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Tract No. _____
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Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of May 5, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **ANTERO RESOURCES CORPORATION**, a Delaware corporation, whose address is **1615 Wynkoop Street, Denver, Colorado 80202**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. **Grant of Lease.** In consideration of the bonus of Eight Thousand One Hundred and Twenty Five Dollars (\$8,125.00) per net mineral acre paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), and comprising the Granted Minerals and further described as follows:

Situated in Ellsworth District, Tyler County, West Virginia

Tax Map 29, Portion of Parcel 8:

Beginning at a Hickory corner to Maria C. Gregg and Alexander M. Ash, thence N 34° E 54 4/5 poles to a Stone corner to C.O. Birch, thence S 46° E 31 3/5 poles to a Stone, thence S 43 1/2° E 16 poles to a Stone, thence S 34 1/2° E 12 poles to a Stone, thence S 49° E 20 poles to a Stone, thence S 41° E 33 poles to a Stone corner to C.O. Birch and Annie E. Duty, thence S 37° E 16 poles to a Stone, thence S 6° E 12 poles to a stone, thence S 34° E 19 poles to a Stone corner to Annie E. Duty at the Ridge Road, thence S 53° W 119 1/2 poles to a Stone corner to Annie E. Duty and Elizabeth Ripley, thence N 21 1/2° W 83 poles to a Stone corner to Elizabeth Ripley and Maria C. Gregg, thence N 12 1/2° W 75 poles to the place of beginning, containing 92 100/160 acres be the same more or less.

Said description being contained in **Deed Book 54, Page 436**

SERIALIZED AND INDEXED
400 WILKINS BLVD.
HARRISBURG, MD 21740-4500

Tax Map 30, Parcel 3:

Beginning at a stone, corner to Birch; thence South 88 ½ West 84 poles to a stone, corner to Birch land; thence South 71 West 34 ½ poles to a C.O.; corner to Birch lands and Howard's line; thence South 18 ½ East 46 poles to a stone; thence North 84 East 130 poles to a stone in J.A. Meredith's line; thence North 5 East 44 poles to a stone, corner to J. A. Meredith's land; thence South 85 ½ West 25 poles to the beginning, containing 40 acres, more or less.

Said description being contained in **Deed Book 227, Page 141**

Tax Map 30, Parcel 2:

Beginning at a stone in the main run bottom; thence down said run North 23-1/2 West 52-3/4 poles to a stone; thence South 71 West 18-3/4 poles to a stone; thence South 23-1/2 West 54 poles to a stone on side hill in a line of lands conveyed to Levi Lasure by C. O. Burch, et ux, May 28, 1898, and with the same down the hill North 71-1/2 East 17-1/4 poles to the beginning, containing six (6) acres, more or less.

Said description being contained in **Deed Book 227, Page 141.**

Situated in Centerville District, Tyler County, West Virginia:

Tax Map 4, Parcel 1, Parcel 1.2, Parcel 1.3, and Parcel 1.4

Portion of Parcel 1: Beginning at a Chestnut Oak on the top of a ridge an original corner to the survey of 1200 acres surveyed for Thomas Gregg; thence with one of the original lines N 76 ½ E 68 poles to a Stone and pointers at the end of a point; thence N 29 W 16 poles to a Hickory on a side hill; thence N 56 ½ W 23 poles to a Beech and small Red Oak; thence N 22 ½ W 20 poles to a Stone and pointers; thence N 13 W 16 poles to a White Oak thence N 22 ½ W 44 poles to a Stone and pointers on the side of a point; thence N 5 E 41 poles to a Stone; thence West 98 ½ poles to a Stone; thence S 5 W 161 poles to a Stone; and thence S 88 E 98 ½ poles to the beginning, containing 120.5 acres, more or less.

Said description being contained in **Deed Book 7, Page 147**

Less and Except:

Beginning at a stone in the Ridge road, a corner to lands formerly owned by James A. Meredith, Sr., which corner is referred to in the grantors' deed hereinafter mention and running north 76° east 127', more or less, to a concrete monument, the beginning corner of the land hereby conveyed; thence north 68 1/2° east 264', more or less, to a concrete monument; thence south 60° east 726', more or less, to a concrete monument; thence south 30° west 208', more or less, to a concrete monument; thence north 60° west 907', more or less to the beginning concrete monument containing four (4) acres, more or less

Said description being contained in **Deed Book 205, Page 252**

Portion of Parcel 1: Beginning: At a stone thence, N. 76 ½ E. 47 P. to a Dogwood corner to Reppard. Thence N. 4 1/5 E. 130 ¾ P. to a stone, corner to Reppard thence N. 58+ W. 36 ½ P. to a Hickory, thence N. 36+ E. 6 P. to ac.s thence N. 19° W. 8 P. to B.O. Bush, thence S. 65° W. 6 P. to a stone thence N. 42 ½° W. 17 ½ P to a large C.O. Thence N. 19° W. 82 P. to a stone corner to Geo. Fletcher in Armstrong Smith's line; thence S. 80°

W. 172 P. to a stone, Poplar called for cor. to Birch. Thence S. 23 ½ E. 54 P. to a stone. Thence S. 9 ½ W. 39 P. to a stone in landbottom also corner to Birch and Season, thence S. 85 ½ E. 25 P. to a stone, cor. To. J.A. Meredith, thence E. 98 ½ P. thence S 5 1/5 W 41 4/5 to a stone and Pointer, thence S. 22 ½ E. 44 P. w.o. Thence S. 13 E 16 P to a stone; thence S 22 ½ E 20 P. to a Bee & Small Red. O. thence S. 56 ½ E 23 P. to a Hickory, thence S 29 E 16 P.

And: Beginning a stone in road corner to J.A. Meredith, thence E. 48 ¾ P. to a stone, thence N 4 ½ E 30 P. to a stone in road, thence S 88' W 18 2/3 P to a C.O. thence S 82 W 18 P. to a W.O. thence S 55° W 8 ½ P. to a c.o. Thence S 38 W 23 P. to the place of beginning, containing jointly 194 ¾ acres, be the same more or less.

Said description being contained in **Deed Book 31, Page 58**

Less and Except:

Beginning: at a (poplar) stone, corner to Birch, Thence, S. 30° E. 56 P. stone corner to Birch; thence N. 69½ E. 18 P. stone corner; thence N. 83° E 23 P. to a stone by a Pine; S. 88 ½° E. 40 P. to a stone, thence N. 64° E. 18 P. to a stone, thence N. 72 ¾° E. 24 P. to a B.____; N. 81 ½° E. 41 P. to a stone in A. Smith's line; thence N. 16° W. 42 P. to a stone and pointers; S 82 ½° W. 180 P. to the place of beginning: containing 50 acres, be the same more or less.

Said description being contained in **Deed Book 35, Page 81**

Less and Except:

Beginning at Hickory on point, thence N. 46 W. 33 1/3 P. to a stone by run, thence S. 71 W. 5 4/5 P. to a stone to Cupp, thence S. 9 ½ W. 39 P. to a stone, thence S. 85 ½ E. 24 3/5 P. to a stone, corner to Leazure, thence E. 16 P. to a stone, thence N. 8 ¾ W. 21 ¾ P.... to the beginning, containing 7 7/8 acres and(sic) poles of land, more or less.

Said description being contained in **Deed Book 74, Page 35.**

Less and Except (TMP 1-4-1.2):

Less and Except (TMP 1-4-1.3):

Less and Except (TMP 1-4-1.4):

Parcel 1.2: Beginning at the middle of the fork in Klondyke Ridge Road; corner of L.E. Ripley and Ina Baker line; approximately 891 feet West; still in the middle of Klondyke Road even with an Oak Den tree to be the starting point of the described property marked by a concrete monument in the fence row 9 feet South of the center of the road; then South from the center of the road 416 feet in line with the Oak Den Tree to the second concrete marker; then south 71° West 1040 feet to the third concrete marker; then North 416 feet to the middle of Klondyke Road to the 4th marker, 9 feet south of the center of the road in the Fence Row; then along the center of Klondyke Road (east) 1040 feet back to the original marker; this containing 10 acres more or less.

Said description being contained in **Deed Book 217, Page 407**

Parcel 1.3: Beginning at the Southwest corner of the William B. and Virginia B. McInturff line, North 29° East approximately 113 feet to the first concrete marker of the described property; then south 9° 15' East 1092 feet to the second concrete marker; then North 71° East 828 feet to the third concrete marker; then North 9° 15' West 1092 feet to the fourth concrete marker; then South 71° West 828 feet back to the original marker; the above property containing 10.4 acres more or less.

Said description being contained in **Deed Book 217, Page 409**

Parcel 1.4: Starting at the fork in Klondike Road and the corner of the L.E. Ripley and Ina Baker property, the first concrete marker at this corner; then South 4° 30' West 1040 feet to the second concrete marker; then west 4° 30' North 416 feet to the third concrete marker; then North 4° 30' East 1040 feet to the fourth concrete marker; thence Easterly in the center of the road 416 feet back to the original marker; the described property containing 10 acres more or less.

Said description being contained in **Deed Book 217, Page 411**

Containing **391.88 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on

acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. **Unitization.** Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this Lease bears to the total acreage comprising any such unit(s).

6. **Pugh Clause – Horizontal and Vertical.** As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. **Royalty.**

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7(a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in either of the following manners:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted

Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, upon reasonable prior written notice to Lessee, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. Quarterly Royalty Statement, Annual Report. Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
 - b. The month and year during which the sales occurred for which payment is being made;
 - c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold
-
- d. The price per barrel of oil and per MCF of gas sold; and
 - e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary

to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the

amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

- a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.
- b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.
- c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.
- d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.
- e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the

immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice within such Thirty (30) day period, or such longer period of time if Lessee is in good faith continuously effectuating a cure of such alleged breach(es), this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon Lessee's failure to remedy any alleged breach within the applicable cure period and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its reasonable attorney fees and costs, investigation costs, any expert fees, and any other reasonable costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is finally determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. **To Lessor:**

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. **To Lessee:**

Antero Resources Corporation
Attn: Vice President, Land
1615 Wynkoop Street
Denver, CO 80202

33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

34. Severability. Should any one or more of the provisions in this Lease become or be adjudicated by a court of competent jurisdiction to be void or invalid, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

[Signatures to follow]

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**



ATTEST:

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

ANTERO RESOURCES CORPORATION



ATTEST:

By: Brian A. Kuhn
Title: Vice President, Land

[Acknowledgements to follow]

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

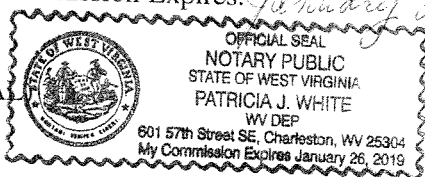
IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 5 day of May 2015.

My Commission Expires:

January 26, 2019

Patricia J. White
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR ANTERO RESOURCES CORPORATION

State of Colorado,

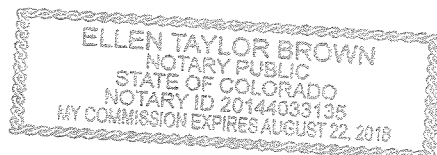
County of Denver,

This instrument was acknowledged before me on 5/8/15, by Brian A. Kuhn the authorized representative of Antero Resources Corporation, a Delaware corporation, on behalf of the corporation.

My Commission Expires:

EB
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6002A
Sale _____
Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4-YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. **Grant of Lease.** In consideration of the bonus of Nine Hundred Eighty Three Thousand Eight Hundred Eighty Two and 82/100 Dollars (\$983,882.82) for **60.180 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 27, p/o Parcel 5 (Also referenced as Jay-Bee Tract #T6002A)

The land referred to in this document is situated on the waters of Middle Island Creek, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

A tract of 60 acres and 29 square rods of land, more or less, bounded and described as follows: Beginning at a stone on the top of the ridge and a corner with the Ray H. Rymer tract of land; thence with his line N 78 45' E (through a line stone located at the west side of the country road) 26 poles and 10 links to a stake in the county road; thence with said Rymer's line N 78 45' E (though a Cherry Line Tree at the top of a bank and 64 poles and 9 links from said stone by the road) 70 poles and 9 links to a stake at the creek; thence with the meanders of the creek S 11 28' E 42 poles to a stake; thence S 4 30' E 17 poles to a stake; thence S 2 30' W 22 poles and 20 links to a stake and corner to Guy L. Rymer; thence with Guy L. Rymer's line, S 77 9' W (passing through a White Walnut line tree

located 8 poles from said stake), 69 poles and 2 links to a stone in the center of the county road, and a corner in said Guy L. Rymer's line; thence with another line of said Rymer, S 74 28' W 40 poles and 12 links to a stake and stone pile, a corner with the said Guy L. Rymer and Rymer and Riggle; thence with the line of Rymer & Riggle N 9 55' W 97 poles to a stone with a hole bored in same, and stone piles, a corner with Rymer and Riggle in the line of Ray H. Rymer; thence with the line of Ray H. Rymer, S 67 53' E 23 poles and 10 links to the place of beginning.

Containing 60.18 acres, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any

cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. **Unitization.** Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. **Pugh Clause – Horizontal and Vertical.** As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. **Royalty.**

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity

in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less

frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold
- d. The price per barrel of oil and per MCF of gas sold; and
- e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or

structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the

Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals; and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner

as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. **To Lessor:**

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. **To Lessee:**

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road
Cairo, WV 26337-6405

33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

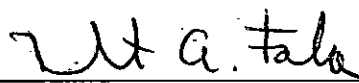
34. Severability. Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

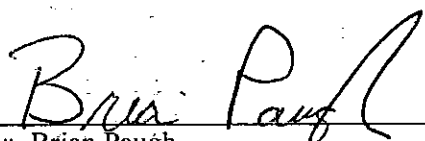
**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**

ATTEST:


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

JAY-BEE PRODUCTION COMPANY

ATTEST:


By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

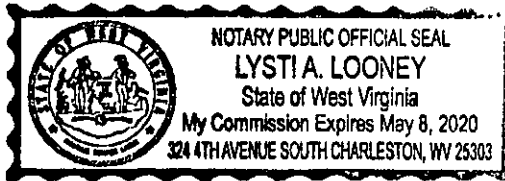
County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires: May 8, 2020 Lyusti A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

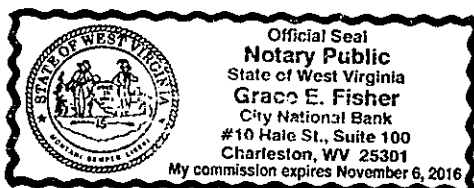
State of West Virginia,

County of Kanawha,

This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires: NOVEMBER 6, 2016 Graco E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6002B
Sale _____
Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. **Grant of Lease.** In consideration of the bonus of One Million One Hundred Sixty Nine Thousand Nine Hundred Fourteen and 00/100 Dollars (\$1,169,914.00) for **71.55875 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 27, p/o Parcel 5 (Also referenced as Jay-Bee Tract #T6002B)

The land referred to in this document is situated on the waters of Middle Island Creek, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

First Tract: A tract of 50 acres, more or less, bounded and described as follows: Beginning at a stone situated in the center of the road leading through the Jug Handle at a point where the said road intersects with the northern boundary of the F. L. Rymer tract of land; thence North following the center of the road and the meanders thereof to its intersection with the boundary of the S. G. Pyle tract of land (formerly owned by Charles Cochran); thence West following the boundary of the S. G. Pyle tract of land to an Elm, corner to S. G. Pyle; thence South up the creek with the meanders thereof and at ordinary low water mark to a beach tree, known as a corner between the F. L. Rymer tract of land

and the Jug Handle tract of land; thence East a straight line from said beech tree to a stake or stone at or near three small hickory trees located on the top of the hill; thence East to the beginning.

Second Tract: A tract of 50 acres, more or less, bounded and described as follows: Beginning at a stone in the center of the road leading through what is commonly known as the Jug Handle at a point where the said road intersects with the northern boundary of the F. L. Rymer tract of land (formerly Boyer's tract); thence North following the center of the road and the meanders thereof to the intersection of said road with the Southern boundary of the S. G. Pyle tract of land (formerly owned by Charles Cochran); thence East with the S. G. Pyle line to the ordinary low water mark of Middle Island Creek; thence South down Middle Island Creek with the meanders thereof, at ordinary low water mark to a stone know as the corner between the F. L. Rymer tract of land and the Jug Handle tract of land; thence West to a stone at the place of beginning.

Less

Beginning at a stone on the East side of the Jug Handle at the commencement of the Narrows, corner of land formerly owned by S. G. Pyle; thence down Middle Island Creek with the ordinary low water mark to the mouth of first ravine south of the house; thence almost West in a straight line to head of ravine to a stone, at road leading through Jug Handle; thence with the road back to S. G. Pyle line; thence with Pyle line to the place of beginning, containing fifteen (15) acres, more or less.

Containing **71.55875 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. **Facilities Development.** All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. **Term.** This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. **Unitization.** Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. **Pugh Clause – Horizontal and Vertical.** As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the

applicable Granted Minerals are situated.

7. Royalty.

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. Method of Payment. All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or

b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. Information, Metering, Lessor's Right to Audit. Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. Quarterly Royalty Statement, Annual Report. Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

a. The lease, property, or well names and the well identification numbers on which royalties are being paid;

b. The month and year during which the sales occurred for which payment is being made;

c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold

d. The price per barrel of oil and per MCF of gas sold; and

e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of

the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in

paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein:

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. To Lessor:

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. To Lessee:

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road
Cairo, WV 26337-6405

33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

34. Severability. Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**

Robert A. Fala

ATTEST:

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

JAY-BEE PRODUCTION COMPANY

Brian Paugh

ATTEST:

By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

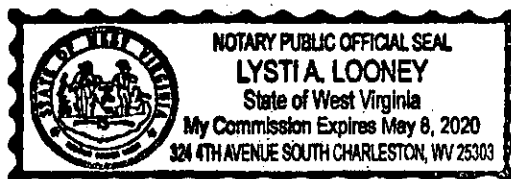
IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires:

May 8, 2020

Lystia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

State of West Virginia,

County of Kanawha,

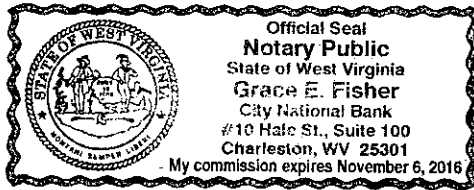
This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires:

NOVEMBER 6, 2016


Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6013
Sale
Lease No.

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. Grant of Lease. In consideration of the bonus of One Million Twenty One Thousand Eight Hundred Twelve and 50/100 Dollars (\$1,021,812.50) for **62.5 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 27, Parcel 30 (Also referenced as Jay-Bee Tract #T6013)

The land referred to in this document is situated on the waters of Jug Run, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

Beginning at a Beech, corner in run bottom in original line running around 550 acres of land, conveyed to O. P. Staley by Wm. Gregg; thence South 69 West 192-1/2 poles to a stone, corner in Joseph Kimball's line; thence with his line to Kimball's corner in said original line of said 550 acres, thence with said original line to the beginning, containing 125 acres.

Containing **125 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West

Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred

and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. Pugh Clause – Horizontal and Vertical. As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate; on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. Royalty.

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production

or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold

d. The price per barrel of oil and per MCF of gas sold; and

e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding-in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. **Well Plugging.** Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. **Record Management.** The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. **Ratification.** No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. **Compliance with Applicable Law.** This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. **Insurance.** A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. **Bonding.** Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. **Assignment.** The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen

(15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and

under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a

long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. To Lessor:

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. To Lessee:

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road

Cairo, WV 26337-6405

33. **Successors in Interest.** The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

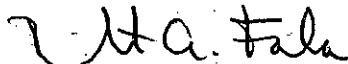
34. **Severability.** Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. **Counterparts.** This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

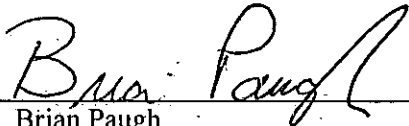
WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA

ATTEST:


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

JAY-BEE PRODUCTION COMPANY

ATTEST:


By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

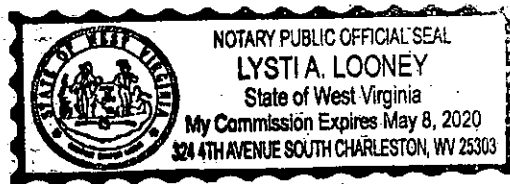
County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires: May 8, 2020 Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

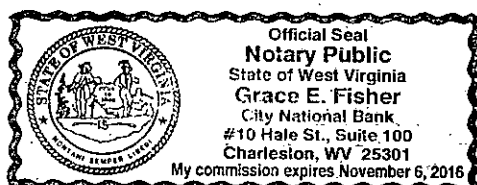
State of West Virginia,

County of Kanawha,

This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires: NOVEMBER 6, 2016 Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6014
Sale _____
Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. **Grant of Lease.** In consideration of the bonus of Seven Hundred Thirty Thousand Five Hundred Ninety Five and 93/100 Dollars (\$730,595.93) for **44.6875 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 27, Parcel 28 (Also referenced as Jay-Bee Tract #T6014)

The land referred to in this document is situated on the waters of Middle Island Creek, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

Beginning at a Stone in Wm. Gregg's line, corner to Nancy Jones, thence with said Gregg's line N 11 E 30 poles to a Beech; thence N 41 ½ E 39 poles to a stone; thence North 10 E 78 poles to a Whittle Oak; thence N 70 E 70 poles to a Red Oak, corner to said Wm. Gregg, in Petter Smith's line; thence with said line, S 16 E 141 poles to a Stone, corner to said Nancy Jones; thence with her line, S 84 W 153 poles to the beginning. Containing 89.375 acres.

Containing **89.375 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that

the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided:

that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this Lease bears to the total acreage comprising any such unit(s).

6. Pugh Clause – Horizontal and Vertical. As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. Royalty.

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all

royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other

constituents therein which were sold

d. The price per barrel of oil and per MCF of gas sold; and

e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment

or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations

are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling

activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally, by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. To Lessor:

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. To Lessee:

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land

3570 Shields Hill Road
Cairo, WV 26337-6405

33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

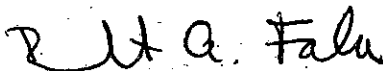
34. Severability. Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

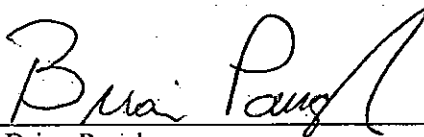
**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**

ATTEST:


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

JAY-BEE PRODUCTION COMPANY

ATTEST:


By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

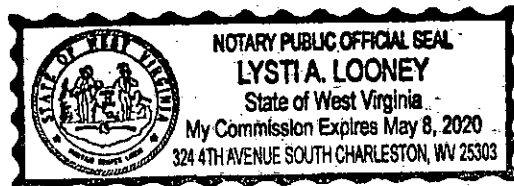
County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires: May 8, 2020 Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

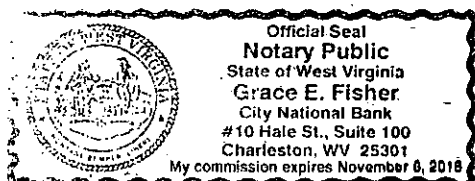
State of West Virginia,

County of Kanawha,

This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires: NOVEMBER 6, 2016 Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6049A
Sale
Lease No.

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. Grant of Lease. In consideration of the bonus of Seventy Five Thousand Five Hundred Sixty Two and 50/100 Dollars (\$75,562.50) for **11.625 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 29, Parcel 10 (Also referenced as Jay-Bee Tract #T6049A)

The land referred to in this document is situated on the waters of Jug Run, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

Beginning at a stone on a point, corner to Railing and Givens' heirs; thence South 18 West 63 poles to a White Oak, corner to Givens heirs; thence North 20 East 68 poles to a stone; thence North 70 West 22 poles to a Black Oak, corner to Anthony Ash; thence North 17 East 52 poles to a Chestnut tree corner to A. Ash and A. M. Ash; thence South 59 East 48 poles to a stone in A. M. Ash's line; thence South 153 poles to a stone in Railing's line near a rock cliff; thence South 71 West 45 poles to the beginning, containing 55 acres.

Excepting and reserving therefrom a tract of 8 ½ acres, described as follows:

Beginning at a Chestnut corner to an Ash; thence South 59 East 40 4/5 poles to a stone on ridge; thence South 77 West 12 4/5 poles to a stone and pointers; thence South 38 West 44 poles to a stone and W. O. Pointers; corner to Riggs; thence North 70 West 17 poles to a B. O. called for; thence North 17 East 59 poles to the place of beginning.

Containing 46.5 acres, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of

completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. Pugh Clause – Horizontal and Vertical. As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. Royalty.

a. Delivery and Payment. Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. Gross Proceeds. Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. Affiliate of Lessee. Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or

affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold
- d. The price per barrel of oil and per MCF of gas sold; and
- e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased

Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure

payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees,

and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes; or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein; Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. **To Lessor:**

West Virginia Division of Natural Resources
Attn: Office of Land and Streams

324 Fourth Ave
South Charleston, WV 25303

b. **To Lessee:**

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road
Cairo, WV 26337-6405

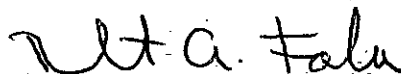
33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

34. Severability. Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

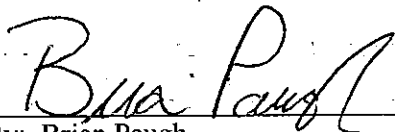
**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**



ATTEST:

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

JAY-BEE PRODUCTION COMPANY



ATTEST:

By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director; and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

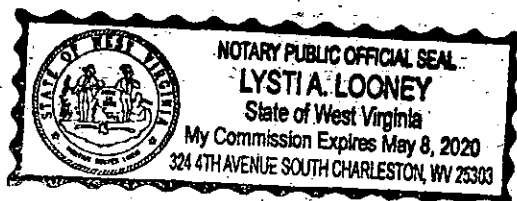
IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires:

May 8, 2020

Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

State of West Virginia,

County of Kanawha,

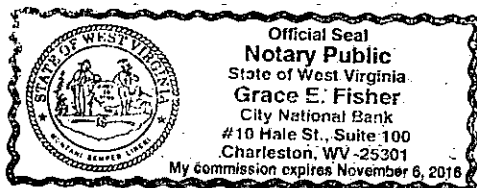
This instrument was acknowledged before me on MAY 6, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires:

November 6, 2016

Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6049B
Sale _____
Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. Grant of Lease. In consideration of the bonus of Two Hundred Fourteen Thousand Three Hundred Two and 75/100 Dollars (\$214,302.75) for **14.75 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 29, Parcel 9 (Also referenced as Jay-Bee Tract #T6049B)

The land referred to in this document is situated on the waters of Jug Run, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

Beginning at a stone, corner to Elizabeth Ripley, thence South 71 West 105 poles to a stone near a rock cliff in old line; thence North 153 poles to a stone on ridge in A. M. Ash's line; thence South 59 East 90 poles to a Hickory, corner to A. M. Ash; thence South 12 ½ East 75 poles to the beginning, containing 59 acres.

Containing **59 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West

Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred

and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. **Pugh Clause – Horizontal and Vertical.** As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate; and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. **Royalty.**

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production

or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold.

- d. The price per barrel of oil and per MCF of gas sold; and
- e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. **Shut-In Royalty.** If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. **Notice of Intent to Drill and Complete.** Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. **Diligence, Duty to Drill Offset Wells.** Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. **Waste Prohibited, Damage.** Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion; or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. **Well Plugging.** Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. **Record Management.** The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. **Ratification.** No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. **Compliance with Applicable Law.** This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. **Insurance.** A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. **Bonding.** Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. **Assignment.** The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen

(15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.

b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.

c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.

d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.

e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and

under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death); or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a

long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally, by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. To Lessor:

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. To Lessee:

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road

Cairo, WV 26337-6405

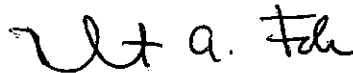
33. **Successors in Interest.** The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

34. **Severability.** Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. **Counterparts.** This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

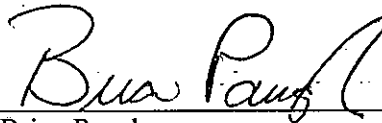
WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA



ATTEST:

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

JAY-BEE PRODUCTION COMPANY



ATTEST:

By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

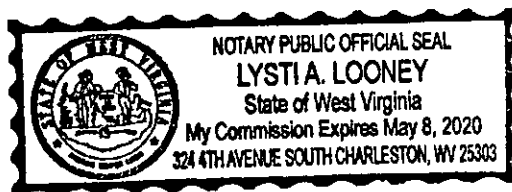
County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires: May 8, 2020 Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

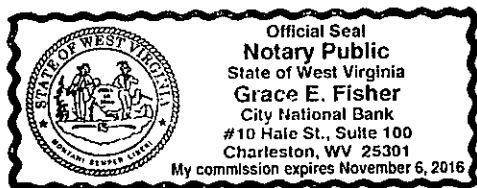
State of West Virginia,

County of Kanawha,

This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires: November 6, 2016 Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6049C2
Sale _____
Lease No. _____

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. Grant of Lease. In consideration of the bonus of Eighty Two Thousand Two Hundred Ninety Six and 78/100 Dollars (\$82,296.78) for **5.033750 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 29, p/o Parcel 8 (Also referenced as Jay-Bee Tract #T6049C2)

Beginning at a White Oak on the ridge, a corner to A. O. Ash; thence S 53 E 66 3/5 poles to a Beech near a run known as Line run; thence S 11 E 31 poles to a stone on a hill side; thence S 52 W 62 1/2 poles to a White Oak & Stone on the ridge at the public road; thence with road 72 poles to a stove corner in A. O. Ashes line; thence N 36 E 77 1/5 poles to the beginning containing forty acres and forty three poles (40 43/160) of land, be the same more or less.

Containing **40.27 acres**, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested

with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in

compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. Pugh Clause – Horizontal and Vertical. As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. Royalty.

a. Delivery and Payment. Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. Gross Proceeds. Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. Affiliate of Lessee. Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. Due Dates of Royalty. Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled 'Due Dates of Royalty', Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold
- d. The price per barrel of oil and per MCF of gas sold; and

e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia

Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering

written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

- a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.
- b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.
- c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.
- d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.
- e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease. Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term,

substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. **To Lessor:**

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. **To Lessee:**

Jay-Bee Production Company
Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road
Cairo, WV 26337-6405

33. **Successors in Interest.** The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.


34. **Severability.** Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. **Counterparts.** This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

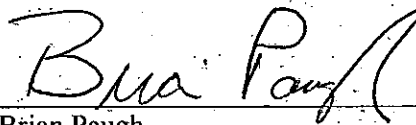
**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**

ATTEST:


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

JAY-BEE PRODUCTION COMPANY

ATTEST:


By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

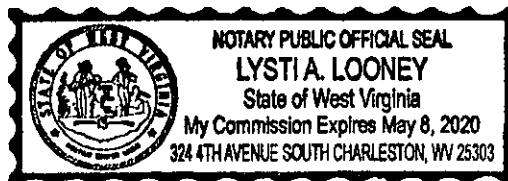
IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires:

May 8, 2020

Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

State of West Virginia,

County of Kanawha,

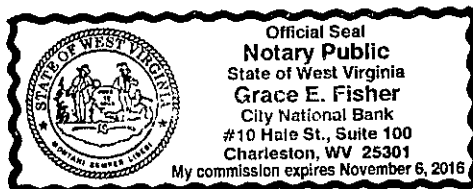
This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires:

NOVEMBER 6, 2016

Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia

Tract No. T6049D
Sale
Lease No.

**THE STATE OF WEST VIRGINIA OIL AND GAS LEASE
NO SURFACE USE
(4 YEAR PAID-UP LEASE)**

This Oil and Gas Lease (this "Lease") is dated and effective as of April 30, 2015, (the "Effective Date"), by and between the **WEST VIRGINIA DIVISION OF NATURAL RESOURCES**, a division of the West Virginia Department of Commerce, whose address is **324 Fourth Avenue, South Charleston, West Virginia 25303**, party of the first part, hereinafter designated as **LESSOR**, and **Jay-Bee Production Company**, a West Virginia company, whose address is **3570 Shields Hill Road, Cairo, WV 26337-6405**, party of the second part, hereinafter designated as **LESSEE**.

UNDER AND PURSUANT TO THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF WEST VIRGINIA RELATING TO LEASING PUBLIC LANDS BELONGING TO THE STATE OF WEST VIRGINIA, WITNESSETH:

1. Grant of Lease. In consideration of the bonus of Fifty Five Thousand One Hundred Sixty Four and 69/100 Dollars (\$55,164.69) for **4.0625 net mineral acres** paid at closing to Lessor, the royalties to be paid, and the covenants, obligations, stipulations and conditions to be observed and performed as herein set forth, Lessor does hereby demise, lease and let unto the Lessee the following described tracts of land for the sole purpose and with the exclusive right of exploring, drilling, completing, operating for, and producing oil, gas, and other liquid or gaseous hydrocarbons (including, by way of example and not limitation, any and all natural gas liquids such as butane, ethane, isobutane, natural gasolines, pentanes, propane, and similar liquids or byproducts) produced in association with the oil or gas in or underlying the Leased Premises (the "Granted Minerals"), situated in Ellsworth District, Tyler County, West Virginia, and being more particularly described as follows:

Tax Map 30, Parcel 1 (Also referenced as Jay-Bee Tract #T6049D)

The land referred to in this document is situated on the waters of Jug Run, Ellsworth District, Tyler County, West Virginia, bounded and described as follows, to wit:

Beginning at a stone, corner to Levi Lasure tract of land; thence South 88 ½ West 21 1/5 poles to a stone; thence South 76 West 34 poles to a Chestnut Oak; thence South 84 ½ West 38 poles to a Hickory; thence South 59 ½ West 20 poles to a stone; thence South 21 West 9 poles to the public road; thence with the road 41 ¼ poles to a White Oak; thence North 52 East 62 ½ poles to a stone; thence North 11 West 31 poles to a Beech; thence North 71 East 119 2/5 poles to a stone; thence North 23 ½ East 54 poles to a stone; thence South 71 ½ West 22 ¾ poles to a stone; thence South 64 West 25 poles to a stone; thence South 23 ½ West 17 1/5 poles to the beginning, containing 65 acres.

Containing 65 acres, more or less (the "Leased Premises"). Lessor represents and warrants to Lessee that the West Virginia Division of Natural Resources is the proper agency or instrumentality of the State of West Virginia to enter into this Lease for the purpose of leasing the Granted Minerals and Leased Premises to Lessee on the terms set forth herein, and that the Director of the West Virginia Division of Natural Resources is vested with the full legal authority and is duly authorized to execute this Lease on behalf of the Lessor and the State of West Virginia.

2. Limitations on the Grant of Lease.

a. **Surface Activities Prohibited.** This lease does not include, and specifically prohibits and excludes the right to enter upon or conduct exploration for, drilling, and production and marketing activities of any kind associated with the Granted Minerals, or any other activities by Lessee, its representatives, employees, contractors, agents, and affiliates, on the surface of the lands covered herein, if any, including, but not limited to the construction of any pits and/or pipelines or gathering lines on the Leased Premises.

b. **No Storage.** Lessee may not use the Leased Premises, or any part thereof, for gas, oil, hydrocarbons, or brine storage purposes.

c. **Use of Surface or Subsurface Water.** Lessee shall not use the surface waters or the groundwaters located within the Leased Premises.

d. **Reserved Rights of Lessor.** Lessor reserves all rights not granted in this Lease, and specifically excepts herefrom all minerals other than the Granted Minerals including, by way of example and not limitation, geothermal energy, salt, brine, coal and coalbed methane.

3. Facilities Development. All development and production activities and facilities shall be constructed on adjoining and/or other lands, but not the Leased Premises and above and, if applicable, outside the high water mark of the Ohio River, other waterways or islands therein, except to the extent horizontal well laterals are located underneath the bed, banks and shores of the same Leased Premises.

4. Term. This Lease shall remain in force for a term of Four (4) years from the date hereof ("Primary Term"), and as long thereafter as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, Granted Minerals are not being produced on the Leased Premises or on acreage pooled therewith, but Lessee is then engaged in drilling or re-working operations thereon, then this Lease shall continue in force for so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith ("Operations"). Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of Granted Minerals on the Leased Premises or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a dry hole. If Granted Minerals shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as Granted Minerals are produced from the Leased Premises or on acreage pooled therewith.

5. Unitization. Lessee may voluntarily pool, consolidate, or unitize portions of the Leased Premises as to hydrocarbon bearing geologic formations in order to constitute a unit for the purpose of exploring for and producing Granted Minerals. Said unit may not exceed Six Hundred Forty (640) acres and shall be

comprised of lands contiguous to the Leased Premises and/or in the vicinity of the Leased Premises, provided: that the unit may, with the written consent of Lessor, be larger, but no greater than One Thousand, Two Hundred and Eighty (1,280) acres, which consent shall not be unreasonably withheld, if that unit, in comparison to a unit of Six Hundred Forty (640) acres, shall provide for the greater development of the Granted Minerals in compliance with the diligent development and protection from drainage requirements of Paragraph Fourteen of this Lease. Once formed, the unit(s) may not be reformed, re-pooled, altered, amended, or changed in any manner without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event the Leased Premises are so pooled, consolidated, or unitized, Lessor agrees to accept such proportion of the production royalty prescribed by this Lease as the acreage contributed by this lease bears to the total acreage comprising any such unit(s).

6. **Pugh Clause – Horizontal and Vertical.** As to any acreage of the Leased Premises which is not included within any properly constituted and publicly recorded production unit at the expiration of the Primary Term, as extended hereunder, this Lease shall automatically terminate, and be of no further force or effect. Further, and to the extent Lessee has established production in paying quantities beyond the expiration of the Primary Term on the Leased Premises, or lands pooled therewith, the Lease shall terminate, on a production unit-by-production unit basis, as to all depths, horizons and zones lying at least One Hundred feet (100') below the deepest producing horizon on the Leased Premises or any lands pooled therewith determined by reference to the deepest producing horizon in each respective production unit. Thereafter, this Lease shall continue in full force and effect for all depths, horizons and zones lying above the depth of One Hundred feet (100') below the deepest producing formation of a particular production unit as to all acreage located within that particular production unit. Upon the drilling and completion of a well within a production unit containing at least a portion of the Leased Premises, Lessee shall file a declaration of pooling and unitization within a reasonable time in the records of the Office of the Clerk of the County Commission of the county in which the applicable Granted Minerals are situated.

7. **Royalty.**

a. **Delivery and Payment.** Lessee shall deliver or cause to be delivered to the Lessor, or its successors, nominees, agents, or assigns, at no cost to Lessor, a royalty equal to **Twenty Percent (20%) or One-Fifth of Eight Eighths (1/5 of 8/8ths)** of the Gross Proceeds realized by Lessee, or any Affiliate of Lessee, from the sale of the Granted Minerals, produced and sold from the Leased Premises.

i. **Gross Proceeds.** Gross Proceeds means the total monies and other consideration accruing to Lessee for the disposition of the Granted Minerals and/or any other marketable by-products, including condensate, produced from the Leased Premises. Gross Proceeds shall be calculated based on the total gross volume of Granted Minerals produced and sold, exclusive of production and post-production costs and severance taxes or other taxes of any nature.

ii. **Affiliate of Lessee.** Affiliate of Lessee means any person, corporation, firm, or other entity in which Lessee, or any parent company, subsidiary or affiliate of Lessee, owns an interest of Five Percent (5%) or more, whether by stock ownership or otherwise, or over which Lessee, or any parent company or affiliate of Lessee exercises any degree of control, directly or indirectly, by ownership, interlocking directorate, or in any other manner; and any corporation, firm or other entity which owns any interest in Lessee, whether by stock ownership or otherwise, or which exercises any degree of control, directly or indirectly, over Lessee, by stock ownership, interlocking directorate, or in any other manner.

b. **Due Dates of Royalty.** Lessee shall pay Lessor all royalties that may become due under this Lease within one hundred twenty (120) days after the first day of the month following the month

during which any well commences production into a pipeline for sale of such production. Thereafter, all royalties shall be paid to Lessor on or before the last day of the third month following the month of production or within Ninety (90) days after the first day of the month following, whichever is longer.

c. **Automatic Termination for Non-Payment of Royalty.** If royalty is not paid within the time prescribed in the preceding sub-section entitled Due Dates of Royalty, Lessor will provide Lessee written notice of nonpayment of royalty in accordance with paragraph 32 of this Lease. If Lessee fails to pay Lessor royalty actually due and owing to Lessor within Thirty (30) days from Lessee's receipt of such notice, this Lease will automatically terminate. Inaccurate royalty payments shall not be governed by the provisions of this paragraph 7 (a)(c), but shall be resolved in good faith between Lessor and Lessee in a timely manner.

d. **Production & Post-Production Costs.** Neither Lessee, nor any Affiliate of Lessee, may reduce Lessor's royalty for any post-production expense, including, by way of example and not limitation, pipelines, surface facilities, telemetry, gathering, dehydration, transportation, fractionation, compression, manufacturing, processing, treating, or marketing of the Granted Minerals or any severance or other taxes of any nature paid on the production thereof. Royalties under this Lease shall be based on the total proceeds of sale of the Granted Minerals, exclusive of any and all production and/or post-production costs.

8. **Method of Payment.** All rents, royalties, bonuses, or other payments accruing and/or owing from Lessee to Lessor under this Lease shall be made or tendered in the following manner:

- a. By certified or cashier check delivered in accordance with paragraph 32 of this Lease, or
- b. By direct deposit or wire transfer to the credit of Lessor as provided in writing by Lessor to Lessee in writing by a separate instrument delivered contemporaneously with this Lease.

9. **Information, Metering, Lessor's Right to Audit.** Upon request, Lessee shall furnish to Lessor copies of title opinions covering the Leased Premises; copies of filings made by Lessee with the Department of Environmental Protection related to the Leased Premises; copies of daily drilling reports, gauge tickets, sales receipts, division orders, or amounts of gross production; copies of gas contracts or any other agreements pursuant to which Lessee will sell, use, transfer, process, or dispose of the Granted Minerals produced from the Leased Premises; and/or any other information related to the production and sales of the Granted Minerals. Lessee shall meter gas deriving from the Leased Premises at the wellhead in accordance with West Virginia law. Lessor shall, on an annual basis, have the right to audit the books, accounts, contracts, records, and data of Lessee pertaining to the development and sale of the Granted Minerals.

10. **Quarterly Royalty Statement, Annual Report.** Lessee shall furnish an annual report, including production volumes and sales prices, to the Lessor not less than annually on the anniversary date of this Lease, unless otherwise requested by Lessor. The Lessee shall include the following information no less frequently than once per calendar quarter, either on the check stub of a royalty payment or on an attachment to or enclosure with a royalty payment:

- a. The lease, property, or well names and the well identification numbers on which royalties are being paid;
- b. The month and year during which the sales occurred for which payment is being made;
- c. The total production from the well or wells expressed as the number of barrels of oil or the total

amount of gas in million cubic feet (MCF) and the volume of any other Granted Minerals, condensate, or other constituents therein which were sold.

d. The price per barrel of oil and per MCF of gas sold; and

e. The name, address, and telephone number of a contact person where the Lessor may obtain information about royalty payments made by the Lessee hereunder.

11. Shut-In Royalty. If a well has been completed capable of production in paying quantities, and has been temporarily shut-in for lack of a market, Lessee shall pay Lessor annually, on or before Ninety (90) days of such shut-in event, the sum of One Hundred (\$100.00) Dollars per acre for the first year, and Two Hundred Fifty Dollars (\$250.00) per acre for the year thereafter on the ensuing anniversary. In no event may Lessee maintain this Lease by payment of shut-in royalty beyond a continuous two-year period, and this Lease shall terminate automatically on the first day following the second anniversary date of initial shut-in. Additionally, in no event may Lessee maintain this Lease by payment of shut-in royalty beyond a cumulative three-year period during which all production of Granted Minerals was shut-in, and this Lease shall terminate automatically on the first day following the date that all production of Granted Minerals has been shut-in for a cumulative period of Three (3) years.

12. Notice of Intent to Drill and Complete. Lessee shall supply Lessor prior written notice of Lessee's intention to drill at least fourteen (14) calendar days prior to the spudding in of a well associated with producing the Granted Minerals. Lessee shall also supply Lessor with a copy of Lessor's completion report of such well or wells within thirty calendar (30) days of completion.

13. Diligence, Duty to Drill Offset Wells. Lessee shall conduct its drilling operations hereunder utilizing best industry practices in existence at the time of such drilling, and shall otherwise conduct its operations in a good and workmanlike manner as a reasonably prudent operator would under the same or similar circumstances until all drilling and producing operations are completed, or until such time as the final well is plugged and abandoned. Additionally, if Granted Minerals are discovered on or in the Leased Premises, Lessee shall further develop and produce the Leased Premises as a reasonable and prudent operator would, and exercise all due diligence in drilling additional well(s) as may be necessary to fully develop the Leased Premises. Lessee shall protect the Granted Minerals in and under the Leased Premises from drainage by wells on adjoining or nearby tracts or leases, including those held by Lessee or any Affiliate of Lessee. Neither the rentals, royalties, nor any other consideration set forth under this Lease shall relieve Lessee of its obligation to reasonably develop and produce the Leased Premises and to reasonably protect the Granted Minerals in and under the Leased Premises from drainage or other damage.

14. Waste Prohibited, Damage. Lessee shall not commit, or cause to be committed, waste, damage, or pollution to the Leased Premises. Lessee shall take all reasonable steps to prevent its operations from causing or contributing to soil erosion, or to the injury of terraces, grades, embankments, other soil, or structures on the Leased Premises. Lessee shall not pollute the surface or subterranean waters of the Leased Premises, any reservoirs, springs, streams, irrigation ditches, stock ponds, or other wells on the Leased Premises. Lessee shall not decrease the fertility of the soil, damaging any crops, grasses, timber, or pastures on the Leased Premises, and shall not harm or injure any animals, fish, or livestock on or in the Leased Premises, or damage any buildings, roads, structures, or other improvements on the Leased Premises. Lessee shall preserve the Leased Premises, and upon the termination of this Lease, promptly surrender and return the Leased Premises to the Lessor in the same condition, or substantially similar condition, as the Leased Premises were in prior to Lessee taking possession of the Leased Premises. Lessee shall compensate Lessor, its successors or assigns, for damages caused by Lessee to any being or thing which is the subject of this

provision.

15. Well Plugging. Before abandoning any well associated with this Lease, Lessee shall securely plug and abandon such well or wells in accordance with the rules and regulations of the West Virginia Department of Environmental Protection and the laws of the State of West Virginia, and any other governmental agency having jurisdiction.

16. Record Management. The Lessee shall keep an accurate account of all drilling operations, including but not limited to the following: a log of each well drilled, duly sworn to by the contractor or driller; original gas sales contracts with amendments; gas balancing agreements and schedules; information concerning litigation, settlement agreements, or other agreements relating to sales and pricing of the Granted Minerals.

17. Ratification. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless such instrument is clearly titled to indicate its purpose and intent.

18. Compliance with Applicable Law. This Lease shall be subject to the Constitution and laws of the State of West Virginia and the rules and regulations of the West Virginia Division of Natural Resources and the West Virginia Department of Environmental Protection now or hereafter in force, all of which are made a part and condition of this Lease; provided, that no regulation made after the execution of this Lease affecting either the length of the term hereof, the rate of royalty, or payment hereunder, or the assignment hereof, shall operate to alter the terms and conditions of this Lease. Lessee agrees to comply in all material respects with the laws, rules and regulations of the State of West Virginia and the United States of America.

19. Insurance. A company licensed by the West Virginia Insurance Commission to do business in the state of West Virginia shall underwrite all policies required by this Lease. Lessee, and/or any person or entity acting on Lessee's behalf under this Lease, shall maintain with one or more such licensed insurance carriers at all times during which this Lease remains in force and effect sufficient workers compensation and employer's liability insurance, commercial general liability and umbrella liability insurance, business auto and umbrella liability insurance, and environmental liability insurance in the amount of at least Twenty-Five Million Dollars (\$25,000,000.00), combined single limit, identifying Lessor as an additional insured (except for workers compensation and employer's liability), and shall be primary coverage for Lessor. Said policy or policies, declaration pages and certificates of insurance thereof shall be delivered to Lessor upon commencement of the Lease, and upon each renewal of said insurance policy. The insurance policies required under this paragraph 19 shall name Lessor as an additional insured, except for workers compensation and employer's liability with regard to the Leased Premises, and shall reflect that the insurer has waived any right of subrogation against the Lessor.

20. Bonding. Within Thirty (30) days from the Effective Date of this Lease, Lessee shall post a surety bond in favor of the Lessor in an amount of Two Hundred Thousand Dollars (\$200,000.00) to secure payment of all sums due and performance of all obligations arising under this Lease.

21. Assignment. The rights and estate of Lessee (or any permitted assignee or transferee of Lessee) hereunder may not be assigned or otherwise transferred, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee proposes to assign or transfer this Lease, the Lessee shall give Lessor written notice of its intent to assign or transfer its interest in the Lease, which notice shall specify the type of assignment or transfer contemplated, the identity

and contact information of the proposed assignee or transferee, and the timeframe of the proposed assignment or transfer ("Transfer Notice"). Upon delivery of a Transfer Notice to the Lessor, Lessor shall have Fifteen (15) days to either: (a) consent to the proposed assignment or transfer by delivering written its consent to Lessee; or (b) in its reasonable discretion, withhold its consent to the proposed assignment or transfer by delivering written notice to Lessee that it is withholding its consent and specifying the reasons therefor. In the event that Lessor fails to respond to a Transfer Notice within the fifteen-day period specified in the immediately preceding sentence, Lessor shall be deemed for all purposes under the law to have approved the assignment or transfer outlined in the Transfer Notice, and to have consented to such assignment or transfer in the same manner as if it would have delivered its written consent to Lessee.

22. Default. The occurrence of any of the following shall be deemed a default of this Lease:

- a. Failure of Lessee to timely pay Lessor any amounts required under this Lease in accordance with paragraph 7.
- b. If any creditor of Lessee, its agents, and/or assigns, takes any action to execute on, garnish, or attach the Lessee's assets located on or accessing the Leased Premises. This provision shall not impair Lessee's ability to mortgage its interests in the Granted Minerals or the Leased Premises.
- c. Failure of Lessee to obtain any requisite "prior written consent" as set forth within this Lease.
- d. Failure of Lessee to maintain insurance in the type and amount as set forth within this Lease.
- e. Shut-in of Lease exceeding the periods set forth in paragraph 11 of this Lease.

23. Notice of Default or Breach. If Lessor considers that Lessee has failed to comply with its obligations under this Lease, whether express and implied, Lessor shall notify Lessee in writing, setting out in what respects Lessee has breached this Lease. Lessee shall then have Thirty (30) days after receipt of said notice to cure all alleged breaches asserted by Lessor or, if it is not practical to cure such alleged breaches within thirty (30) days, then Lessee shall have Thirty (30) days to commence curing the alleged breach and diligently and continuously pursue to completion such cure. If Lessee, having received such written notice of breach of Lease, shall thereafter fail or refuse to satisfy in the timeframes set forth in the immediately preceding sentence, or respond in a meaningful fashion to Lessor's notice, this Lease shall automatically cease and terminate. Upon such termination, Lessee agrees to (a) immediately and unconditionally surrender possession of the Leased Premises, or of the portion of the Leased Premises included in such notice of breach, and (b) plug and abandon any producing or non-producing well(s).

24. Remedies for Default or Breach. The Lessor shall be entitled to recover from the Lessee any and all royalties, charges, or claims of every kind and nature due and owing and/or arising out of this Lease, upon failure to comply with the provisions of this Lease and to take immediate possession of the Leased Premises. If Lessor institutes proceedings to clear title or take possession of the Leased Premises, Lessor shall be entitled to recover from Lessee its attorney fees and costs, investigation costs, any expert fees, and any other costs or expenses related to such proceedings.

25. Surrender of Lease. The Lessee may surrender this Lease or any part of this Lease if, and only if, Lessee is not then in default of any obligations under this Lease and upon payment of all liabilities then accrued and due. Such surrender must be evidenced by written notice delivered to Lessor Thirty (30) days prior to the effective date of surrender. Lessee shall deliver to Lessor a release or releases in recordable form approved by Lessor, and Lessee shall release the applicable portion of this Lease upon

expiration. Lessee may not release any portion of this Lease included in a pool or unit as long as Operations are being conducted on such pool or unit. Any partial release must describe all depths and horizons in and under the Leased Premises so released.

26. No Warranty of Title.

a. Lessor makes no representation of title or ownership, either express or implied, and further makes no warranty as to the actual or potential presence of Granted Minerals. Lessee represents it has performed all necessary due diligence regarding the title or ownership of the Granted Minerals, and agrees to be bound by the quantum of acreage as set forth in the Legal Description above.

b. Lessee shall notify Lessor of any adverse claim to the Leased Premises affecting title to all or a portion of the rights to develop the Granted Minerals, and Lessor may, with the approval of the Attorney General, enter into an escrow arrangement for future rents and royalties accruing to such disputed portion of the Leased Premises under terms and conditions that the Attorney General feels proper to safeguard the rights and interest of the State of West Virginia.

c. If an adverse claimant files suit against the State of West Virginia or against Lessee claiming title to all or a portion of the Granted Minerals, or if the Lessee, after receiving notice of an adverse claim, institutes litigation in a court of competent jurisdiction to adjudicate the validity of the claim, the rents and royalties accruing to the litigated portion shall be placed in an escrow account until such time as the ownership of the disputed interest is determined by a court of competent jurisdiction.

d. If a court of competent jurisdiction determines that Lessor does not have title to all or part of the Granted Minerals in the Leased Premises, the rentals, royalties, and bonus thereafter accruing from any part as to which this Lease covers less than the full interest in such Granted Minerals, shall thereafter be paid only in the proportion which the interest therein, if any, covered by this Lease bears to the whole and undivided fee simple estate therein. Any sums of money paid pursuant to this Lease are not reimbursable to Lessee.

27. Indemnity. Unless caused by the negligence of Lessor, or any agent, servant, or employee of Lessor, Lessee shall defend, indemnify, protect and hold harmless Lessor and Lessor's heirs, successors, representatives, agents and/or assigns from and against any and all claims, demands, causes of action, liability, loss, damage or expense of any and every kind and nature, including without limitation costs, expenses, and attorneys' fees, for injury (including death), or damage to persons or property (including environmental damage to the surface, waterways, or subsurface estates of any person, firm, corporation, or other entity) arising out of, incidental to, or resulting from (i) the operations or activities of Lessee or Lessee's servants, agents, employees, guests, licensees, invitees or independent contractors on or in the Leased Premises; (ii) the exercise of any right granted under this Lease, and/or; (iii) any obligation imposed under this Lease. Any successor in interest of any rights of Lessee in this Lease shall likewise be obligated to defend and indemnify Lessor and Lessor's heirs, successors, representatives, agents and assigns in the same manner as the original Lessee.

28. Limitations on Drilling. From and after the Effective Date of this Lease, Lessee shall not commence construction of any new wellpad that is intended to produce the Granted Minerals from the Leased Premises if such wellpad would be located within Five Hundred Fifty feet (500') of any outside boundary of the tracts comprising the Leased Premises measured linearly from any point along said tract boundary to the midpoint of the secondary containment berm of a particular wellpad. Lessor and Lessee agree that the limitation on pad construction and/or location set forth in this paragraph 28 is intended to reduce any long-term, substantial interference with the public's use of the surface of the Leased Premises as it exists on the date of the Lease.

Further, if Lessor determines in its reasonable discretion after conducting a proper investigation that the drilling activities of Lessee related to the production of Granted Minerals from the Leased Premises have created a long-term, substantial interference with the public's use of the surface of the Leased Premises as aforesaid, then Lessor shall have the right to seek from Lessee additional measures or controls to mitigate such long-term, substantial impairment caused by Lessee's said drilling activities.

29. Force Majeure. If Lessee is prevented from complying with its obligations under this Lease, express or implied (except payment of money), due to scarcity of or inability to obtain or use equipment or material or by operations of Force Majeure, or any federal or state law, or any order, rule or regulation, then, while so prevented, Lessee's obligation to comply with such this Lease shall be temporarily suspended, and Lessee shall not be liable in damages; and this Lease shall be extended only so long as Lessee is prevented by any such cause from conducting Operations on or in the Leased Premises; *provided*, in no event shall Lessee's performance be suspended as a result of Force Majeure, federal or state law, or any rule or regulation for a period in excess of two (2) consecutive years. As used herein, the term "Force Majeure" shall mean acts of god such as flood, fire, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by other cause(s) not within Lessee's control, but shall specifically **exclude** scarcity, cost, or inability to obtain or use equipment, contracts, personnel, water, or other material(s).

30. Further Assurances. Each of the parties hereto shall, and shall cause its respective affiliates to, from time to time at the request of the other party, without any additional consideration, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary in the opinion of counsel to the requesting party to carry out the provisions of this Lease. In the event that Lessor is not the proper agency or instrumentality of the State of West Virginia to enter into this Lease, as stated in paragraph 1 herein, Lessor shall cause all of the proper agencies or instrumentalities of the State of West Virginia, without any additional consideration, to join in this Lease, as Lessor, upon the same terms provided herein.

31. Governing Law. This Lease shall be governed by the laws of the State of West Virginia and any dispute arising out of this Lease shall be finally resolved in a West Virginia court of law having jurisdiction thereof.

32. Notices and Payments. All notices and payments which are permitted or required under this Lease shall be in writing and shall be deemed valid and received if delivered personally; by registered or certified mail, return receipt requested; or by special carrier (such as Federal Express or UPS), with signature required, to the Lessor and/or the Lessee to the following addresses, unless otherwise agreed by the parties in a signed writing:

a. To Lessor:

West Virginia Division of Natural Resources
Attn: Office of Land and Streams
324 Fourth Ave
South Charleston, WV 25303

b. To Lessee:

Jay-Bee Production Company

Attn: Brian Paugh, Vice President of Land
3570 Shields Hill Road
Cairo, WV 26337-6405

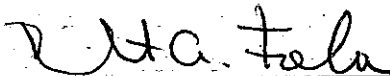
33. Successors in Interest. The terms, conditions, covenants, obligations, considerations or requirements of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, executors, administrators, and assigns, all of whom shall be jointly and severally liable.

34. Severability. Should any one or more of the provisions in this Lease become or be determined to be void or invalid by a court having jurisdiction thereof, in whole or in part, the remainder of this Lease shall remain in full force and effect.

35. Counterparts. This Lease may be executed in any number of counterparts, and by different parties in separate counterparts, all of which shall be identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereunto subscribed their signatures on the day and year first above written.

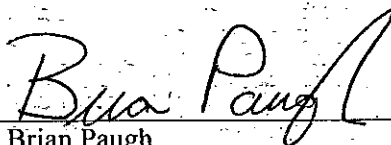
**WEST VIRGINIA DIVISION OF NATURAL RESOURCES,
ON BEHALF OF ITSELF AND OF THE STATE OF WEST
VIRGINIA**



ATTEST:

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

JAY-BEE PRODUCTION COMPANY



ATTEST:

By: Brian Paugh
Title: Vice President of Land

ACKNOWLEDGEMENT FOR WEST VIRGINIA DIVISION OF NATURAL RESOURCES

State of West Virginia,

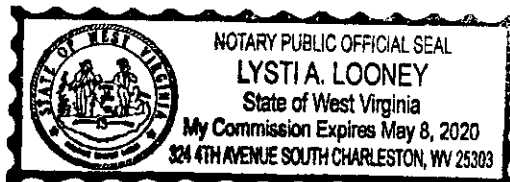
County of Kanawha,

Personally appeared before me, the undersigned Notary Public, within and for said County and State, ROBERT A. FALA, to me known to be the person who subscribed the name of the **West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce**, to the foregoing instrument, as its Director, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such West Virginia Division of Natural Resources, a division of the West Virginia Department of Commerce, for the uses and purposes herein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and Notary Seal on this 30 day of April 2015.

My Commission Expires: May 8, 2020 Lydia A. Looney
Notary Public

(SEAL)



ACKNOWLEDGEMENT FOR JAY-BEE PRODUCTION COMPANY

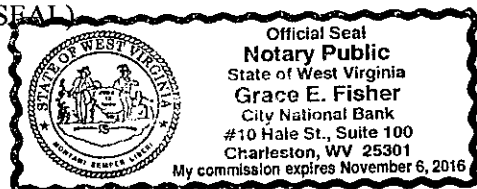
State of West Virginia,

County of Kanawha,

This instrument was acknowledged before me on MAY 4, 2015, by Brian Paugh, the Vice President of Land, authorized representative of Jay-Bee Production Company, a West Virginia company, on behalf of the company.

My Commission Expires: November 6, 2016 Grace E. Fisher
Notary Public

(SEAL)



This Instrument prepared by:
Larry W. George, Esq.
Special Assistant Attorney General
West Virginia Department of Commerce
One Bridge Place, Suite 205
10 Hale Street
Charleston, West Virginia