

**THE ATTORNEY GENERAL OF THE STATE OF NEW YORK  
BINGHAMTON REGIONAL OFFICE**

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***In the Matter of***

***FORTUNA ENERGY INC.***

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**WHEREAS**, Fortuna Energy Inc. ("Fortuna") and the Office of the Attorney General have held a series of meetings to develop standards of practice to help ensure fair, informed, and transparent negotiations between Fortuna, its landmen, and the general public from whom Fortuna seeks to secure oil and gas leases;

**NOW, THEREFORE**, Fortuna agrees to adopt the following standards of practice for the acquisition of leases to extract natural gas from lands within the State of New York:

**STANDARDS OF PRACTICE**

For the following subparagraphs, the term "landman" shall include all Fortuna employees that contact landowners for the purpose of obtaining oil and gas leases, mineral leases, or both while working on Fortuna's behalf in the State of New York. For the following subparagraphs the term "Lease" or "Leases" includes oil and gas leases and mineral leases:

1. Before commencing discussions with prospective landowners, a landman shall fully identify him/herself and provide his/her direct contact number.
2. A landman shall inform the landowner that he/she has the right to seek legal counsel before executing the Lease.
3. Unless specifically instructed otherwise, a landman shall disclose that he/she is seeking to secure a lease on behalf of Fortuna and shall provide his/her telephone number, address, and point of contact.
4. A landman shall not make any representations to landowners regarding the size, configuration, or location of a proposed spacing unit unless such information is clearly identified and/or described as proposed or unless such information is publicly available. All documents regarding proposed spacing units shared with or provided to landowners shall be prominently labeled as "proposed" or "pending approval."
5. A landman shall not make representations to landowners regarding a well location unless such location is clearly identified as proposed or unless said location is publicly available.

6. A landman shall not make representations to landowners of anticipated production amounts or estimated royalties within a spacing unit. This does not preclude a landman from presenting hypothetical figures as an illustration of how royalty amounts would be calculated. Such presentation must include a disclaimer that the figures are hypothetical and for illustration purposes only and that there in fact may be no royalties arising from the Lease.

7. A landman should strive to understand all the terms and provisions of the proffered Lease and should offer to explain such terms and provisions to the landowner in a clear and non-technical manner and in as much detail as the landowner requests. At a minimum, a landman should be capable of explaining to landowners the following terms:

- a. The Leasing Clause;
- b. Bonus Payment;
- c. Delay Rental Payment;
- d. Royalty Payment;
- e. Shut-in Payment;
- f. Primary Lease Term;
- g. Secondary Lease Term;
- h. Pooling clause, if any;
- i. Arbitration or Alternative Dispute Resolution mechanisms; and
- j. Lease Termination by Landowner and by Lessee.

In the event that a landman is unable to explain a term or terms to the landowner to his/her satisfaction, the landman shall seek an answer to the landowner's question or shall direct the landowner to a Fortuna representative capable of addressing the landowner's concerns prior to the execution of the Lease.

8. Landmen shall not coerce landowners into executing Leases nor shall landmen attempt to secure Leases through deception, misrepresentation, false pretense, false promise, or unconscionable contractual provisions.

9. If, during negotiations between a landman and landowner, the latter makes a counteroffer wholly within the authority a landman received, a landman shall not state to the landowner that the counteroffer is outside the parameters he/she can accept.

10. Landmen shall document each contact with each landowner.

11. Upon a landowner's request, a landman shall refrain from entering any portion of the landowner's property. A landman shall further notify his/her employer and Gas Operator as soon as feasible of the landowner's request. Notwithstanding, a landman may continue to attempt to contact and negotiate with the landowner by telephone, regular mail, electronic mail, and/or facsimile unless the landowner requests otherwise. In the event the landowner requests that all types of communication be ceased, a landman shall

immediately cease any and all such communication except as required by law or as necessitated by safety concerns.

12. A landman shall provide a copy of the lease executed by the landowner at the time of the landowner's execution of the Lease or within a reasonable time thereafter, but not to exceed thirty (30) calendar days after the landowner executes the lease.

**IT IS UNDERSTOOD AND AGREED THAT** should the Office of the Attorney General enter into any memorandum of understanding, agreement, assurance of discontinuance, settlement, or similar agreement with any other company or individual engaged in the acquisition and/or negotiation of gas leases in the State of New York, the American Association of Professional Landmen and/or the Independent Oil and Gas Association of New York State, containing or requiring a leasing protocol, standards of practice or similar document, Fortuna may contact the Office of the Attorney General to discuss further modifications or changes to the standards of practice listed in this document so as to ensure consistency in standards of practice across the industry in the State of New York. Permission to further modify or change the standards of practice shall not be unreasonably withheld by the Office of the Attorney General.

**AND IT IS FURTHER UNDERSTOOD AND AGREED THAT** the acceptance of this Agreement does not constitute an admission of any guilt or wrongdoing on the part of Fortuna or any violation of common law, Executive Law, General Business Law, or any other laws, regulations, or administrative pronouncements applicable to the conduct of Fortuna operations.

**AND IT IS FURTHER UNDERSTOOD AND AGREED THAT** this Agreement sets forth the entire agreement of the parties and may be modified only by the subsequent execution of a written agreement by the parties.

**AND IT IS FURTHER UNDERSTOOD AND AGREED THAT** this Agreement concludes the inquiry of the Office of the Attorney General into the leasing practices of Fortuna and precludes any other action the Office of the Attorney General could commence as it relates to Fortuna and any of its officer, directors, and employees arising out of the matters inquired herein up to the date of this Agreement.

**AND IT IS HEREBY FURTHER UNDERSTOOD AND AGREED THAT** this Agreement is final and binding on the Office of the Attorney General and Fortuna, including principals, agents, representatives, successors in interest, assigns, and legal representatives thereof. No assignment by any party hereto shall operate to relieve such party of its obligations herewith.

**AND IT IS FURTHER UNDERSTOOD AND AGREED THAT** nothing contained herein shall be construed to deprive any person, corporation, association or other entity of any private right under the law.

**AND IT IS FURTHER UNDERSTOOD AND AGREED THAT** this Agreement sets forth the entire agreement of the parties and may be modified only by the subsequent execution of a written agreement by its parties.

**WHEREFORE**, the following signatures were are affixed hereto this \_\_\_\_ day of \_\_\_\_\_, 2006.

Dated: Horseheads, New York  
\_\_\_\_, 2006

FORTUNA ENERGY INC.

By: \_\_\_\_\_

Dated: Horseheads, New York  
\_\_\_\_, 2006

By: \_\_\_\_\_

Dated: Binghamton, New York  
\_\_\_\_, 2006

ELIOT SPITZER  
Attorney General of the  
State of New York  
Attorney for State of New York  
44 Hawley Street, 17th Fl.  
Binghamton, New York 13901  
Tel. (607) 721-8796

By: \_\_\_\_\_  
ROBERTO BARBOSA  
Assistant Attorney General

**CORPORATE ACKNOWLEDGMENT**

STATE OF NEW YORK                    )  
  :SS  
COUNTY OF                                )

, being duly sworn, deposes and says:

I am the \_\_\_\_\_ of FORTUNA ENERGY INC., I have executed the aforesaid instrument with the consent and authority of FORTUNA ENERGY INC. and those responsible for the acts of said entity and duly acknowledged same.

Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006

\_\_\_\_\_

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

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\_\_\_\_\_

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