

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

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

A prospectus on 22.3 net mineral acres of oil and gas underlying portions of Middle Island Creek, Tyler
County, West Virginia.

H. Woody Thrasher, Secretary
West Virginia Department of Commerce

Stephen S. McDaniel, Director
West Virginia Division of Natural Resources

I. Introduction

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

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

The Division of Natural Resources in its endeavors of managing its real estate resources has decided to lease, by competitive bidding process, the oil and gas resources for development and production of 22.3 acres, more or less underlying portions Middle Island Creek, Tyler County, West Virginia. A map detailing the subject property is attached to this prospectus.

The Division of Natural Resources reserves the right to select the highest responsible bidder for the subject property.

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

II. Location of Resources

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

This lease prospectus includes the 22.3 net mineral acres of oil and gas underlying portions of Middle Island Creek, Tyler County, West Virginia, more specifically located and shown on the maps included with this prospectus.

III. Production and Assurance of Maintaining Environmental Integrity

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

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

IV. Minimum Bid

A. The Division of Natural resources requires a standard royalty of 20% or 1/5 to develop its oil and gas resources.

B. The Bidder shall submit with its bid an earnest money check in the amount of \$5000.00 for the resources they are bidding on. The Division of Natural Resources will return

earnest money checks to unsuccessful bidders and will apply the earnest money received against the cash bonus consideration at the closing of the winning bid.

- C. The Bidder shall submit bids for a cash bonus for each tract on a per acre basis. Leases will be awarded to the highest responsible bidder and based upon the Director's determination the bidder will operate responsibly and develop the prospect that protects the interest of the State of West Virginia.

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

- D. The Division of Natural Resources will consider any other form of consideration.

- E. The Bidder shall submit a fully completed Bidder Questionnaire with its bid. A copy of the Bidder Questionnaire is included with this prospectus or maybe downloaded at www.commerce.org/mineraldevelopment.

V. Bid Submission and cut-off date

All written sealed bids shall be received by the Department of Commerce, Office of the Secretary by 3:00 p.m. eastern time on Thursday, January 11, 2018, at 1900 Kanawha Boulevard, East, State Capitol, Building 6, Room 525, Charleston, West Virginia 25305-0311.

VI. Bid Opening and Review

The Department of Commerce, Office of the Secretary will hold a public opening of all bids on Friday, January 12, 2018, at 1:00 p.m. in Room 525 at its office at 1900 Kanawha Boulevard, East, State Capitol Complex, Building 6, and Charleston, West Virginia, 25305-0311. Thereafter, the Department of Commerce, Division of Natural Resources will review all bid proposals. The Department of Commerce, Division of Natural Resources reserves the right to reject any and all bids.

VII. Bidder Registration Form

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

VIII. Bid Award

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

IX. Limitation of Warranty

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

X. Bid Award

I. Execution of Lease Agreement

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

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

Limitation of Warranty

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

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

III. Limitation of Warranty

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