee shall regularly furnish detailed statements to the division showing the amount and quality of all minerals extracted and sold, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; and
10. The proposed development is in the best economic interests of the state and will not unreasonably disrupt use and enjoyment of the Ohio River or the division's opportunities to develop other mineral interests in the area.

Although the resulting lease will include other important terms and conditions, I believe the foregoing solicitation and lease requirements are of key importance to ensure that the state receives a fair and reasonable deal. Please see that these requirements are adhered to and highlighted in the solicitation process. If they prove unworkable based on the particular circumstances at issue, please advise. Further, please keep my General Counsel, Peter G. Markham, informed of the status of this matter.

Sincerely,



Earl Ray Tomblin
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Cc:

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Earl Ray Tomblin
Governor

Robert A. Fala
Director

May 12, 2015

The Honorable Earl Ray Tomblin
Governor of West Virginia
Office of the Governor
State Capitol Complex
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305

Attention: Peter Marcum

RE: Ohio River – Marshall County
Oil & Gas Leasing

Dear Governor Tomblin:

In accordance with Chapter 20, Article 1, Section 7, Item 14, of the Code of West Virginia, the Division of Natural Resources, hereby requests your approval to put for public competitive bid 131 acres m/l of the oil & gas resources under the waters of the Ohio River in Marshall County, West Virginia, from mile point 117 to 118.

The advertising and bidding procedure will all be carried out in compliance with West Virginia Code Chapter 59, Article 3, Section One.

Your favorable consideration of this request will be appreciated.

Sincerely,

Robert A. Fala
Director

APPROVED: _____

DATE: _____

Earl Ray Tomblin
Aug 19, 2015

FJ: js