

OIL AND GAS LEASE

Agreement Made and entered into the 5TH day of Aug, A.D. 19 81 by and between

MARGARET E. MEYER, 153 Puritan Road

of Tonawanda County of Erie and
State of New York of the first part, hereinafter called the Lessor, and

UNIVERSAL RESOURCES, Newell Road, Dunkirk, N. Y. 14048

party of the second part, hereinafter called the Lessee, WITNESSETH:

1. That Lessor, for and in consideration of the sum of One Dollar (\$1.00) in hand paid, and of the covenants and agreements hereinafter contained to be performed by Lessee, has this day granted and leased and hereby grants and conveys unto Lessee all the oil and gas under the following described land, and leases and lets unto Lessee for the purpose and with the exclusive right to explore and operate for and produce oil and gas, lay and maintain pipelines, build tanks and roads, store oil, store gas underground and remove same, and build other structures thereon necessary to produce, save and store all such substances (Section 5)

All of that certain tract of land situated in the Township of Charlotte (Block 1), County of Chautauqua
New York (Lot 27),

State of New York, and bounded substantially by the following lands:

North Nevon and Roberta Tarbell (lot 26)

East Alan and Karen Voss (lot 25.3)

South Newton Brothers (lot 6)

West Joseph Woncki (lot 28) and Fred Harper (lot 32)

95

containing acres, more or less. In addition to the above described land, any and all strings or parcels of land adjoining or contiguous to the above described land and owned or claimed by Lessor are hereby leased to Lessee.

Lessee shall be responsible for any damage to growing crops, fences and buildings which may result from said operations. No well shall be drilled within 200 feet of any house or barn now on said premises. Lessor agrees that Lessee may enter upon leased premises, search for and clean out any abandoned oil or gas well, and such well shall then be considered to have been drilled under the terms of this lease. The same may be properly plugged and abandoned again or refitted and utilized by Lessee for the production or storage of gas or oil. Lessee shall have the right to use free of cost, gas, oil, and water found on said land (except from Lessor's wells) necessary for the operations described herein.

2. Lessor hereby covenants that he is seized of an indefeasible fee simple estate in the lands hereinbefore described, subject to existing easements, together with all the oil and gas underlying the same, and that he will forever warrant and defend the leasehold estate hereby demised unto the Lessee against the lawful claims and demands of all persons whomsoever, and that Lessee shall have the exclusive, full, free and quiet possession of said described premises for the purposes and during the term herein set forth. Lessor further agrees that the Lessee at its option may pay and discharge, when defaulted, any taxes, mortgages or other liens existing, levied or assessed on or against the above described lands, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof, and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

3. It is agreed that this lease shall remain in force for the term of 25 years from the above date and as long thereafter as the above described land, or any portion thereof, or any other land pooled or unitized therewith as provided in paragraph 4 hereof, is operated by the Lessee in the search for or production of oil or gas, or as long as gas is being stored, held in storage, or withdrawn from the premises by Lessee, or as long as this lease is extended by any other provisions contained herein. It is agreed that the cessation of production from wells on the leased premises or upon other lands unitized therewith, after the expiration of the original term, shall not terminate this lease whether the pooling units have been dissolved or not, if the land is used for the storage of gas prior to the plugging and abandonment of wells from which oil or gas has been produced. A well need not be drilled on the premises to permit the storage of gas.

4. Lessee is hereby granted the right to pool and unitize any stratum or strata under all or any part of the land described above with any other lease or leases, land or lands, mineral estates, or any of them, whether owned by the Lessee or others, so as to create one or more drilling or production units. Such drilling or production units shall not exceed 64 acres in extent if gas or condensate is produced and 40 acres if oil is produced and shall conform to the rules and regulations of any lawful governmental authority having jurisdiction in the premises, and with good drilling or production practice in the area in which the land is located. In the event of the unitization of the whole or any part of the land covered by this lease, Lessee shall before or after the completion of a well, record a copy of its unit operation designation in the County wherein the leased premises are located, and mail a copy thereof to the Lessor. In order to give effect to the known limits of the oil and gas pool, as such limits may be determined from available geological or scientific information or drilling operations, Lessee may at any time increase or decrease that portion of the acreage covered by this lease which is included in any drilling or production unit, or exclude it altogether, provided that written notice thereof shall be given to Lessor promptly. As to each drilling or production unit designated by the Lessee, the Lessor agrees to accept and shall receive out of the production or the proceeds from the production from such unit, such proportion of the royalties specified herein, as the number of acres out of the lands covered by this lease which may be included from time to time in any such unit, bears to the total number of acres included in such unit. The commencement drilling, completion of or production from a well, whether drilled before or after unitization, on any portion of the unit created under the terms of this paragraph shall have the same effect upon the terms of this lease as if a well were commenced, drilled, completed or producing on the land described herein.

5. In consideration of the premises the Lessee covenants and agrees to pay the following royalties

(OIL): To deliver to the credit of the Lessor, his heirs or assigns, free of cost in pipeline to which Lessee may connect its wells, a guaranteed royalty of the equal one eighth (1/8) part of all oil produced and saved from the leased premises, Lessee at its option may pay to the Lessor for such one eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline, or into storage tank.

(GAS): To make the following payments of royalty for or on account of wells producing gas from subsurface strata not utilized for the storage of gas, namely: To pay a guaranteed royalty equal to one eighth (1/8) of the value of all gas (except storage gas) produced saved and marketed, calculated at the price paid at the connecting point by the pipeline operator.

The time and method of marketing production from any well on the leased premises and the amount thereof that shall be used or marketed within any period of time shall be entirely within the discretion of the Lessee, and this lease shall not lapse pending the marketing or during any interruption of marketing of such production.

If operations for drilling are not commenced on said land or on acreage pooled therewith as herein provided, on or before 24 months from this date, the lease shall terminate as to both parties, ~~whereafter the part of the acreage pooled therewith as herein provided shall revert to the credit of Lessor, and delay shall not be a bar to the operation of this lease.~~

~~It is hereby agreed that the operations for the production of oil and gas shall not be commenced on said land or on acreage pooled therewith as herein provided, until the expiration of the term of this lease, and until the expiration of the term of this lease, the operations for the production of oil and gas shall not be commenced on said land or on acreage pooled therewith as herein provided, until the expiration of the term of this lease.~~

of deferring commencement of drilling operations for a period of months. In like manner and upon like payments or tenders the commencement of drilling operations may be further deferred for successive periods of months, each during the primary term or until a well yielding royalty to the Lessor is drilled.

As full compensation for the storage rights herein granted, and in lieu of all royalty or other payments due or to become due for the right to produce or the production of gas, oil or other hydrocarbon substances produced therewith from the stratum or strata utilized for gas storage purposes, Lessee agrees to pay Lessor an annual rental of Two Dollars (\$2.00) per acre for each acre utilized for such gas storage purposes, in advance, commencing with the date it notifies Lessor that it elects to use any stratum for storage purposes, and for so long thereafter as any such stratum is so utilized. Lessee further agrees to pay ~~Lessee~~ as liquidated damages for the drilling, operation and maintenance of each well on leased premises which is utilized for storage of gas, as well as for the necessary or useful ~~strata~~ rights and privileges relating thereto, for the entire term of this agreement, the sum of One Hundred Dollars (\$100.00) payable in one sum within three months after each well ~~now~~ existing or hereafter drilled upon leased premises is so utilized. The storage rights may be exercised in commutation with other leases in the general vicinity.

Lessor shall have gas free of charge for his principal dwelling house up to 200,000 cubic feet per year from any well on leased premises producing gas by making his ~~own connections with the well, the use of said gas to be at Lessor's sole risk and expense.~~

6. All payments hereunder may be made direct to Lessor ~~or deposited to his credit, at the credit of his representative bank or savings bank.~~

by check or draft payable to the order of MARGARET E. MEYER and mailed to 153 Puritan Road, Tonawanda, NY

Lessee must be notified in writing of any change in title or ownership or in the party to whom, or place where, payments of money are to be made. Failure to pay or error in paying any rental or other payment due hereunder shall not constitute a ground for forfeiture of this lease and shall not affect Lessee's obligation to make such payment, but Lessee shall not be considered in default on account thereof until Lessor has first given Lessee written notice of the non-payment and Lessee shall have failed for a period of ninety days after receipt of such notice to make payment.

7. If at the expiration of the primary term hereof, there is no production of oil or gas on the leased lands, but Lessee is engaged in operations for drilling, reworking, plugging back, or deepening a well thereon, this lease shall continue for so long as such operations, or additional drilling, reworking, plugging back, or deepening operations commenced while such operations are in progress or within thirty days after the cessation thereof, are prosecuted, and if production results therefrom, then until it is marketed and so long as production continues. If, after the expiration of the primary term of this lease, production on the leased premises shall cease, this lease shall not terminate, provided that Lessee commences operations for drilling, reworking, plugging back, or deepening a well within 60 days from such cessation, and this lease shall remain in force during the prosecution of such operations or additional drilling, reworking, plugging back, or deepening operations commenced while such operations are in progress or within 30 days after the cessation thereof, and, if production results therefrom, then until it is marketed and so long as production continues.

8. Lessee, at any time, and from time to time, may surrender this lease as to all or any part or parts of leased premises by tendering an appropriate instrument of surrender to the Lessor, and thereupon this lease, and the rights and obligations of the parties hereunder, shall terminate as to the part or parts so surrendered. Upon each surrender as to any part or parts of leased premises the rental specified above shall be proportionately reduced on an acreage basis, and Lessee shall have reasonable easements for then existing pipelines or roadways on the lands surrendered for the purpose of continuing operations on the lands retained. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, buildings or other structures placed on said premises, including the right to pull and remove all casing.

9. Said Lessee shall not be required in any event to increase the delay rental, or the gas or oil royalty payments hereunder by reason of any royalty or interest

in said oil or gas that may have been heretofore sold, reserved or conveyed by said Lessor or by his predecessors in title or otherwise; and if the Lessor does not have title to all the oil and gas in the leased premises or to the storage rights herein leased, there shall be refunded such part of all payments made by the Lessee hereunder as shall be proportionate to the outstanding title, and all payments and royalties thereafter to be made shall be reduced in the same proportion.

10. In case of notice of, or an adverse claim to the premises, affecting all or any part of the rentals, storage rentals or royalties, Lessee may withhold payment or delivery of the same until their ownership is determined by compromise, or by final decree of a court of competent jurisdiction, and to this end Lessee may file a petition for interpleader.

11. All terms, conditions, limitations and covenants between the parties hereto shall extend to their respective heirs, successors, personal representatives and assigns.

12. This lease shall not be terminated, in whole or in part, nor shall Lessee be held liable for damages for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of interference by an act of God, strikes, riots, war, court actions, any Federal or State laws, executive orders, rules, or regulations, whether valid or invalid, and similar factors beyond Lessee's control. During any period and for ninety (90) days thereafter that Lessee is unable to comply with the obligations herein or drill, produce and market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect; however, Lessee will resume paying delay rentals on the first anniversary of this lease occurring ninety (90) days after initial interference from one of the above causes.

IN WITNESS WHEREOF the parties to this agreement have hereunto set their hands and

WITNESS: John A. Meyer

Margaret E. Meyer (SEAL) X

(SEAL)

(SEAL)

(SEAL)

John C. Dickerson - AGENT
UNIVERSAL RESOURCES

STATE OF New York }
COUNTY OF Chie }

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above-named Margaret E. Meyer who acknowledged to me that she

did execute the foregoing instrument and that the same is her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at Stromers, N.Y.
this 5th day of August, 19 81

(Notarial Seal)
Notary Public
Dorothy E. Hardick
Notary Public, State of New York
My commission expires _____
Qualified in Erie County
My Commission expires Mar. 30, 19 82

ACKNOWLEDGMENT BY

STATE OF _____ }
COUNTY OF _____ }
On the _____ day of _____, 19____, before me, a notary public, personally appeared _____

_____ individually as _____ of Universal Resources of Newell Road, Dunkirk, N.Y., known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

ACKNOWLEDGMENT BY SUBSCRIBING WITNESS

STATE OF _____ }
COUNTY OF _____ }

On the _____ day of _____, 19____, before me personally came _____ subscribing witness to the annexed instrument with whom I am personally acquainted, who, being duly sworn, said that he resided _____ that he was acquainted with _____ to be the person(s), described in, and who executed the said instrument, and that _____ executed the same, _____ executed the same, and that _____ acknowledged to him that _____ subscribed his name as a witness thereto.

Oil and Gas Lease No. _____
Oil and Gas Lease
from _____
to
UNIVERSAL RESOURCES
Newell Road
Dunkirk, N. Y. 14048
Dated _____
Term _____
Acres _____
Township _____
County _____
State _____
County Clerk's Record

ADDENDUM to a certain Oil and Gas lease dated the 5th day of Aug.

19 81, by and between:

MARGARET E. MEYER, of 153 Puritan Road, Tonawanda, New York, and UNIVERSAL RESOURCES, of Newell Road, Dunkirk, New York.

This addendum supercedes and amends any paragraph(s) which may appear earlier on attached lease and adds the following items which comprise the lease in its entirety between both parties.

13. Well access road location to be mutually agreed upon by both Lessor and Lessee.
14. Well location and pipeline route to be mutually agreed upon by both Lessor and Lessee.
15. Lessee will restore all surfaces, "Including headlands and driveways, if used" to as close as original condition as possible and within 12 months after drilling operations are completed.
16. At Lessor's option, Lessor may receive the cash equivalent calculated at the well head price of 200,000 cubic feet of gas per year for each well drilled on the herein leased premises. Notice of such must be given to Lessee prior to November first in the year which Lessor chooses to exercise said option.
17. Lessee will pay all extra taxes that may be added due to gas well tax assessment.
18. There will be insurance coverage on all drilling operations and well maintenance operations paid by Lessee or Producer.
19. Lessor may utilize any available supply of shale gas from any well by making his hook-up at the well annulus at his own expense and risk. A Reserve Gas Agreement shall be made between Lessor and Lessee or their assigns prior to any such hook-up.
20. Lessee agrees at the time of plugging and abandoning of the well to do so in accordance with existing standards and existing state regulations.
21. Lessee agrees to notify Lessor or Lessor's Agent at least 30 days prior to Commencement of site preparation.
22. Lessee agrees to maintain the access roads in a serviceable manner for the life of the lease, however, the Lessee shall not be responsible for road damage caused by Lessor or Lessor's Agent.
23. The use of the Lessor's property for the storage of gas or oil or for the injection of water or brine is prohibited.
24. The installation of any pipelines not directly associated with the production and/or sale of gas or oil from the Lessor's property or pooling unit are prohibited.
25. The Lessor's use of the land will be considered by the Lessee in formulating drilling plans in order to cause a minimum of disruption to existing uses.
26. The term "growing crop" is interpreted to include timber growing on the Lessor's land.
27. The Lessee agrees to pay the Lessor the sum of \$10.00 per acre (i.e. \$5.00 per acre per year for the two year term) upon the mutual signing of this lease.

WITNESS:

John A. Meyer

Margaret E. Meyer (Seal) x

Sworn to and subscribed to before me this 5th day of August

19 81.

Dorothy E. Hardick
Notary Public

DOROTHY E. HARDICK
Notary Public, State of New York
Qualified in Erie County

My Commission expires Mar.-30, 19 82