

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**OIL AND GAS LEASE**  
(Paid-Up Lease; No Surface Use)

This Oil and Gas Lease is made on \_\_\_\_\_, 2011, between **White Settlement Independent School District, acting by and through the President of its Board of Trustees, Ben Posey** (hereafter called "Lessor"), whose address is 401 S. Cherry Street, White Settlement, Texas 76108-2521, and **CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma limited liability company** (hereafter called "Lessee"), whose address is P.O. Box 18496, Oklahoma City, OK 73154-0496.

1. **Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases unto Lessee the subsurface only of the land in Tarrant County, Texas, more particularly described in attached Exhibit A (the "Land"), for the sole purpose of exploring, drilling, producing, and marketing oil and gas. This Lease, insofar as it covers each of the separate tracts or sites described in attached Exhibit A, shall be considered a separate and distinct lease. All of the Land is included in this Lease only for simplicity. The provisions of this Lease will apply to each separate tract or site independently, and Lessee can maintain this Lease as to each separate tract or site only by operations on or production from (i) each separate tract or site, or (ii) the land with which each separate tract or site is properly pooled in accordance with the terms of this Lease.

2. **Primary Term.** This Lease is for a term of three (3) years from this date (called "Primary Term") and as long thereafter as oil or gas is produced by Lessee in paying quantities from the Land or land pooled therewith.

3. **Minerals Covered.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. **Royalty.**

(a) As royalties, Lessee agrees:

(i) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, \_\_\_\_\_ (the "Royalty Percentage") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(ii) To pay to Lessor:

(i) On gas produced from the Land and sold by Lessee or used on or off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Percentage of the market value at the point of sale, use, or other disposition.

(ii) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Percentage of the market value of the gas at the inlet to the processing plant, or the Royalty Percentage of the market value of all processed liquids saved from the gas at the plant plus the Royalty Percentage of the market value of all residue gas at the point of sale, use, or other disposition.

(iii) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Percentage of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Percentage of the market value of all residue gas at the point of sale, use, or other disposition.

(b) If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(c) below.

(c) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use. A sale of gas to an affiliate of Lessee will not be considered a sale, and the point of first sale of gas is the point at which the gas is first sold to an unaffiliated third party in an arm's length transaction.

5. It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be

deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements.

(a) Lessor shall be paid the Royalty Percentage of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will only receive its Royalty Percentage of any payments made for make-up gas taken pursuant to the take or-pay provision or similar provision.

(b) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute. Should Lessee fail at any time to pay royalty when due, Lessor may give Lessee written notice of the default, and if the default is not cured within 60 days of the notice of the default, Lessor shall have, in addition to all other remedies, the right to terminate this Lease. If Lessor's interest in the Land is subject to a deed of trust or other encumbrance, Lessee may not withhold payment of royalty to Lessor unless there is an assignment of royalty from Lessor to the lien holder, and Lessee is notified by the lien holder that Lessor is in default.

(c) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(d) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

## **6. Surface Use.**

(a) Lessee is prohibited from using the surface of the Land for any purpose, but Lessee may engage in directional drilling activities beneath the Land that are conducted on the surface of other land. Any directional drilling must penetrate the Land sufficiently below the

surface as to not interfere with the present or future use of the surface of the Land for commercial or residential use, and in no event may the directional drilling penetrate the Land less than 500 feet below the surface. A directional well drilled under this provision shall be considered to be located on the Land.

(b) The Land is currently used as the site for a public school, and has high potential to be further developed for that purpose and similar purposes. At a minimum, all activities involving the Land shall be conducted in accordance with the requirements of the code and/or ordinances (as amended or supplemented from time to time) of the city where the Land is located (the “Applicable City Code”) applicable to the Land and in a manner so as to minimize the impact on the use or potential use of the Land for school or similar purposes. If there is a conflict between the provisions of this Lease and the provisions of the Applicable City Code, then:

(i) to the extent that the provisions of this Lease impose a lesser obligation on Lessee than the Applicable City Code, the Applicable City Code shall control; and

(ii) to the extent that the provisions of this Lease impose a greater obligation on Lessee than the Applicable City Code, then the provisions of this Lease shall control.

7. **Shut-in Royalty.** While there is a gas well on this Lease or acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance an annual shut-in royalty of \$5000.00 for each well from which gas is not being sold. Payment with respect to a well will be due within 90 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. Following the expiration of the primary term the right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to a period of two consecutive years, or four years in aggregate. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

## 8. **Continuous Development.**

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or on acreage pooled therewith, but Lessee has commenced the drilling of a well in a unit including the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 60 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term “operations” means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas.

(b) After the Primary Term, if this Lease is maintained by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 180 days between the completion of one well and the commencement of the actual drilling

of another well. If a well has been completed during the Primary Term, the 180 day period for commencing the next well will start at the end of the Primary Term. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue with diligence and in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of more than 60 consecutive days. A well will be deemed to have been completed on the date of the release of the drilling rig from the drillsite. The permitted time between wells shall be cumulative so that if a well is commenced after the end of the Primary Term but prior to the date it is required to be commenced; the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

(c) If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the Retained Tract (defined below) surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, and as to each Retained Tract, the Lease will then terminate as to all depths below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract and above the top of the stratigraphic equivalent of the shallowest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the tract within 60 days after the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in production, so long thereafter as there is production from the tract.

(d) As used in this Lease, the term “horizontal well” means a well that meets the definition of a “horizontal drainhole well” under Statewide Rule 86 of the Railroad Commission of Texas, and a “vertical well” is a well that is not a horizontal well. The land assigned to a well for the purposes of this paragraph is referred to as a “Retained Tract.” A Retained Tract for a well may not exceed the minimum size required to obtain a drilling permit under the well density rules adopted by the Railroad Commission of Texas for the field, or if there are no field rules that apply, the Retained Tract shall be limited to the smallest size required to obtain a drilling permit under the statewide well density rules of the Railroad Commission of Texas. A Retained Tract for a vertical well producing from the Barnett Shale formation may not exceed 40 acres. If field rules are established later that permit obtaining a drilling permit with less acreage, a Retained Tract for a vertical well may not exceed the minimum size permitted. A Retained Tract for a horizontal well may include the minimum acreage specified above for a vertical well plus the additional acreage listed in the tables in Rule 86 (For Fields with a Density Rule of 40 Acres or Less) and must comply with the requirements of Rule 86 for minimum permitted well density, and if the well is producing from the Barnett Shale formation, the acreage of the Retained Tract shall be assigned as if well density for vertical wells is 40 acres or less. Each Retained Tract for a vertical well must be as nearly in the form of a square as is practical with the well in the center of the square and with the sides of each square running in the cardinal directions. Each Retained

Tract for a horizontal well must be in the form of a rectangle with the horizontal drainhole being as nearly as practical along the center line of the long dimension of the rectangle.

(e) Within 60 days after the last to occur of the expiration of the Primary Term or the continuous drilling program, Lessee must file in the county records and furnish to Lessor a document designating each Retained Tract by metes and bounds and the retained depths thereunder, and releasing all other depths and acreage. A gas well that becomes an oil well will hold only the acreage permitted for an oil well, and Lessee must file a redesignation of the Retained Tract in the Real Property Records of the county where the Land is located. If Lessee fails to file timely a document required by this paragraph after Lessor has provided 30 days prior written notice, then Lessor may do so, and the filing will bind Lessee.

9. **Pooling.** Lessee shall have the right to pool the Land with contiguous acreage to form pooled units for the production of gas only. The acreage in a pooled unit may not exceed 640 acres plus a maximum acreage tolerance of 10%. The unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production from the portion of the Land included in the pooled unit. That part of the Land included in a pooled unit will be considered to be a Retained Tract, and the provisions of this Lease that provide for termination of the Lease insofar as the Lease covers depths below producing formations and other provisions relating to Retained Tracts shall apply. There shall be allocated to the Land included in the unit that prorated portion of the production from the pooled unit that the number of surface acres of the Land included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. Any unit formed may not be amended without the written consent of Lessor..

10. **Offset Wells.** For purposes of this Lease, an “offsetting well” is a well that is producing oil or gas from adjacent or nearby acreage that is not part of a pooled unit including the Land and is draining the Land. If an offsetting well is completed, Lessee must, within 90 days after the initial production from the offsetting well, commence operations for the drilling of an offset well on the Land and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well; or (ii) pay Lessor a monthly royalty equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. In the event acreage is released pursuant to (i) above, the release will cover a tract of a size and shape that will permit the drilling of a well to the producing formation and the creation of a proration unit surrounding the well in compliance with the field rules for the field in which the offsetting well is located, but if there are no field rules, in compliance with the statewide rules of the Railroad Commission of Texas. A producing well located within 330 feet of the Land will be conclusively presumed to be draining the Land provided the well is not located on lands included within a pooled unit including the Land and provided that the Land is not part of the pooled unit covering production from the same formation as the offsetting well.

**Assignments.** Because of the numerous lessor-lessee problems that can arise during the term of this Lease and the interest that will revert to Lessor upon its termination, it is important to Lessor to know who will be the leasehold owner, who will be conducting operations on the lease, and who Lessor must deal with in the event of a problem or dispute. Therefore, the Lessee shall be the designated Operator as to all operations of every nature conducted on the Land or lands pooled therewith. No transfers by Lessee (including assignments, sales, subleases, overriding royalty conveyances, or production payment arrangements) shall be valid unless approved in advance by Lessor which such approval shall not be unreasonably withheld; provided that, and notwithstanding anything to the contrary, Lessor's approval shall not be required for the following:

- (i) Any assignment of an overriding royalty interest that does not provide, by option or otherwise, for such overriding royalty interest to convert at any time to a working or leasehold estate interest;
- (ii) Any assignment of a working or leasehold interest to wholly owned subsidiaries of Chesapeake Energy Corporation, Aubrey McClendon, Larchmont Resources, L.L.C., or any successors and assigns of such;
- (iii) Any assignment of a working interest to Total E&P, USA, Inc. and/or its successors and assigns (up to accumulative working or leasehold interest of twenty-five percent (25%));
- (iv) Any assignment of a non-operating working or leasehold interest of ten percent (10%) or less, provided that Chesapeake Exploration, L.L.C. remains the Operator of the Lease.

However, the Lessor shall be given written notice of any such assignment. All such approved transfers must be recorded in the county where the leased premises are located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be delivered to the Lessor within sixty (60) days of the execution date. Every transferee shall succeed to all rights and be subject to all obligations, liability, and penalties owed to the Lessor by the original Lessee or any prior transferee of the Lease, including any liabilities to the Lessor for unpaid royalties. No such transfer shall release the Lessee (or any subsequent transferor) from any obligation hereunder. Any cost incurred by the Lessor including without limitation, attorney fees or the cost of the time of Lessor's city attorneys due to a transfer by Lessee shall be reimbursed to Lessor 30 days after invoice by Lessor.

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12. **Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons). This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

13. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties (including shut-in royalties) payable hereunder will be reduced proportionately.

14. **Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair within 30 days after written notice from Lessor, Lessor will have the right to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within ten days after Lessor furnishes to Lessee an itemized written statement of the expenses.

15. **Notices.** All notices will be deemed given and reports and documents will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown for each party. Any party may designate a new address by proper notice to the other party or parties.

16. **Attorney's Fees.** In the event that Lessor is required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees, court costs, and related expenses incurred by Lessor.

17. **Insurance.**

(a) At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its activities on the Land, including any work performed on its behalf by contractors, subcontractors, and others, naming Lessor and related individuals and entities designated by Lessor as additional insureds.

(b) Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage. All insurance policies shall be endorsed to read "THIS POLICY WILL NOT BE CANCELLED OR NON-RENEWED WITHOUT 30 DAYS ADVANCED WRITTEN NOTICE TO THE OWNER AND WHITE SETTLEMENT SCHOOL DISTRICT."

(c) **Required Insurance Coverages**

(i) Commercial general liability insurance is required and shall have a minimum combined single limit of \$1,000,000 per occurrence for bodily injury and property damage. This coverage must include premises, operations, blowout or explosion, products, completed operations, blanket contractual liability, underground property damage, broad form property damage, independent contractors' protective liability and personal injury.

(ii) Environmental impairment (or seepage and pollution) shall be either included in the coverage or written as separate coverage. Such coverage shall not exclude damage to the well site. If environmental impairment (or seepage and pollution)



coverage is written on a "claims made" basis, the policy must provide that any retroactive date applicable precedes the effective date of the issuance of the permit. Coverage shall apply to sudden and non-sudden pollution conditions resulting from the escape or release of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste material or other irritants, contaminants or pollutants.

(iii) Automobile liability insurance is required and shall have a minimum combined single limit of \$500,000 per occurrence for bodily injury and property damage. Such coverage shall include owned, non-owned and hired vehicles.

(iv) Worker's compensation Insurance is required. In addition to the minimum statutory requirements, coverage shall include Employer's Liability limits of at least \$100,000 for each accident, \$100,000 for each employee, and a \$500,000 policy limit for occupational disease. The insurer must agree to waive rights of subrogation against Lessor, its volunteers and the other INDEMNITEES, for any work performed for Lessor by Lessee.

(v) Excess (or umbrella) liability insurance is required and shall have a minimum limit of \$10,000,000 covering damages in excess of the preceding insurance policies.

(vi) Control of well insurance is required and shall have a minimum limit of \$5,000,000 per occurrence. Such policy shall cover the cost of controlling a well that is out of control, redrilling or restoration expenses, seepage and pollution damage, as well as damage to property in lessee's care, custody and control.

**18. Indemnity.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR NUISANCE, FOR INJURY TO OR DEATH OF PERSONS AND FOR LOSS OR DAMAGE TO PROPERTY, OR ANY OF THEM, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RESULTING FROM LESSEE'S ACTIVITIES OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE. LESSEE SHALL PROMPTLY ADVISE LESSOR IN WRITING OF ANY ACTION, ADMINISTRATIVE OR LEGAL PROCEEDING OR INVESTIGATION TO WHICH THIS INDEMNIFICATION MAY APPLY, AND LESSEE, AT LESSOR'S REQUEST AND LESSEE'S EXPENSE, SHALL ASSUME ON BEHALF OF LESSOR (AND THE OTHER INDEMNITEES) AND CONDUCT WITH DUE DILIGENCE AND IN GOOD FAITH THE DEFENSES THEREOF WITH COUNSEL SATISFACTORY TO LESSOR; PROVIDED, HOWEVER, THAT ANY INDEMNITEE SHALL HAVE THE RIGHT, AT ITS OPTION, TO BE REPRESENTED THEREIN BY ADVISORY COUNSEL OF ITS OWN SELECTION AND AT ITS OWN EXPENSE. IN THE EVENT OF FAILURE

BY LESSEE TO FULLY PERFORM IN ACCORDANCE WITH THIS PARAGRAPH 17, LESSOR AT ITS OPTION, AND WITHOUT RELIEVING LESSEE OF ITS OBLIGATIONS HEREUNDER, MAY SO PERFORM, BUT ALL COSTS AND EXPENSES SO INCURRED BY LESSOR IN THAT EVENT SHALL BE REIMBURSED BY LESSEE TO LESSOR, TOGETHER WITH INTEREST ON THE SAME FROM THE DATE ANY SUCH EXPENSE WAS PAID BY LESSOR UNTIL REIMBURSED BY LESSEE, AT THE RATE OF INTEREST PROVIDED TO BE PAID ON JUDGMENTS BY THE LAW OF THE JURISDICTION TO WHICH THE INTERPRETATION OF THIS AGREEMENT IS SUBJECT. THIS INDEMNITY IS INTENDED TO ALLOCATE RESPONSIBILITY BETWEEN LESSOR AND LESSEE, AMONG OTHER THINGS, AS CONTEMPLATED BY SECTION 107(E)(1) OF CERCLA AND ANY SUCCESSOR FEDERAL STATUTE, RULE OR REGULATIONS OR COMPARABLE STATE STATUTE, RULE OR REGULATION.

**19. Compliance with Environmental and Other Laws.** Lessor agrees to comply with all federal, state and local laws and regulations, including the Applicable City Code, that apply to its activities with respect to the Property (defined below). Lessee agrees not to allow, and to cause its employees, agents, contractors, and any other person occupying or present on the Property, not to allow, the Release (defined below) of any hazardous material on, onto, or from the Property that could result in (i) a violation of any Environmental Law (defined below) or in the creation of liability or obligations, including without limitation, notification, deed recordation, or remediation, under any Environmental Law, or (ii) a diminution in value of the Property. Lessee further agrees not to handle, use, or otherwise manage, and to cause its employees, agents, contractors, and any other person occupying or present on the Property not to handle, use, or otherwise manage, any hazardous material in violation of any Environmental Laws or in any but a reasonable and prudent manner so as to prevent the Release or threat of Release of any hazardous material on, onto, or from the Property. For purposes of this Paragraph 20, "Property" means the Land, surface and subsurface, and all property located thereon or therein. "Environmental Laws" means applicable federal, state, and local laws, including statutes, regulations and orders, ordinances, and common law, relating to protection of the public health, welfare, and the environment including without limitation, those laws relating to storage, handling, and use of chemicals and other hazardous materials, those relating to the generation, processing, treatment, storage, transport, disposal, or other management of waste materials of any kind, and those relating to the protection of environmentally sensitive areas. "Release" means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing. Additionally, upon receiving any notice regarding the violation of any Environmental Laws, Lessee will forward a copy to Lessor by certified mail within thirty (30) days. Should Lessee fail to forward such notice within thirty (30) days, Lessor shall have the option to terminate this Lease upon thirty (30) days written notice to Lessee.

**20. Dispute Resolution.** In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held in Tarrant County, Texas, within a reasonable time after the dispute becomes known.

**21. Miscellaneous Provisions.**

(a) Each well drilled under this Lease shall be drilled with reasonable diligence and in good faith and in a good and workmanlike manner in a bona fide attempt to produce oil and gas.

(b) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(c) Lessee shall advise Lessor in writing as to the location of each well drilled beneath the Land (or other real property pooled with the Land), on or before seven (7) days after commencement of Lessee's activities, and shall advise Lessor in writing as to the date of completion or abandonment of each well drilled within thirty (30) days after such completion or abandonment. Lessee agrees that it will provide a copy of this Lease, or a memorandum of this Lease, if applicable, as it is recorded in the Official Public Records of the counties where the Land is located immediately following such recording.

(d) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(e) Lessee will conduct all of its activities in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Lessee will give Lessor at least ten days prior notice in writing before conducting drilling, recompletion, or reworking operations on the Land. Upon request by Lessor, Lessee shall furnish to Lessor copies of applications to drill, daily drilling reports, well tests, completion reports, plugging records, gas purchase contracts, and production reports. Lessor has the right, personally or by representative, at Lessor's risk, of access to the derrick floor to observe all operations on all wells drilled on the Land. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests, and Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking them. Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

(f) The term "production" and "producing" mean production and producing in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(g) Lessor shall have the right to inspect and copy all records of Lessee relating to this Lease, operations conducted on the Lease, the sale and marketing of production

from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing.

(h) If the Land presently has an agricultural or open space exemption or similar exemption or classification for ad valorem tax purposes, and if this Lease or Lessee's activities cause the imposition of rollback taxes, Lessee agrees to hold Lessor harmless from any and all of the additional taxes.

(i) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns when fully signed and acknowledged by Lessor and Lessee and a copy is delivered to Lessor.

Executed on the date first written above:

LESSOR:

**White Settlement Independent  
School District**

By: \_\_\_\_\_  
Ben Posey, President of the White  
Settlement Independent School  
District Board of Trustees

LESSEE:

**Chesapeake Exploration, L.L.C.,  
an Oklahoma limited liability company**

By: \_\_\_\_\_  
Henry J. Hood, Senior Vice President-  
Land and Legal & General Counsel

STATE OF TEXAS

COUNTY OF TARRANT

This document was acknowledged before me on \_\_\_\_\_, 2011,  
by Ben Posey, President of the White Settlement Independent School District Board of Trustees,  
on behalf of the White Settlement Independent School District.

\_\_\_\_\_  
Notary Public, State of Texas

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this  
\_\_\_\_ day of \_\_\_\_\_, 2011, personally appeared Henry J. Hood, Senior Vice President - Land  
and Legal & General Counsel of **Chesapeake Exploration, L.L.C.**, an Oklahoma limited  
liability company, to me known to be the identical person who subscribed the name of the maker  
thereof to the foregoing instrument 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 company, for  
the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

**Exhibit A to Oil and Gas Lease**

**Between White Settlement Independent School District, acting by and through the President of its Board of Trustees, Ben Posey , and Chesapeake Exploration, L.L.C.**

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**Insert legal descriptions of tracts won in Bid # 09-12-11.**

**End of Exhibit A**