

OIL AND GAS LEASE

THIS AGREEMENT, made this day \_\_\_\_\_ of \_\_\_\_\_, 2010, between City of North Royalton, 13834 Ridge Road, North Royalton, Ohio 44133 Lessor, and CUTTER OIL COMPANY, 9270 Cedar Valley Road, West Salem, Ohio 44287, Lessee, does witness:

1. Lessor, in consideration of the sum of One and no/100 Dollars (\$1.00), the receipt of which is hereby acknowledged and of the covenants and agreements herein contained, does hereby grant unto Lessee all of the oil and gas and the constituents of either, in and under the lands hereinafter described together with the exclusive right to operate for, produce and market the same from a well or wells on other lands in the drilling unit; the right to utilize Lessor's lands described below, along with other lands into a drilling unit.

Property address: Portions of the following streets more fully shown on Exhibit 1, attached and incorporated herein: Thorn Tree Drive, North Red Oak, South Red Oak, Foxwood Drive, Fir Tree Drive, Rosewood Oval, and Jamestown Drive North Royalton, Ohio 44133

2. This lease covers Lessor's land in the City of North Royalton, Cuyahoga County, Ohio containing 3.833 acres, more or less, more fully described in Exhibit 1:

3. This lease shall remain in force for a primary term of twenty four (24) months and as long as operations described above are being conducted on the drilling unit; or oil and gas is produced, or is capable of being produced on the drilling unit. In the event that a well drilled on the drilling unit does not produce oil or gas for twelve (12) consecutive months then the lease shall become null and void with respect to the well or wells that have not produced. Lessee shall pay Lessor a spud fee in the amount of Five Thousand Dollars (\$5,000.00) being paid ten (10) days before commencement of drilling or within one hundred eighty (180) days of execution of lease, whichever event or date occurs first.

4. The royalties to be paid by Lessee to Lessor are:

(a) On oil, fifteen percent (15%) of the produced and saved from said drilling unit;

(b) On gas of whatsoever nature or kind produced and sold or used by Lessee, fifteen percent (15%) of the net proceeds realized by Lessee from the sale thereof or if used by Lessee and not sold, fifteen percent (15%) of the highest paid price paid for natural gas by a public utility in the same county;

The royalties shall be paid to Lessor by Lessee within thirty (30) days after Lessee receives payment therefore.

(c) Lessee shall provide to Lessor a record of the amount of oil, gas, and hydrocarbons removed from the Leased Premises and shall provide a full accounting of all proceeds.

Lessor shall have the right through a duly authorized representative to inspect the records of the Lessee pertaining to the Leased Premises, records, and the well location thereon upon demand.

5. No well shall be drilled on Lessor's property, nor shall Lessee enter upon Lessor's property, the written Lease being granted solely for the purpose of permitting the Lessee to utilize the leased property with other properties, which other properties shall bear all burden of development. Lessor grants Lessee permission to directionally drill under or terminate a directionally drilled well under Lessor's acreage.

Except for the assignments of a working interest or overriding royalty interest in his Lease, Lessee must request and receive written approval from Lessor to assign, sublease, or otherwise transfer this lease, in whole or in part, which consent shall not be unreasonable withheld.

6. Lessee shall submit to Lessor, prior to drilling, a plat showing the location of the well, pipelines, tank battery, gas measurement equipment, and portion of Lessor's property to be included in the drilling unit, Lessee shall receive written approval from the Lessor of the location of the well; well surface equipment, pipelines, and fencing material prior to commencing drilling operations. Lessee agrees to maintain the well and all related equipment installed on the Leased premises and to repair or replace the equipment if damaged due to wear and tear or the acts of others. Lessee agrees to notify Lessor and receive written approval prior to the commencement of drilling operations.

7. Lessee covenants and agrees to indemnify, defend and hold harmless the Lessor and the demised premises from and against any loss, cost, judgment or expense including but not limited to attorney's fees, incurred by or brought against Lessor, in connection with any claim and liability for loss to persons, bodily injury, including loss of life, and property damage sustained by Lessor, or any other person coming on the premise, whether arising out of the condition of the leased premises or Lessee's operation on or of the leased premises or in any other way connected with the leased premises.

8. Lessee agrees to incorporate, as if fully rewritten herein, and to comply with all the terms and conditions of North Royalton Ordinance 08-218 and to comply with all rules and regulations as set forth by the Ohio Department of Natural Resources. Lessee further agrees to any and all requirements, conditions or permits as determined by North Royalton Building Commissioner and North Royalton Fire Chief.

9. This lease and all its terms, conditions and stipulations shall extend to and be binding on all heirs, personal representatives, successors and assigns of Lessor and Lessee. This lease contains all of the agreements and understandings of Lessor and Lessee respecting the subject matter hereof and no implied covenants or obligations, or verbal representatives or promises, have been made or relied upon by Lessor or Lessee supplementing, modifying this lease or as an inducement thereto. Lessor further agrees to sign such additional documents as may be reasonably requested by Lessee to perfect Lessee's title to the oil and gas leased herein and such other documents related to the sale of production of hydrocarbons as may be required by Lessee or others.

10. Lessee shall maintain Commercial General Liability insurance in an amount not less than Five Million Dollars (\$5,000,000) per occurrence for the life of the well. The policy shall name as additional insured the Lessor and a Certificate of Insurance evidencing all coverage and endorsements set forth above shall be furnished to Lessor upon request. Lessee shall provide to Lessor written notice of cancellation, non-renewal or reduction of coverage. Failure to maintain the liability insurance shall result in the lease termination, at Lessor's option.

11. Lessee acknowledges that the safety of Lessor's residents, employees, and guests is of the utmost importance and will take no action that will jeopardize their safety. Lessee's employees and subcontractors will stay in designated work areas at all times while on Lessor's property. This entire agreement is governed by all relevant provisions according to Ohio Law.

12. Lessee shall further provide to Lessor copies of all executed leases for the drilling unit. Lessee shall obtain written approval prior to commencement of drilling operations.

IN WITNESS WHEREOF, the undersigned have executed this Instrument on the date appearing above.

LESSOR:

BY: \_\_\_\_\_

Robert A. Stefanik, Mayor

STATE OF OHIO, COUNTY OF CUYAHOGA SS:

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above named Robert A. Stefanik as Mayor, who acknowledged that he did sign the foregoing instrument and that the same is his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
NOTARY PUBLIC

LESSEE:

BY: \_\_\_\_\_

Charles R. Cutter, President

STATE OF OHIO, COUNTY OF WAYNE SS:

BEFORE ME, a Notary Public in and for said County and State, personally appeared the above named Charles R. Cutter as President, who acknowledged that he did execute the foregoing instrument and that the same is his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at this day \_\_\_\_\_ of \_\_\_\_\_, 2010.

\_\_\_\_\_  
NOTARY PUBLIC