

## 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 in Exhibit 1 attached and incorporated herein: Villa Grande Drive, Lisa Lane, White Bark Circle, Angelina Drive, Marcella Drive, and Bridget Drive, North Royalton, Ohio, 44133.

2. This Agreement covers Lessor's land in the City of North Royalton, Cuyahoga County, Ohio containing 9.043 acres, more or less, more fully described in Exhibit 1 ("Leased Property");

3. This Agreement shall remain in force for a primary term of twenty four (24) months and as long thereafter 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 Agreement 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 this Agreement, whichever event or date occurs first.

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

(a) On oil, fifteen percent (15%) of that 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 proceed 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 30 days after Lessee receives payment.

(c) Lessee shall provide to Lessor a record of the amount of oil, gas, and hydrocarbons removed from the Leased Property 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 Property, records, and the well location thereon upon demand.

5. No well shall be drilled on Lessor's Property. This Agreement is 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 Leased Property.

Except for the assignments of a working interest or overriding royalty interest in this Agreement, 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. The wellhead as depicted on Exhibit 2 is approved by the Lessor as submitted, and Lessee shall not relocate the wellhead which is at variance of Exhibit 2 without Lessor's express written approval.

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 reasonable 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 Leased Property, whether arising out of the condition of the Leased Property or Lessee's operation on or of the Leased Property or in any other way connected with the Leased Property.

8. This Agreement 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 Agreement 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 or modifying this Agreement 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.

9. Lessee shall maintain Commercial General Liability insurance in an amount not less than \$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.

10. 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. This entire Agreement is governed by all relevant provisions according to Ohio law.

11. Lessee shall further provide to Lessor copies of all executed leases for the drilling unit.

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

This document was prepared by: Ulmer & Berne LLP, 88 East Broad Street, Suite 1600, Columbus, OH 43215

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