

MUNICIPALITY OF MONROEVILLE
ALLEGHENY COUNTY, PENNSYLVANIA

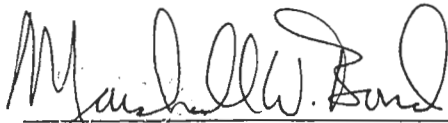
ORDINANCE NO. 2328

AN ORDINANCE OF THE MUNICIPALITY OF
MONROEVILLE, ALLEGHENY COUNTY, PENNSYLVANIA,
AUTHORIZING THE MANAGER TO ENTER INTO AN
AGREEMENT WITH ACTAGON CORPORATION FOR
DRILLING OF GAS WELLS IN THE MUNICIPALITY OF
MONROEVILLE

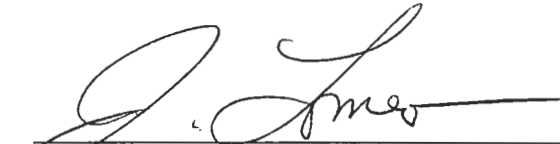
BE IT ORDAINED AND ENACTED, by the authority of Council of the
Municipality of Monroeville, Allegheny County, and is hereby resolved by the authority of
the same, that the Manager of said Municipality be authorized and directed to sign the
attached Agreement on its behalf.

ATTEST:

MUNICIPALITY OF MONROEVILLE



Marshall W. Bond,
Municipal Manager



James J. Lomeo
Mayor

ENTERED INTO LEGAL BOOK ON: March 18, 2005

THIS AGREEMENT made and entered into this 8th day of March, 2005, by and between

Actagon Corporation
905 Jonnet Building
Monroeville, PA 15146
Hereinafter called "Lessee"

AND

Municipality of Monroeville
Municipal Center
2700 Monroeville Boulevard
Monroeville, PA 15146
Hereinafter called "Lessor"

WITNESSETH, that said Lessor, in consideration of the sum of Six Thousand Dollars (\$6,000.00), to be paid upon the initiation and commencement of work on the first well (spudding of the first well), and of the covenants hereinafter contained on the part of said Lessee, to be paid, kept and performed, has granted, demised, leased and let, exclusively unto Lessee, with covenants for the purpose and with the rights of drilling, producing, and operating for oil and gas, or either of them, and /or their constituents, injecting air, gas, water, brine and other substances from whatever source into any subsurface strata , except potable water strata, together with exclusive rights to enter into, in on and upon lands at all times for aforesaid purposes and to posses, use and occupy portions of said lands as may be necessary or convenient for aforesaid purposes, and install maintain lines to transport oil, gas, water and electricity, whether produced on said lands or other lands, said lands being all that tract of land as described in deed contained herein this lease. The Lessee shall have rights of laying pipe lines and building tanks, roads, stations, and electric power lines, houses for valves, meters, regulators and other appliances, and marketing oil and gas with all other rights and privileges necessary, incident to or convenient for the operation of this land alone and conjointly with neighboring lands, all that certain tracts of land situated in the State of Pennsylvania as follows:

And containing, for the purpose of calculating rentals 120 acres of land whether actually containing more or less, and part of all said land is described in that certain deed to Lessor. This Deed to Lessor is recorded in the Allegheny County Recorder of Deeds Office and is referenced as:

1. It is agreed that this lease shall remain in force and effect commencing upon the execution of date of this within lease and continue in full force and effect until the completion of Phase I of the Park Development, notwithstanding any proposed oil and gas drilling yet to be completed, as certified in writing by the Municipal Engineer., provided however, if said site is being operated actively for the production of oil and gas, said Lease shall continue until active production ceases. In the event that the Lessor should after the expiration of this within Lease, and for a period of ten (10) years thereafter, be desirous of again exploring oil and gas on the subject site; it shall extend an offer to the Lessee in writing to drill for additional oil and gas under the same terms and conditions of this within Lease. If the Lessee does not accept in writing the written offer within ninety (90) days of being notified by the Lessor; then said first right to drill shall be considered satisfied and the Lessor shall be free to seek out additional drillers to search for additional oil and gas.

2. (a) Lessee covenants and agrees to deliver to the credit of Lessor, his heirs or assigns, free of costs, in the pipe line to which said Lessee may connect its wells, a royalty of Fourteen Percent (14%) of the gross proceeds received from the sale of native oil produced and saved from the leased premises.

(b) Lessee covenants and agrees to pay Lessor as a royalty for the native gas from each and every well drilled on said premises producing native gas, an amount equal to Fourteen Percent (14%) of the gross proceeds received from the sale of same at the prevailing price for gas sold at the well, for all native gas saved and marketed from the said premises, payable monthly.

3. All payments under this lease shall be made by check or voucher to the order of and mailed to Lessor as follows: Municipality of Monroeville, Municipal Center, 2700 Monroeville Boulevard, Monroeville, PA 15146, until the Lessee shall have received written notice from the Lessor, their heirs or assigns, accompanied by original or certified copies of deeds or other documents as Lessee may require evidencing such change of ownership directing payments to be made otherwise, and any payments made as above until such direction, and thereafter in accordance with such direction shall absolve the Lessee from any liability to any heir or assign of the Lessor. All payments or royalty are to be made according to Lessor's respective interest therein, as hereafter set forth, and this lease shall not be forfeited for Lessee's failure to pay any rentals or royalties until Lessee has received written notice by registered mail of such default and shall fail, for a period of thirty (30) days after receipt of such notice to pay same. Each well shall be metered separately with the production of each well to be identified with the royalty payment(s). The Lessee shall furnish the Lessor with a copy of the annual accuracy test results of the graph chart; and, a copy of the chart integration report; and, a copy of the gas company rate report when received by the Lessee.

4. In addition to the covenants hereinabove contained, Lessor further covenants and agrees, that is Lessor's title to the leased premises shall come into dispute or litigation, or, if, in the judgment of Lessees, there are a bona fide adverse claims to the rentals or royalties hereinabove provided for, then Lessee, at its option, may withhold the payment of said rentals or royalties until final adjudication or other settlement of such dispute, litigation, claim or claims, and that Lessee, at its option, may pay and discharge any taxes, mortgages or other lien or liens, existing, levied, assessed or which may hereafter come into existence or be levied or assessed on or against the leased premises, and, in the event it exercises such option, Lessee shall be subrogated to the lien and any and all rights of any holder or holders thereof, and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien or liens, any rental or royalty accruing hereunder.
5. If and when drilling or other operations hereunder are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, weather, war, rebellion, insurrection, riot, strike, differences with workmen, failure of subcontractors, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, rule, regulation, requisition or necessity of the government, or any other recognized force majeure, or as the result of any other cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rule and Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of any such Law, Order, Rule or Regulation.

Further, the Lessee shall provide the Lessor with a copy of any land or subsurface title abstract; and; if it is determined by either party that the Lessor does not have proper or sufficient ownership in the oil and gas on the subject property, then this Agreement shall be considered null and void and neither party shall have an action or claim against the other arising from this Agreement.

6. Lessee shall have the right at any time during the term of this lease or after the expiration or termination thereof the Lessee shall remove all machinery, fixtures, pipe lines, meters, well equipment, houses, building, and other structures with Lessee has placed or caused to be placed on said premises, including the right to pull and remove all casing and tubing thereby removing all above ground evidence of said well or well operations as per Pa. DEP Regulations.
7. If the Lessee shall begin operations for the commencement of a well during the terms of this lease or any extension thereof, the Lessee shall then have the right to complete the drilling of such wells, and if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force and with like effect if such well had been completed within the term first herein mentioned. Said hours

of operation shall be in accordance with all of the Lessor's Ordinances and development approvals in effect at the time work is commenced.

8. Lessee shall have the right to assign, subject to and upon written consent of the Lessor, this lease or any interest therein and the assignee of Lessee shall have corresponding rights, privileges, and obligations with respect to said royalties and rentals as to the acreage assigned to it. Lessee and/or its Assignee shall advise Lessor of any assignment affecting the change in operator of the working interest of this lease agreement.
9. Commencing with the first anniversary of the execution of this Lease, if Lessee has not theretofore commenced drilling operations on said land, Lessee shall pay or tender to Lessor annually, in advance as rental, the sum of Ten Dollars (\$10.00) per acre per year for so much of said land as may then still be held under this lease, until drilling operations are commenced or this lease is terminated. Lessee agrees to drill one well within the designated period. No implied covenant shall be read into this lease requiring Lessee to continue drilling on said land, or fixing the measure of diligence therefore. Failure of Lessee to pay Lessor the delay rental provided for herein shall not cause this lease or any part thereof to terminate, but Lessee shall be obligated to make such payment. The consideration payable under Paragraph 1 covers not only the privilege granted to the date when said first delay rental is payable, but also any and all other rights conferred.
10. Lessee may, at any time during the term hereof, cancel and surrender this lease, and be relieved of any and all obligations, payments and liabilities thereafter to accrue as to the leased premises, by the mailing of a notice of such surrender, and a check covering all rentals, if any, due up to the date of such cancellation or surrender.
11. It is agreed that said Lessee may drill or not drill on such land as it may elect, and that the consideration and rentals paid and to be paid hereunder constitute adequate compensation for such privilege subject to Paragraphs 14 and 18 of this Agreement.
12. It is agreed that said Lessee shall have the privilege of using free of charge sufficient natural water, oil and gas from the said premises to run all machinery necessary for drilling and operations thereon, and at any time to remove all machinery and fixtures placed on said premises.
13. No well shall be drilled by Lessee within 200 feet of the dwelling house or barn now on said premises, except by the written consent of Lessor,
14. Lessee will provide a vinyl weave chain link fence area around each well location and will obtain approval of each well location from the Lessor. The above stated fence shall be approved by Lessor.

15. Lessor will aid, support and work with Lessee in any necessary right of way and or easement negotiations or acquisition.
16. The leased premises may be fully and freely used by Lessor for any purpose, excepting such parts as are used by Lessee in operation hereunder.
17. Lessee shall pay Lessor for all damages to growing crops, fences or trees caused by Lessee's operations and shall bury all permanent pipelines below plow depth though cultivated areas or below new facility areas or associated appurtenances upon request of Lessor or within a reasonable length of time thereafter.
18. Lessee will work with the Lessor's professional staff and mutually agree with the Lessor to finalize the gas well, gas well pipe line locations, gathering system, well locations, well access roads and associated facilities as required by the gas purchaser and/or gas pipeline company.
19. This instrument may be executed in counterparts each having the same validity as if the original. Should any one or more of the parties named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor.
20. Lessee, in its sole discretion, may plug and abandon any well, which it has drilled, on the leased premises subject to and in accordance with Paragraph 6.
21. Lessee shall be entitled during the term of this lease to lay and maintain pipelines across Lessor's premises to transport, without any fee payable therefore to Lessor, natural gas produced on the said tract of land and/or on other lands whether or not adjacent to the tract of land described herein.
22. Beyond the term of this lease, Lessees shall not be entitled to lay and maintain additional pipelines across Lessor's premises without specific written consent of Lessor, however any pipelines laid during the term of this lease shall continue to be operative at the Lessee's option without any fee payable to Lessor.
23. Lessee shall sell the production of the well on such terms and conditions as Lessee, in its sole discretion may deem appropriate. Lessee shall have no duty to obtain production sales terms which maximizes the royalties payable to Lessor hereunder.
24. Lessor may lay a line to any well on said premises and take gas produced from said well for use for its facilities on the 120 Acre tract at Lessors own risk, expense, and liability, subject to the use and the right of abandonment of well by Lessee. The first two hundred thousand (200,000) cubic feet of gas per well taken each year shall be free of cost, but all gas in excess of two hundred thousand (200,000) cubic feet per well taken each year shall be paid for at current published well head prices plus costs and the measurements and regulations shall

be by meter and regulators set at the tap on the lines. This privilege is upon that Lessor shall subscribe to and be bound by the reasonable rules and regulations of Lessee relating to the use of free gas.

25. The Lessee will provide adequate financial security and/or bonds as required by the Pennsylvania Department of Environmental Protection (DEP) in favor of the Lessor.
26. In the event of any dispute between the Lessor and the Lessee as to the meaning or interpretation of any of the provisions of this Agreement, or any plans or specifications, or as to payment, the following rules shall apply:
 - (a) The agreement shall be governed by the law of Pennsylvania;
 - (b) All claims or disputes between the Lessor and the Lessee arising out of or relating to this agreement or breach thereof shall be decided by arbitration in accordance with the arbitration rules of the American Arbitration Association. Notice of the demand for arbitration shall be filed in writing with the other party and with the American Arbitration Association; and, shall be made within a reasonable time after the dispute has arisen. The award rendered by the Arbitrators shall be final and judgment may be entered upon it in accordance with the applicable law and the Court of Common Pleas of Allegheny County, Pennsylvania;
 - (c) The Arbitrators shall be limited to the interpretation of this within agreement and any plans or specifications pursuant to this agreement;
 - (d) The agreement to arbitrate shall be specifically enforceable under the Pennsylvania Arbitration Law prevailing when the dispute has arisen;
 - (e) Each party shall pay for one-half (1/2) of the arbitration.
27. All the terms, conditions, limitations and covenants herein contained shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, successors, personal representatives and assigns, but no representative other than those herein contained shall be binding on either party.

IN WITNESS WHEREOF, the parties to this agreement have hereunto set their hands and seals this day and year first above written.

Signed and acknowledged in the presence of:

ATTEST:

ACTAGON CORPORATION

By: _____

ATTEST:

MUNICIPALITY OF MONROEVILLE

[Signature]

Marshall W. Bond
By: Municipal Manager

COMMONWEALTH OF PENNSYLVANIA:

COUNTY OF _____

On this ____ day of _____, 200__, before me a notary public and the undersigned officer, personally appeared _____, who acknowledged himself to be the _____ of Actagon Corporation, a corporation, and as such _____, being authorized to do so, executed the within instrument for the purposes therein contained by signing the name of Actagon Corporation, by himself as _____.

In witness whereof, I hereunto set my hand and official seal.

Notary Public

COMMONWEALTH OF PENNSYLVANIA:

COUNTY OF Allegheny

On this 10 day of March, 2005, before me a notary public and the undersigned official, personally appeared Marshall W. Bond, who acknowledged himself to be the Municipal Manager of The Municipality of Monroeville, a Municipality of the Commonwealth of Pennsylvania, and as such Municipal Manager, being authorized to do so, executed the within instrument for the purposes therein contained by signing the name of the Municipality of Monroeville, by himself as Marshall W. Bond.

In witness whereof, I hereunto set my hand and official seal.

Lynette C. McKinney
Notary Public

