



Compulsory Integration Election Form

This section to be completed by the Well Operator.

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| Well Name: | Well Operator: | Owner: |
| API Number: 31- | | Tax Parcel ID No.: |
| Date Permit Issued: | Well Operator's Address: | Total Spacing Unit Acreage: |
| Date of Integration Hearing: | | Parcel Acreage in Unit: |
| | | Proportionate Share of Acreage in Unit: % |

The Department of Environmental Conservation ("DEC") has issued a permit to drill the subject well. Owners in the spacing unit for the well who have not reached a voluntary agreement with the Well Operator are subject to compulsory integration per Section 23-0901 of the Environmental Conservation Law ("ECL"). The Well Operator has identified you as such an owner, and has sent you this Compulsory Integration Election Form ("the Form") by certified mail in order to comply with ECL §23-0901(3)(c)(1)(i).

You must select **one** of the following options and have your signature witnessed by a Notary Public. Within 21 calendar days of the day you received the form, you must send the signed, notarized original Form to DEC and send a copy of the signed, notarized Form to the Well Operator. **If you fail to make an election by the required date, you will be integrated as a Royalty Owner.**

The Well Operator's copy should be returned by certified mail, return receipt requested, to the address stated above. The original, signed and notarized Form should be returned, by certified mail, return receipt requested, to:

Director, Bureau of Oil and Gas Regulation
 Division of Mineral Resources
 NYS Department of Environmental Conservation
 625 Broadway, Albany, NY 12233-6500

This section to be completed by the owner. Check only one:

- Integrated Royalty Owner** - If you make this election, you will receive a royalty equal to the lowest royalty contained in a lease in the unit, but not less than a one-eighth (12.5%) share of the proceeds from the sale of production from the well, based on your proportionate share of acreage in the unit. You shall have no obligation to the Well Operator or any other owner for any charges, taxes or fees associated with the operation of the well, and notwithstanding any other law to the contrary, shall not be liable by reason of your status as an integrated royalty owner for any claims for personal injury or property damage suffered by any person relating to the drilling and operation of the well.

- Integrated Participating Owner** - If you make this election, you are agreeing to pay your proportionate share of costs to drill, complete and produce the well. You must pay estimated well costs to the Well Operator by the conclusion of the integration hearing. You further acknowledge that these costs are an estimate prior to drilling and that you will be responsible for your share of the actual costs. If you fail to pay your entire share of actual costs, the Well Operator shall have a lien on your share of production until such costs are recouped. See ECL §23-0901(3) and the enclosed draft integration order for additional information, including your responsibility for a share of the costs associated with pipelines and certain subsequent operations.
Amount due to well operator by date of hearing if this option selected: _____ (See enclosed document for details).

- Integrated Non-Participating Owner** - If you make this election, you are agreeing to reimburse the Well Operator, out of production proceeds, for the share of costs attributable to your interest plus a penalty of two hundred percent of such costs. After payout of the costs and penalty, you shall receive the full share of production attributable to your proportionate share of acreage in the unit, and be responsible for your share of costs. If you fail to pay your share of costs, the Well Operator shall have a lien on your share of production until such costs are recouped. See ECL §23-0901(3) and the enclosed draft integration order for additional information, including your responsibility for a share of the costs associated with pipelines and certain subsequent operations. An unleased Non-Participating Owner shall receive no royalty during the cost and penalty recovery phase. If your interest in the unit is derived from a lease, you shall receive royalty payments during payout of costs and penalty as follows:
 - During recovery of actual well costs, 1/16 or 6.25%
 - During recovery of first 100% of risk penalty, 3/32 or 9.38%
 - During recovery of the second 100% of risk penalty, the lowest royalty fraction in an existing lease in the unit, but not less than 1/8 or 12.5%.

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| Owner's Signature: | Sworn to and subscribed | |
| | Before me, this | |
| Owner's Mailing Address: | Day of _____ 20 | |
| | Notary Public | |