

3. Apparent High Bidder Determination. The qualified bidder offering the highest per-acre bonus bid for the Property shall be deemed "the Apparent High Bidder" by the County. The minimum bonus bid accepted by the County shall be \$ 50.00 per acre, for a total minimum bonus bid of \$16,000. To be deemed qualified, a bidder must have the demonstrated experience and capacity to permit, develop and operate a natural gas storage facility on the Property. The County reserves the right to delay naming the Apparent High Bidder until such time as bidder qualifications have been confirmed by the County. In the event of a tie bid between one or more qualified bidders, the County will arrange for the tied bidders to complete the competitive process through an oral auction on a date and at a time specified by the Board.

4. Lease Form. The Apparent High Bidder will be required to enter into an underground storage lease with the County in a form substantially the same as Exhibit 5 hereto ("the Lease.").

5. Bid Security and Lease Execution. Bidders will include a cashier's check in the amount of \$5,000.00 in the bid envelope as bid security ("the Bid Security"). In the event that the Apparent High Bidder, fails to return a signed Lease, and required amounts due under the Lease, to the County on or before 5:00 p.m. on the 10th day following issuance of the Lease by the County, the Bid Security will be forfeited by the Apparent High Bidder, and the County will have no remaining obligations to the Apparent High Bidder. Bid Security checks will be returned to unsuccessful bidding parties within ten (10) business days of the Apparent High Bidder being named by the County.

6. Agents. If any bidder is acting as an agent or an employee of a prospective lessee, the bidder shall provide satisfactory evidence of his or her agency status and supply the proper name, address and phone number and other information with which to complete the lease documents. All bidders will be held personally responsible for proper payment of Bid Security and fulfillment of the requirements of paragraph 3 above, regardless of employee or agency status. After lease documents have been prepared for signature, and before approval and execution by the Board, no name changes or other such changes will be made except upon payment of an additional administrative fee deemed reasonable by the Board.

7. Publication of Notice. Notice of the County storage lease offering shall be given by publication in a newspaper of general circulation in the County. The offering shall be advertised for not less than once a week for two successive weeks. The first such publication shall be at least 14 days prior to the date that bids will be considered. The notice will refer interested parties to the online and physical location of specific offering information, including, but not limited to: the terms and conditions of the lease offering, the Property map and description, the Lease form, the County bid form, and other information as may be deemed necessary by the Board. If the Board postpones or cancels the offering, it shall publish notice of the postponement or cancellation of the offering, as the case may be.

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DATED this 17th day of May, 2017.

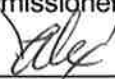

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

Approved as to form:

By: 
Office of County Counsel

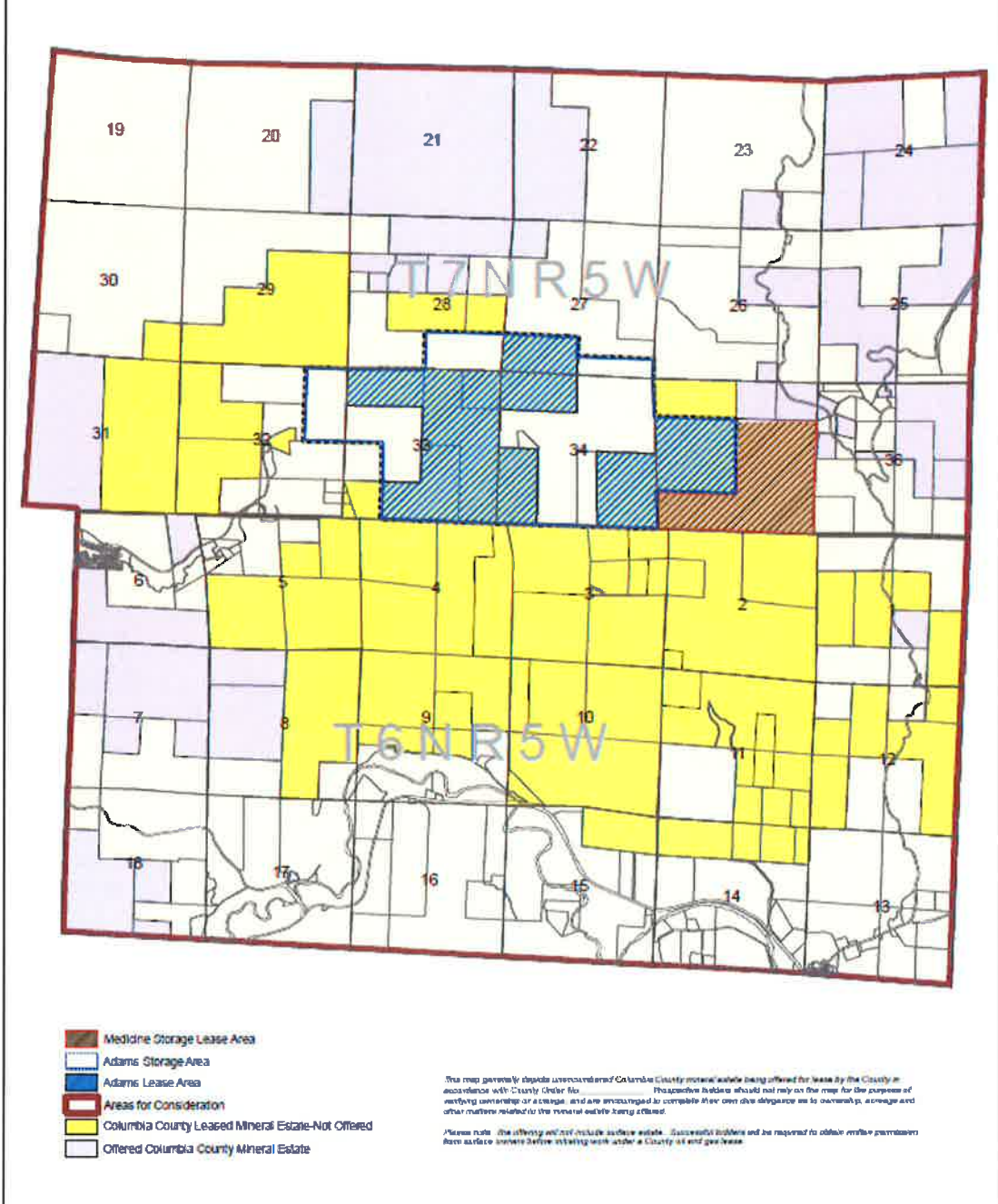
By: 

Chair
By:  
Commissioner

By:  
Commissioner

**EXHIBIT 1
MAP**

2017 Medicine Storage Lease Offering



**EXHIBIT 2
PROPERTY DESCRIPTION**

The Property: SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, Section 35, Township 7 North, Range 5 West of the Willamette Meridian

Acreage: 320 acres (stipulated)

Offered Rights: All mineral rights, including the rights to store natural gas, from 100 feet above the top to 100 feet below the base of the Clark and Wilson Sands or the stratigraphic equivalent of those sands as measured to a depth of 1330 to 2011 feet in Columbia County well 23-22. Subject to valid existing rights that currently encumber the Property.

**EXHIBIT 3
FORM PUBLIC NOTICE**

BEFORE THE BOARD OF COUNTY COMMISSIONERS

FOR COLUMBIA COUNTY, OREGON

In the Matter of Leasing County-Owned Oil)	
and Gas Rights for the Exploration and)	NOTICE OF PUBLIC AUCTION
Production of Natural Gas)	[June 15, 2017 Underground Storage
	Lease Offering]

NOTICE IS HEREBY GIVEN that the Board of County Commissioners for Columbia County, Oregon, will hold a public auction for certain Columbia County mineral estate lands in the Mist Gas Field situated in Columbia County, Oregon, with said lands more particularly described below (the Property):

SE1/4, S1/2NE1/4, S1/2SW1/4, Section 35, Township 7 North, Range 5 West of the Willamette Meridian

The auction is scheduled for Thursday, June 15, 2017, at 10:30 a.m. The auction will be conducted through sealed written bids for the rights to lease the Property. To be eligible for consideration, the written bids must be received at the Board of County Commissioners' Office, Columbia County Courthouse, Room 331, St. Helens, Oregon 97051, no later than 12:00 noon of the working day preceding the date of the auction. Each bid submitted shall be on the form provided by the County and enclosed in a sealed envelope. Bid security in the amount of \$5,000.00, shall also be enclosed in the envelope.

No later than 10 days following issuance of the Lease, at 5:00 p.m. (PDT), the party identified as the Apparent High Bidder by the County shall return a signed lease to the County, along with all remaining amounts due to the County under the Lease.

The minimum acceptable bonus bid for the Property is \$50 per acre, or \$16,000 total. Minimum rent shall be \$44.465625 per acre the first year, with said rent to be adjusted annually as provided for in the County lease.

Lease sale documents can be reviewed on line at <http://www.co.columbia.or.us/requests-for-proposals>, or by appointment at the County offices by calling 503-397-4322 to arrange said appointment. Lease sale documents available online include: the Property map and description, the terms and conditions of the lease offering, the County lease form, the County bid form, and other information deemed relevant by the County Board of Commissioners.

For additional information about the County lease offering contact Steve Planchon, Natural Resource Administrator, at steve@planchonconsulting.com or by phone at 503-467-8699.

DATED this ____ day of _____, 2017.

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

By: _____
Chair

Approved as to form:

By: _____
Commissioner

By: _____
Office of County Counsel

By: _____
Commissioner

**EXHIBIT 4
BID FORM**

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

In the Matter of Leasing County-) **WRITTEN BID FORM**
Owned Oil and Gas Rights)

Medicine Underground Storage Lease

The Property: SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, Section 35, Township 7 North, Range 5 West of the Willamette Meridian

Acreage: 320 acres (stipulated)

Offered Rights: All mineral rights, including the rights to store natural gas, from 100 feet above the top to 100 feet below the base of the Clark and Wilson Sands or the stratigraphic equivalent of those sands as measured to a depth of 1330 to 2011 feet in Columbia County well 23-22. Subject to valid existing rights that currently encumber the Property.

Bid Information

1. **Bidder:** _____
Mailing Address: _____
Phone No.: _____ Email Address: _____
2. **Agent:** _____ (if applicable)
Mailing Address: _____
Phone No.: _____ Email Address: _____
3. **Bonus Bid** (minimum \$50.00 per acre): _____
4. **Bid Security Due with Bid:** \$5,000.00 bid security, in the form of cash or cashier's check.
5. **Forfeiture Authorization:** The undersigned bidder or bidder's agent, on behalf of himself/herself, and on behalf of bidder, authorizes forfeiture of the full amount of the bid security if bidder is deemed the apparent high bidder by the County but elects to not accept the lease.
6. **Declaration of Qualifications:** By signing below, Bidder, or Bidders agent on behalf of Bidder, declares that it has the demonstrated experience and capacity to permit, develop and operate an underground natural gas storage facility.
7. **Terms and Conditions of the Offering:** Bidder or its agent has reviewed and accepts the terms and conditions of the offering, attached hereto as Exhibit A to this Bid Form.

BIDDER OR BIDDER'S AGENT

Date: _____, 2017

(Signature)

(Printed Name)

Exhibit A

Medicine Underground Storage Lease Offering Terms and Conditions June 2017

1. The Property: SE¼, S½NE¼, S½SW¼, Section 35, Township 7 North, Range 5 West of the Willamette Meridian.
2. Acreage: 320 acres (stipulated).
3. Offered Rights: All mineral rights from 100 feet above the top to 100 feet below the base of the Clark and Wilson Sands or the stratigraphic equivalent of those sands as measured to a depth of 1330 to 2011 feet in Columbia County well 23-22. Subject to valid existing rights the currently encumber the property.
4. Lease Terms and Conditions. As provided for in the draft Medicine Underground Storage Lease, available on line at: <http://www.co.columbia.or.us/requests-for-proposals>.
5. Lease Offering Details.
 - a. Written bids will be submitted on a Medicine Underground Storage Lease bid form.
 - b. Bids will be submitted in sealed envelopes, along with the required \$5,000 bid security.
 - c. Bids must be received at the Board of County Commissioners' Office, Columbia County Courthouse, Room 331, St. Helens, Oregon 97051, no later than 10:00 a.m. on Wednesday, June 15, 2017.
 - d. Bids will be opened at 10:30 a.m. on Thursday, June 15, 2017, with the apparent high bidder named after all bids are opened.
 - e. In the event of a tie bid between one or more qualified bidders, the County will arrange for the tied bidders to complete the competitive process through an oral auction on a date and at a time specified by the Board.
 - f. Unsuccessful bids and associated bid security will be returned to bidders within 10 business days of the bid opening.
 - g. Subject to the County's confirmation of the apparent high bidders qualifications, two original Medicine Underground Storage Leases will be delivered to the apparent high bidder within 10 business days of the bid opening.
 - h. Signed Leases will be returned to the County no later than 10 days following issuance of the Lease (Lease Delivery Deadline), along with remaining amounts due under the lease, with said amounts to include: the bonus bid (minus the bid security); the first year's rent due under the lease; and a \$145 document processing fee.
 - i. The bid security will be forfeited to the County if, through no fault of the County, signed Leases and remaining amounts due under the lease are not delivered to the County by the Lease Delivery Deadline.
6. County Execution. Subject to the apparent high bidder being deemed qualified by the County and satisfying all lease offering requirements, the County Board of Commissioners will adopt an order authorizing the County to enter into a lease with the apparent high bidder. The lease will then be signed by the County and a Memorandum of Lease will be recorded by the County. A fully executed original lease will be delivered to the lessee.

7. Agents. If any bidder is acting as an agent or an employee of a prospective lessee, the bidder shall provide satisfactory evidence of his or her agency status and supply the proper name, address and phone number and other information with which to complete the lease documents. All bidders will be held personally responsible for proper payment of the bid security and fulfillment of the lease offering terms and condition, regardless of employee or agency status.
8. Name Changes. After lease documents have been prepared and completed, ready for signature, and before approval and execution by the Board, no name changes or other such changes will be made except upon payment of an additional administrative fee deemed reasonable by the Board.
9. No Warranty or Guarantee. Columbia County does not warrant or guarantee title to the offered mineral rights. Additionally certain existing encumbrances may prevent the commencement of storage operations under the lease until such time the encumbrances have expired, have been terminated or have been acquired by the Medicine Underground Storage Lease lessee. Bidders are urged to conduct their own due diligence as to the title circumstances associated with the offered mineral rights.

**EXHIBIT 5
LEASE FORM**

UNDERGROUND GAS STORAGE LEASE

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MEDICINE STORAGE AREA

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UNDERGROUND GAS STORAGE LEASE – MEDICINE STORAGE AREA

This **UNDERGROUND GAS STORAGE LEASE – MEDICINE STORAGE AREA** ("**Storage Lease**") is made and entered into effective as of _____, 2017 (the "**Effective Date**"), between **COLUMBIA COUNTY**, a political subdivision of the State of Oregon, by and through its Board of Commissioners ("**Lessor**"), and _____ ("**Lessee**"), on the following terms and conditions.

RECITALS

A. As owner of mineral rights, Lessor has granted Oil and Gas Leases covering the Property, as defined below.

B. Certain geological formations under the Property have been found to contain natural gas, which is being, has been or may be, produced. These geological formations may also be useful for the underground storage of natural gas, either before or after the recoverable natural gas has been completely produced from such formations.

C. Lessee has nominated the Property for a gas storage lease.

D. Lessor is willing to lease such rights as it may have in the Property for use in the underground storage of natural gas, subject to the rights of the lessees under the existing Oil and Gas Leases.

E. Lessee is authorized to do business in the State of Oregon.

NOW, THEREFORE, Lessor and Lessee agree as follows:

1. **Exhibits**. The exhibits listed below are attached to this Storage Lease and are incorporated by this reference.

Exhibit A Legal description of the Property.

Exhibit B Oil and Gas Leases that Lessor has granted with respect to all or part of the Property.

Exhibit C Map showing the Property and adjacent lands.

Exhibit D AECO C Index, Natural Gas Exchange, average daily Gas prices for the three- (3-) year period immediately preceding March 26, 2009.

Exhibit E Deductions from royalty for the costs for transportation, compression, dehydration and processing assigned to each well under production by Lessee as of the Effective Date.

Exhibit F Rent payment transmittal letter template.

2. **Definitions.**

(a) **"Economically Recoverable"** shall mean Native Oil or Gas or Newly Discovered Native Oil or Gas that can be produced and sold for a sum of money that is greater, after deducting all applicable taxes and governmental charges and fees, than the cost of operating the well, placing the oil or Gas in marketable condition and transporting the oil or Gas to the point of sale.

(b) **"Effective Date"** means the date identified as such in the first paragraph of this Storage Lease. The Effective Date shall not be earlier than the date Lessor's governing body has approved and executed this Storage Lease.

(c) **"Gas"** means natural gas, compressed air, or gaseous vapors of any kind.

(d) **"Leased Lands"** means the portions of the Property that are subject to the Oil and Gas Leases defined below.

(e) **"Native Oil or Gas"** means liquid or gaseous hydrocarbon substances found to exist naturally within the Property and that have not been injected into the Property by Lessee or any other person.

(f) **"Newly Discovered Native Oil or Gas"** means Native Oil or Gas discovered as a result of drilling after the Effective Date, whether by Lessee or by the lessees under the Oil and Gas Leases.

(g) **"Oil and Gas Leases"** means those leases as described in attached Exhibit B and any other oil and gas leases in effect on the Effective Date that Lessor has granted with respect to all or part of the Property.

(h) **"Pool"** means an Underground Reservoir containing a common accumulation of oil and/or natural gas. A zone of a structure that is completely separated from any other zone in the same structure is a Pool.

(i) **"Property"** means the lands described on attached Exhibit A.

(j) **"Storage Formation"** means any Pool or Underground Reservoir within the Property.

(k) **"Storage Operations"** means any operations permitted by this Storage Lease carried out for the purpose of exploring for, evaluating, preserving, constructing or operating underground Gas storage facilities within the Property.

(l) **"Underground Reservoir"** means any subsurface sand, strata, formation, aquifer, cavern or void whether natural or artificially created, suitable for the injection, storage and withdrawal of natural gas.

(m) **"Working Date"** means the date(s) on which Lessee becomes entitled to commence Storage Operations under this Storage Lease on all or a portion of the Leased Lands as provided in Section 8 below.

3. **Storage Lease Grant; Consideration.** For and in consideration of the covenants and agreements made by Lessee in this Storage Lease, and subject to the rights of the lessees under

the Oil and Gas Leases and the conditions and stipulations as set forth below, Lessor leases the Property to Lessee, including any and all Storage Formations located within the Property, for the term, at the rental and royalty, for the uses and purposes set forth below.

4. **Term.** Subject to Section 8 below, this Storage Lease is granted for a primary term commencing on the Effective Date and ending on March 25, 2049 or until Lessee earlier surrenders the Property as provided in Section 16 below or this Storage Lease terminates as provided in Section 17 below. Lessee shall have the option to extend this Storage Lease for a second term of forty (40) years, exercised upon Lessee's written notice to Lessor at least one (1) year prior to the expiration of the primary term that this Storage Lease will be extended for a second term. If, at the end of the second term, Lessee desires to continue this Storage Lease for a third term of forty (40) years, then not less than six (6) months prior to the end of the second term, Lessee shall so notify Lessor. If Lessor is willing to extend this Storage Lease for a third term, the parties shall then enter into good-faith negotiations to determine the rental to be paid and the escalation method to be used under Section 7 below during the third term. Rental for the third term shall be at a fair market rental for property useful for underground Gas storage development, but not taking into account any improvements made by Lessee. Escalation methods for the third term shall be designed to maintain the real value of the rental payments in light of inflation or deflation.

5. **Bonus Payment.** Lessor offered this Storage Lease pursuant to public bidding procedures under ORS 275.294, and awarded this Storage Lease to Lessee based upon Lessee's prevailing bonus payment of \$____.00 per acre of the Property, or \$____,000.00 total, which has been paid. Receipt of the bonus payment is acknowledged by Lessor's execution of this Storage Lease.

6. **Rental.** Rental for each year shall be due and payable on March 26th of each year (each being that year's "Payment Date") while this Storage Lease remains in effect, provided, however, that rental for the partial year commencing on the Effective Date and ending on March 25, 2018 shall be due and payable upon the parties' execution of this Storage Lease. The annual rent, subject to adjustment under Section 7 for each subsequent Payment Date, will be Fourteen Thousand Two Hundred and Twenty-Nine Dollars (\$14,229.00) (being calculated on a basis of \$44.465625 per acre of the Property), but will be prorated for the aforementioned partial year by multiplying said amount by the number of days in such partial year and dividing the product by 365.

7. **Adjustment of Storage Rental and Payments.**

(a) **Annual Adjustments.** The annual rental payments described in Section 6 above shall be adjusted once annually, upward if necessary, as of January 1, with the first such adjustment being made in January of the next year after the year of the Effective Date pursuant to the following formula ("escalation method"):

$$AR = R \times \frac{(NGDP)}{(IGDP)}$$

WHERE: AR = Adjusted Rental to be paid on the Payment Date in the same calendar year as the adjustment date.

- R = Rental paid on the previous Payment Date (but for the first adjustment, rental paid on the Effective Date).
- IGDP = GDP-IPD for the third quarter, second year before the adjustment date.
- NGDP = GDP-IPD for the third quarter, year before the adjustment date.

“GDP-IPD” is the value published for the Gross Domestic Product Implicit Price Deflator by the U.S. Department of Commerce, Bureau of Economic Analysis in the publication *Survey of Current Business* (being on the basis of the year 2000 = 100) in the third month following the end of the applicable quarter. If the base year for GDP-IPD is changed or if publication of the index is discontinued, the parties shall promptly make adjustments or, if necessary, select an appropriate alternative index to achieve the same economic effect.

Following each adjustment, Lessee shall provide to Lessor a written explanation of the adjustment, showing source and value of the indices and the adjustment calculation. The explanation shall be included in a rent transmittal letter substantially the same as attached Exhibit F hereto.

(b) Multi-Year Adjustments. On March 26, 2019 and on each ten- (10-) year anniversary of that date (each a “**Ten-Year Adjustment Date**”), the rental payments under Section 6 above, as adjusted pursuant to Section 7(a), shall be adjusted upward, if necessary, to reflect the same increased percentage as the increased percentage of the average daily Gas prices of the AECO C Index (aka NGX AB-NIT Index), Natural Gas Exchange, for the three- (3-) year period immediately preceding the Ten-Year Adjustment Date. For clarification, that three- (3-) year average as of the Ten-Year Adjustment Date will be compared to the average daily Gas prices of the AECO C Index for the three- (3-) year period immediately preceding March 26, 2009 to determine the percentage change in rental payments. Said three- (3-) year average is reflected on attached Exhibit D and is noted as the three- (3-) year average as of March 26, 2009. Also shown on attached Exhibit D is an example calculation of the multi-year adjustment using hypothetical values for the AECO C Index. If the AECO C Index is no longer available at the time of computation, the closest and most-active Gas market hub index, as agreed to by the parties, shall be used. The AECO C or other data shall be provided to Lessor by Lessee, and to the arbitrator, if necessary, for the purpose of calculating such daily average. On or before each Ten-Year Adjustment Date, Lessee shall pay rental as during the preceding ten- (10) years. Within sixty (60) days after such Ten-Year Adjustment Date, Lessee shall determine the rental adjustment and shall notify Lessor of the adjustment, in writing accompanied by copies of the AECO C Index relied upon and any monies owed, and shall make such adjustment effective as of such Ten-Year Adjustment Date.

If the parties do not agree upon the rental adjustment then the issue shall be subject to binding arbitration under Section 18(b), and pending such resolution (which shall be retroactive) Lessee shall continue paying rental at the existing rate as adjusted by the previous escalation method.

(c) **Special Adjustment.** Should Lessee enter into any agreements to store Gas in any Storage Formation on the Property for any liquefied natural gas (“LNG”) terminal located on the Columbia River or for any related entity, including Lessee, notice of such agreement is to be given to Lessor, in writing, within thirty (30) days of the agreement. Upon commencement of Storage Operations pursuant to such an agreement, any rentals or payment amounts being made under Section 6 (as such rent may have been adjusted under Section 7, if applicable) shall be increased by ten percent (10%) on the next Payment Date immediately following commencement of Storage Operations pursuant to such agreement. For purposes of this Section 7(c), “related entity” means any entity that controls, is controlled by, or is under common control with the owner of such an LNG terminal and “control” means the ability to elect a majority of the directors of the entity or otherwise direct the management of the entity, through contract or otherwise.

Notwithstanding anything to the contrary in this Section 7, the annual rent escalated under this Section 7 shall never be less than the annual rent due for the prior year.

8. Relation to Oil and Gas Leases; Commencement of Operation. Lessee shall not conduct any Storage Operations on any portion of the Leased Lands pursuant to this Storage Lease without the express prior written consent of the lessees under the affected Oil and Gas Leases, until the earlier of the following events outlined in Sections 8(a) and (b) occurs (the “**Working Date**”):

(a) Assignment to or acquisition by Lessee of one hundred percent (100%) of the working interest in the lessees’ rights under the Oil and Gas Leases that pertain to such portion of the Leased Lands.

(b) Termination of the Oil and Gas Leases, either voluntarily or as a result of any uncured default, as to such portion of the Leased Lands.

In accordance with the above, if Lessee acquires by assignment one hundred percent (100%) of the working interest in the lessees’ rights under one or more of the Oil and Gas Leases for any portion of the Property or one or more of the Oil and Gas Leases terminates, either voluntarily or as a result of any uncured default, for any portion of the Property, then the Working Date shall be deemed to have occurred with respect to that portion of the Property. This Storage Lease shall terminate automatically and have no further force and effect, without notice to Lessee, at 11:59 p.m. on the ninetieth (90th) day after the Effective Date unless (i) the Working Date has occurred with respect to all of the Leased Lands or (ii) Lessee under this Storage Lease holds a first option to acquire one hundred percent (100%) of the working interest in the Oil and Gas Leases for storage purposes, insofar as the Oil and Gas Leases pertain to the Property.

If, on the Effective Date, Lessee under this Storage Lease is also the lessee owning one hundred percent (100%) of the working interest in one or more of the Oil and Gas Leases, insofar as those Oil and Gas Leases pertain to any portion of the Property, then the Working Date shall be the same as the Effective Date for that portion of the Property. Lessee acknowledges that the lessees under the Oil and Gas Leases (the “**Oil and Gas lessees**”) may have the right, subject to the laws prohibiting the waste of oil and Gas, in their sole discretion, to completely deplete the Native Oil or Gas in the Storage Formations under the terms of the Oil and Gas Leases, though depletion may decrease the value and capacity of the Storage Formations for the underground storage of natural gas, and that such Oil and Gas lessees have no obligation to enter into any agreement with Lessee. Lessee expressly assumes the risk that Lessee will be unable to obtain an assignment of the Oil and Gas Leases or that the Oil and Gas Leases may not terminate under

their own provisions. Lessee shall promptly provide written notice to Lessor upon assignment of each such Oil and Gas Lease to Lessee.

Notwithstanding anything to the contrary in this Storage Lease or the Oil and Gas Leases, the provisions of the affected Oil and Gas Leases shall have no force and effect as to any Native Oil or Gas, including any Newly Discovered Native Oil or Gas, produced from the Leased Lands by Lessee. Furthermore, with respect to any portion of the Property for which the Working Date has occurred, the provisions of this Storage Lease shall supersede the Oil and Gas Leases and control with respect to any portion of the Property for which the Working Date has occurred.

9. Native Oil or Gas and Newly Discovered Native Oil or Gas.

(a) Lessee shall notify Lessor within sixty (60) days after the date of discovery, as a result of drilling, of Newly Discovered Native Oil or Gas within the Property, whether such Newly Discovered Native Oil or Gas is Economically Recoverable or not. Lessee's obligation to notify Lessor shall apply to Newly Discovered Native Oil or Gas under the Property discovered by the lessees under the Oil and Gas Leases only to the extent that Lessee has access to such information and is not obligated to keep such information confidential under the terms of an agreement with a third party. In the event of said confidentiality obligations, Lessee shall ask that such third party allow Lessee to release said information to Lessor, subject the imposition of reasonable non-disclosure obligations upon Lessor.

(b) Lessee shall pay a royalty on all Native Oil or Gas or Newly Discovered Native Oil or Gas produced by Lessee on the Property, with said royalty to be calculated as provided under Section 10, but in no event shall Lessee be required to make any payment to Lessor with respect to any Gas injected into any Storage Formation.

(c) Subject to royalty payment requirements provided for herein, Lessee may withdraw and dispose of Native Oil or Gas and Newly Discovered Native Oil or Gas at any time after the Working Date has occurred for the applicable portion of the Property and from time to time in Lessee's sole discretion, whether or not Lessee is operating any Storage Formation for underground storage, subject to the provisions of Sections 9, 10, 12 and 15 of this Storage Lease.

(d) Except as provided in this Section 9(d), Lessee may not withdraw Newly Discovered Native Oil or Gas below ten percent (10%) of the original reservoir pressure, as determined by Lessee using standard methods before production of such Newly Discovered Native Oil or Gas begins, or such lower level of pressure as Lessor shall authorize in writing. Lessee shall consult with Lessor when recovery of the Newly Discovered Native Oil or Gas has reached twenty-five percent (25%) of original reservoir pressure or sooner, at Lessee's discretion, and shall at that time submit all available data concerning the reservoir to Lessor to assist Lessor in making an informed decision whether to permit production of the Newly Discovered Native Oil or Gas below ten percent (10%) of original reservoir pressure. Once a reservoir pressure of ten percent (10%) of original reservoir pressure is reached, or such lower production pressure as Lessor may authorize, Lessee shall not produce the reservoir to a lower pressure but may at its option use the reservoir for Storage Operations. Should Lessee elect not to use the reservoir for Storage Operations, Lessor, at its sole discretion, can require Lessee to shut-in or abandon the well once it has reached the final approved reservoir pressure. Newly Discovered Native Oil or Gas existing in a Pool at or below ten percent (10%) of original reservoir pressure (or below such lower production pressure as Lessor may authorize), whichever is lower, shall be deemed to be Gas that is not Economically Recoverable for the purposes of Section 10(c). For clarification, the reservoir pressure limitation discussed in this Section shall not apply to Native Oil or Gas in Pools

that have produced or are producing as of the Effective Date. Further, notwithstanding the ten percent (10%) pressure limitation of this Section 9(d) (or such lower production pressure as Lessor may authorize), if Gas from that reservoir ceases to be Economically Recoverable at a higher reservoir pressure, nothing in this Section 9(d) shall be construed to require Lessee to pay royalty on Gas that is not Economically Recoverable as if it were Economically Recoverable. In the event Gas is deemed to not be Economically Recoverable at a reservoir pressure higher than ten percent (10%) by Lessee, Lessee shall furnish to Lessor all available data to allow Lessor to reach an independent conclusion.

(e) In consideration for the rental payments under this Storage Lease, Lessee shall have no express or implied obligation under this Storage Lease to explore or otherwise drill the Property in search of Native Oil or Gas.

10. Royalty on Native Oil or Gas.

(a) Definitions.

“**WACOG**,” as used in this Section 10, shall mean the weighted average cost of natural gas purchased by Northwest Natural Gas Company (or the “**Company**”) during a calendar year as determined by the Company and reported in the Company’s annual report to shareholders, provided that if the Company does not report such cost in its annual report, then Lessee shall request an attestation form signed by an officer of the Company stating such cost and shall submit such form to Lessor. If Lessee is unable to provide such a form from the Company, then WACOG shall mean the weighted average cost of natural gas sold by the Company during a calendar year as determined by the Company and reported in the Company’s 10-K. For the purposes of this Storage Lease, such average cost of natural gas, however stated, shall be converted to cost per MMBtu.

“**Market Value**,” as used in this Section 10, shall mean WACOG during the calendar year preceding the year in which Lessee pays a royalty on a given quantity of Native Oil or Gas.

“**Native Oil or Gas**,” as used in this Section 10 only, shall mean Native Oil or Gas as defined in Section 2(e) and/or Newly Discovered Native Oil or Gas.

(b) Native Oil or Gas Produced. Lessee shall pay to Lessor a royalty for any Economically Recoverable Native Oil or Gas produced from the Property, including Newly Discovered Native Oil or Gas, as follows:

i. On Gas produced and sold by Lessee (not including Native Oil or Gas used in exploration or production operations on the Property or Gas unavoidably lost), Lessee shall pay Lessor, as royalty, twenty percent (20%) of Market Value;

ii. On Gas produced and used by Lessee to run its Storage Operations or other operations not related to the production and sale of such Gas, twenty percent (20%) of Market Value; and

iii. On oil, Lessee shall pay Lessor, as royalty, on all oil produced and removed from the Property, after making customary adjustments for temperature, water and specific gravity, twenty percent (20%) of the posted available market price, calculated at the well, of oil of

like gravity and quality on the day the oil is so removed. If there is no posted market price in the area, then Lessee shall pay Lessor twenty percent (20%) of the proceeds from such oil calculated at the well, with no deductions.

(c) Native Oil or Gas Not Produced. Lessee may deem it undesirable to produce Native Oil or Gas from a Storage Formation because Lessee desires to utilize the Storage Formation containing that Gas for the underground storage of Gas. In that event, Lessee may elect to cease production at any time, or elect not to produce Native Oil or Gas. Lessee shall provide Lessor written notice of such election within thirty (30) days after the decision is made. Lessee shall pay to Lessor a royalty of twenty percent (20%) of the Market Value (as calculated under Section 10(a) above) for the Economically Recoverable Native Oil or Gas remaining within the specific Storage Formation, as of the date production ceases, or as of the date Lessee notifies Lessor that it has elected not to produce the Native Oil or Gas, whichever event occurs first. In addition, a bonus of ten percent (10%) of the Market Value of the Economically Recoverable Native Oil or Gas shall be added to the amount of royalty to compensate for the potential future use of any Native Oil or Gas in the same Pool that is not Economically Recoverable. Payment of royalty under this Section 10(c) shall be based on a written estimate of the Economically Recoverable Native Oil or Gas prepared according to generally accepted engineering and geological methods used by the petroleum industry (the "**Written Estimate**"). The Written Estimate shall be based upon the terms and conditions of this Storage Lease, including without limitation all paragraphs of this Section 10, along with reasonable production schedule and market value assumptions.

(d) Deductions. Lessee shall pay or cause to be paid royalties due under this Storage Lease after deduction for the actual costs of transportation, compression, dehydration and processing the oil, Gas or other products under this Storage Lease, which shall be documented to Lessor's satisfaction. The actual cost of transportation, compression, dehydration and processing assigned to the wells producing such Gas (regardless of the volume of Gas produced by such wells) shall not increase by more than three percent (3%) in any calendar year. For each well within the Property under production by Lessee as of the Effective Date, the base shall be the monthly costs assigned to such well as of January 1, 2017, which is shown on attached Exhibit E. For a new well drilled by Lessee during the term of this Storage Lease, the base shall be the average monthly costs assigned to such well during the calendar year after it commences commercial production. For an existing well acquired by Lessee during the term of this Storage Lease, the base shall be the costs assigned to such well during the calendar year after Lessee acquired the well.

(e) Agreement on Economically Recoverable Native Oil or Gas. After Lessee notifies Lessor that it will cease production of Native Oil or Gas, or Lessee notifies Lessor of Newly Discovered Native Oil or Gas and that it has elected not to produce the Newly Discovered Native Oil or Gas, the parties shall negotiate in good faith for a period of six (6) months to resolve disagreements, if any, relative to the Written Estimate of Economically Recoverable Native Oil or Gas provided to Lessor under Section 10(c) herein. The six- (6-) month period shall begin on the date Lessee delivers the Written Estimate to Lessor. If the parties cannot reach agreement after six (6) months, then unless the time for negotiation is extended in writing, executed by both parties, any disagreement between Lessor and Lessee concerning the existence of or quantity of Economically Recoverable Native Oil or Gas within the Property shall be resolved by binding arbitration as provided in Section 18(a). Interest shall run on the royalty from the date the amount is agreed upon by the parties or determined by the arbitrator until paid, at the rate specified in Section 12.

(f) Spacing Units. For the purpose of computing royalties on Native Oil or Gas produced or left in a Storage Formation under Sections 10(b) and (c) above, Gas produced, or the quantities of Economically Recoverable Native Oil or Gas Lessee elects not to produce, shall be allocated among the owners of the oil and Gas interests in the spacing unit for each well in proportion to the number of acres within such spacing unit attributable to each owner compared to the total number of acres in such spacing unit, after deducting any Gas actually used for production operations within such spacing unit (but without deduction for Gas used in Storage Operations). Spacing units shall be as established pursuant to ORS 520.210 and applicable regulations.

11. Inspection and Reporting.

(a) Lessor, at all reasonable times at its sole risk and expense, may inspect the Property and the work done and in progress on the Property. Lessor shall give reasonable notice to Lessee of its intent to inspect the Property so as not to interfere unreasonably with Lessee's operations.

(b) Lessee shall furnish copies of logs of all wells drilled by Lessee on the Property and all required information described below within thirty (30) days of acquisition.

(c) In addition, Lessor has the right to review all data developed or acquired by Lessee, subject to third-party confidentiality agreements, including geological, geophysical, drilling and completion records, and related reports, but not Lessee's interpretational studies of such data, to aid in the determination of existing Native Oil or Gas and Newly Discovered Native Oil or Gas and additional Native Oil or Gas development.

(d) Lessor agrees that the information outlined in Sections 11(b) and (c), and related information, will be submitted in confidence and is the proprietary information of Lessee, and shall be considered confidential. Lessor acknowledges that such information would not otherwise be required by law to be submitted to Lessor if not required under this Storage Lease. Lessor therefore obligates itself in good faith under ORS 192.501(2) and/or 192.502(4), to the extent permitted by law, not to disclose such well logs and other data.

(e) Lessor agrees that any information submitted by Lessee under Section 11(c) above shall be submitted directly to Lessor's consultant under the confidentiality agreement, as amended, in place on the Effective Date and as hereafter amended. Lessor shall have no proprietary interest in such data.

12. Payment; Late Payment. All payments required to be made by Lessee under this Storage Lease may be made by check issued and payable to Lessor and may be delivered by mail to Lessor at the address provided pursuant to Section 19 below. Payments of royalty pursuant to Section 10(b) above shall be made on or before the last day of the month following the month in which Native Oil or Gas or Newly Discovered Native Oil or Gas is produced. Payments of royalty and bonus pursuant to Section 10(c) above shall be made within ten (10) days of the parties' agreement on the quantity of Economically Recoverable Native Oil or Gas as provided for in Section 10(e). In the event Lessee shall make payment of money due under this Storage Lease later than the due dates provided, Lessee shall pay Lessor interest upon such sums at the annual rate of ten percent (10%) simple interest from the due date until paid.

13. Assignment. Lessee shall not assign or otherwise transfer this Storage Lease, or any working interest in this Storage Lease, without first obtaining the written approval of Lessor, which

approval shall not be unreasonably withheld. Lessee's request for written approval shall advise Lessor of the effective date of the proposed assignment. No such assignment shall be valid until Lessee complies with this Section 13 and Lessor has approved of such assignment. Notwithstanding the above, Lessee may assign or otherwise transfer this Storage Lease, or any working interest in this Storage Lease, to a wholly owned subsidiary without the written approval of Lessor. However, any assignment, whether to a wholly owned subsidiary of Lessee or otherwise, shall not relieve Lessee from any obligation under this Storage Lease, provided that in the event of such assignment, Lessee shall remain fully liable for all obligations under this Storage Lease should such assignee's failure to meet all obligations under this Storage Lease result in uncompensated loss to Lessor. Lessor shall seek recovery or performance from the assignee before proceeding against Lessee.

14. Default; Cancellation.

(a) In the event Lessee defaults in making any royalty or rental payment in a timely and accurate manner under this Storage Lease ("**Payment Default**"), Lessor may serve a written demand on Lessee for payment. If Lessor determines to make such a demand, it shall serve the demand on Lessee either by personal service or by certified or registered mail. Lessee shall pay to Lessor any and all undisputed amounts within ten (10) days of receipt of the notice of Payment Default. Any and all disputed amounts shall be deposited in an escrow account within such ten- (10-) day period, the resolution of said dispute and the release of said escrow funds being subject to binding arbitration under Section 18(b). However, Lessor may cancel this Storage Lease upon ten (10) days' written notice to Lessee if (1) Lessee does not pay Lessor such undisputed amounts within thirty (30) days after the date Lessor sends Lessee the written demand for payment or (2) Lessee fails to pay all amounts determined to be owed, together with any interest accrued in the escrow account, within thirty (30) days after the final determination of the arbitrators.

(b) In the event Lessee shall default in the performance or observance of any of the terms, covenants and stipulations of this Storage Lease other than the obligation to make payments ("**Performance Default**"), Lessor shall serve notice of such failure or default either by personal service or by certified or registered mail upon Lessee. Subject to Section 14(c) below, if Lessee shall not correct such Performance Default within sixty (60) days after its receipt of such notice, or if such Performance Default cannot be cured during such sixty- (60-) day period and Lessee shall fail within such period to commence and diligently thereafter pursue such cure, Lessor shall have the right to cancel this Storage Lease upon ten (10) days' written notice to Lessee, provided that if such cancellation occurs after the Working Date, Lessee shall have the right to continue operations so long as it is reasonably necessary to remove all oil and Gas in the Storage Formations and to remove Lessee's fixtures and personal property from the Property, subject to the right of Lessor to receive payment for Native Oil or Gas or Newly Discovered Native Oil or Gas as provided under Section 10 above.

(c) If Lessee disputes the existence of a Performance Default, Lessee may give written notice of such dispute to Lessor within the sixty- (60-) day period, and in such event, the parties shall refer the dispute to an arbitrator pursuant to Section 18 below; provided, however, that nothing in this Storage Lease shall limit the rights of either party to seek injunctive relief in any court of competent jurisdiction in Oregon. Unless ordered otherwise by a court, Lessee shall be entitled to continue all operations on the Property during the pendency of any arbitration, whether relating to a Payment Default or Performance Default. Lessee shall be obligated to continue to make payments required under this Storage Lease during the pendency of any arbitration. If the arbitrators find that the default alleged in Lessor's notice occurred, Lessee shall

have sixty (60) days after entry of the final decision of the arbitrators to begin good-faith curative action.

(d) A waiver of any particular default by Lessor shall not prevent the assertion of a default by Lessor for any other default.

(e) The parties acknowledge that Lessee may expend substantial sums in development of underground storage facilities on the Property. This Storage Lease shall not be cancelled with respect to any partially or fully developed underground storage facility and the portions of the Property used or useful in connection with such facilities if either a Payment Default or a Performance Default is disputed and subjected to arbitration, if any default determined to exist by the arbitrators is timely cured as provided in Sections 14(a) and (c) above and Lessee timely pays any money damages deriving from Lessee's default within sixty (60) days after such damages are determined or adjudicated.

15. Withdrawal. If Lessee determines not to construct an underground storage facility using a particular Storage Formation subject to this Storage Lease or Lessee determines to cease using an underground storage facility that has been constructed using such Storage Formation, Lessee shall have the right to withdraw all Gas remaining in such Storage Formation without any payment to Lessor for such withdrawn substances; provided that Lessee shall pay a royalty on any Native Oil or Gas and Newly Discovered Oil or Gas for which the royalty was not previously paid under Section 10 of this Storage Lease. If Lessee has ceased all Storage Operations on the Property and wishes to surrender this Storage Lease under Section 16 below, or if this Storage Lease terminates for any other reason, Lessee may nonetheless continue this Storage Lease for so long as necessary to complete such withdrawal, not to exceed one (1) year. However, except as provided in Section 9(d), once Lessee has produced such Gas down to ten percent (10%) of original reservoir pressure (assuming the Storage Formation can be produced to that pressure before the existing well(s) ceases production), Lessee shall abandon such facility and Lessor shall succeed to ownership of all remaining Gas in such Storage Formation.

16. Surrender; Delivery. Lessee may at any time file with Lessor a written notice of intent to surrender all of its rights under this Storage Lease. Any such surrender shall be a full surrender of all rights under this Storage Lease. Notice of intent to surrender must be provided at least six (6) months in advance of the date on which Lessee intends the surrender to take effect. During such time, Lessee is subject to the obligation to place all wells on the Property in condition for suspension or abandonment in accordance with the applicable Storage Lease terms, regulations and laws and to pay all rentals and/or royalties that have accrued at the time of the written notice of intent to surrender and all rents and/or royalties that accrue during the time it takes Lessee to suspend or abandon wells and to remove its equipment and debris and the Property is actually surrendered. After such time that Lessee has completed these obligations, Lessee shall provide Lessor written notice of surrender. The notice of surrender shall be effective as of the date of its filing and delivery to Lessor subject only to the continuing obligation of Lessee to pay all rentals and/or royalties previously accrued. No such surrender shall release Lessee or its surety from liability for breach of any monetary obligation under this Storage Lease with respect to which Lessee is in default at the time of the filing of such surrender, nor shall such surrender relieve Lessee or its surety of Lessee's liability for damage as provided in this Storage Lease, including damages arising from Lessee's failure to comply with applicable laws. On the surrender, expiration or earlier termination or cancellation of this Storage Lease, Lessee shall quietly surrender possession to Lessor and file for record a quitclaim deed in the Columbia County Clerk's Office.

17. Termination, Cancellation, Expiration and Abandonment; Delivery. Termination, cancellation or expiration of this Storage Lease, or abandonment of the Property by Lessee, shall not release Lessee from the continuing obligation to pay all rentals and royalties theretofore accrued and to place all wells on the Property or in the formations, zones or horizons within the Property in condition for suspension or abandonment in accordance with the applicable Storage Lease terms, regulations and laws. Lessee shall remove its equipment and debris that it has generated immediately upon termination, expiration or abandonment, except as provided in this Storage Lease. Lessee or its surety shall not be released from (a) liability for breach of any monetary obligation under this Storage Lease, with respect to which Lessee is in default at the time of termination, cancellation, expiration or abandonment, or thereafter; (b) liability for damage as provided in this Storage Lease; or (c) the requirement to plug and abandon any wells on the Property in accordance with the rules, regulations or orders of the Oregon Department of Geology and Mineral Industries then in effect. Upon the termination, cancellation, expiration or abandonment of this Storage Lease, Lessee shall quietly surrender possession to Lessor and shall record a quitclaim deed in the Columbia County Clerk's Office.

18. Arbitration.

(a) Arbitration of Oil and Gas Reserve Issues. For the purposes of computing royalties under Section 10 above, if Lessor and Lessee disagree concerning the proven quantities of Native Oil or Gas or Newly Discovered Native Oil or Gas remaining in any Storage Formation or the estimated production schedule for such recoverable reserves, the matter shall be submitted to an oil and Gas consultant agreed upon by both parties. Either party may give written notice to the other party stating the claim(s) to be arbitrated ("**Initial Notice**"). The consultant's determination shall be final and binding upon the parties. The parties shall share equally all costs and expenses of the consultant. If the parties cannot agree on a consultant within ten (10) days of Initial Notice, the question may be submitted to the Oregon Department of Geology and Mineral Industries, and within fourteen (14) days the State Geologist shall select the consultant, who may be one of the consultants nominated by the parties or a third party. Unless the parties agree otherwise, the consultant shall conduct the arbitration no later than sixty (60) days after the date of the Initial Notice. Lessee shall provide to Lessor all data developed or acquired by Lessee, including geological, geophysical, and drilling and completion records; prepared mapping; graphs; tables; charts; documents; and all related papers, presentations or reports used in the determination of Native Oil and Gas or Newly Discovered Native Oil or Gas or reservoir boundary locations that is to be presented in the above arbitration proceeding in no less than thirty (30) days prior to the date of arbitration. Lessor agrees that all information proprietary to Lessee submitted in the course of the arbitration shall be submitted in confidence and subject to the same limitations as provided with respect to data under Section 11. Lessor therefore obligates itself in good faith to the extent permitted under the public records disclosure laws not to disclose any such confidential proprietary information.

(b) Arbitration of Other Disputes. Any dispute arising under this Storage Lease not otherwise covered by the terms of Section 18(a) above shall be resolved by arbitration pursuant to the provisions of the Uniform Arbitration Act, ORS 36.600 to 36.740, or any other applicable arbitration statute subsequently adopted by the Oregon legislature. The arbitration shall not be conducted by the American Arbitration Association unless the parties otherwise agree. Either party may give Initial Notice. An arbitrator shall be selected by agreement of the parties. If the parties are unable to agree on a single arbitrator within ten (10) days of receipt of the Initial Notice, each party shall name an arbitrator and the two (2) arbitrators so named shall promptly choose a third. The arbitrators selected to act shall be qualified by education and training to pass upon the particular question in dispute. Unless the parties agree otherwise, the arbitrator shall conduct a

hearing no later than sixty (60) days after the date of the Initial Notice. The arbitrator(s) shall make an award or decision within thirty (30) days after the hearing. Each party shall bear the expense of prosecuting its own case. The costs and fees of the arbitrator shall be shared equally by the parties; provided, however, if three (3) arbitrators are selected, each party shall pay the costs and fees of the arbitrator selected by that party. Pending the resolution of the dispute, the parties shall continue to perform their obligations under this Storage Lease, including the payment by Lessee of moneys due. Nothing in this Section 18 shall limit the rights of either party to seek injunctive relief in any court of competent jurisdiction in Oregon.

19. Notice. Any notice to be given by either party to the other, any payment or any required instrument may be delivered in person or by registered or certified mail, postage prepaid, addressed to the party for whom intended as follows:

LESSOR

LESSEE

Board of County Commissioners
c/o Office of County Counsel
Columbia County Courthouse
230 Strand, Room 318
St. Helens, OR 97051

Either party may from time to time, by written notice to the other, designate a different address that shall be substituted for the one above specified. All notices required or permitted under this Storage Lease shall be effective on receipt.

20. Conformity to Law.

(a) Lessee shall comply with all state, federal and local laws, ordinances and orders, and with the rules, regulations and orders of any federal, state or other government agency having jurisdiction with respect to the spacing, drilling or producing of wells, and other operations on the Property. Lessee's duties under this Section 20(a) include, but are not limited to, compliance with state and federal laws, regulations governing fair employment practices, and all state, federal and local environmental, land use and zoning laws. The term "environmental laws" shall mean any federal, state or local statute, regulation, code, rule, ordinance, order, judgment, decree, injunction or common law of nuisance pertaining in any way to the protection of human health or the environment, including without limitation the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Toxic Substances Control Act; and any similar or comparable state or local law.

(b) If there should be any conflict between the laws referenced in Section 20(a) and the provisions of this Storage Lease, such laws, rules, regulations and orders shall modify or supersede, as the case may be, the relevant provisions of this Storage Lease.

(c) Lessee may challenge the validity or application of any laws, rules or regulations, but no such challenge shall relieve Lessee of its obligation to comply with all laws, rules and regulations during the time it is challenging their validity or application, unless the challenged authority agrees no compliance is needed pending the final adjudication as to the validity or application of said laws, rules or regulations. Lessee shall comply with such laws if they are held valid as a result of such adjudication. If and to the extent that Lessee's operations under this Storage Lease violate applicable local, state or federal laws and regulations, Lessee shall defend and hold harmless Lessor from any penalties or damages arising from such violations. Lessee

shall notify Lessor in writing of instances where Lessee has been found in violation of regulations or laws applicable to Lessee's operations under this Storage Lease, with said notification to include (unless Lessee is challenging the validity or application of said regulations or laws and the challenged authority has agreed that no compliance is needed pending final adjudication) a description of actions that Lessee has taken or will take to correct the violation (if correctable) and prevent future similar violations. However, provided that Lessee corrects such violations (if correctable) and takes reasonable steps to prevent future similar violations within the time limits for curing defaults specified in Sections 14(b) and (c), such violations shall not be grounds for Lessor to terminate this Storage Lease under Sections 14(b) or (c).

21. Use of the Property.

(a) The Property is to be used by Lessee for the operation of underground storage reservoirs and production of Native Oil and Gas and Newly Discovered Oil and Gas, and Lessor grants to Lessee the exclusive right to use the Property for the following purposes, all as a part of and in connection with a project for the storage of Gas to be conducted on and under said land:

i. To explore for, establish and operate one or more storage reservoirs and projects under and on the Property by introduction and injection of Gas, through wells located on the Property or nearby lands, in any Storage Formation at a depth of not less than five hundred (500) feet from the surface. Lessee's rights under this Storage Lease may be exercised in conjunction with Storage Operations on other lands in the same vicinity, including without limitation for the unified operation of a Storage Formation lying partially under lands owned by third parties.

ii. To store Gas in any Storage Formation and to retain the possession of Gas so stored as personal property, and the further right, privilege and easement to conduct geological, geochemical and geophysical operations on the surface and subsurface of the Property in preparation for and in connection with such Storage Operations.

iii. To drill, install, maintain, renew, use, operate or abandon such wells, pipelines, roadways and other facilities and appurtenances as Lessee may deem necessary for its Storage Operations. The right to drill new wells includes the right to drill new wells to any desired depth within the limits of the Property, subject to the limitation above that Lessee may not develop any Underground Reservoir shallower than five hundred (500) feet in depth. Lessee shall not, without the prior written consent of Lessor, drill any well closer than three hundred (300) feet from any building standing on the Property.

iv. To install water lines, Gas lines, underground electric power lines, pipelines, communications lines, roads and such other facilities as Lessee deems necessary on the Property under the terms and conditions set forth in this Storage Lease subject to the rights of the owner of the surface of the Property.

v. To remove waters from the Storage Formations on the Property for the purpose of operating or testing the Storage Formations, provided that Lessee shall not inject water into Pools. Nothing in this Storage Lease shall authorize Lessee to use any wells or underground facilities on the Property for the purpose of injection or disposal of salt water or non-hydrocarbon fluids without written consent of Lessor.

vi. To remove all equipment, fixtures and personal property placed on the Property by Lessee, including well casing.

vii. To produce Native Oil or Gas and Newly Discovered Native Oil or Gas, whether or not the subject Underground Reservoirs are used for Storage Operations, subject to the obligations to pay royalties and other limitations set forth in this Storage Lease.

(b) Without limitation to the foregoing exclusive right, privilege and easement to use the Property, Lessee agrees:

i. To conduct all operations authorized by this Storage Lease with due regard for good land management and according to reasonable and prudent standards of operation; to reasonably accommodate existing surface uses; to avoid unnecessary damage to improvements, roads, crops or other cover; unless authorized by the surface owner, not to drill or otherwise disturb the surface of the Property within three hundred (300) feet of any building standing on the Property; to fence or fill all sump holes, ditches and other excavations resulting from Lessee's operations; to remove all debris, and so far as reasonably possible, restore the surface of the Property to its former condition, unless otherwise agreed to by the surface owner, including the removal of structures as and if required; and to bury all pipelines at least forty-eight (48) inches below the ground unless otherwise allowed by the surface owner.

ii. To do all acts reasonably in its powers to prevent and suppress forest, brush and grass fires on the Property and to require its employees, contractors, subcontractors and employees of contractors and subcontractors to do likewise.

22. Information Sharing. Following a written request from Lessor, Lessee shall meet with such persons designated by Lessor to administer its oil and gas resources, in order to advise Lessor's designees of Lessee's operations on the Property and its then-current plans for future operations on the Property. Lessee shall have no obligation under this Section 22 to meet with Lessor's designees more than once per calendar year, provided, however, that Lessee shall, upon Lessor's request, meet in connection with the submission of an application for a conditional use permit for an injection/withdrawal well on the Property. Information disclosed by Lessee at any such meeting shall be subject to the confidentiality agreement between the parties.

23. Title. Lessor makes no representation or warranty whatsoever with respect to its title to the Property, and Lessee shall be solely responsible for satisfying itself with respect to the ownership of such premises. If Lessor owns less than the whole of the mineral rights in the Property, the rentals and royalties accruing under this Storage Lease shall be proportionately reduced. Lessee agrees to indemnify and hold harmless Lessor and its officers, employees, commissioners, contractors and agents for any claim or cause of action brought by any other party claiming by, through or under Lessee, arising out of the wrongful or erroneous payment of any royalty, rental, bonus bid or other payment under this Storage Lease. If at any time persons other than Lessor, and other than persons claiming by, through and under Lessee, claim to be entitled to any royalty, rental, bonus bid or other payment under this Storage Lease by virtue of a claim of title to the mineral estate in Property or otherwise, then upon receiving notice of such claim, Lessee may suspend payment of the disputed amounts to Lessor and may deposit such amounts into an interest-bearing account pending resolution of the dispute. Timely payment of any amount into such account shall have the same effect as if such amount had been timely paid to Lessor. Lessee shall not bear any costs or expenses of resolving such third-party claim(s) to the payments under this Storage Lease. However, if a third party is determined to be entitled to all or part of the payments to be made by Lessee, Lessee shall not be entitled to reimbursement by Lessor for any prior payments made to Lessor.

24. Taxes. Lessee shall pay all federal, state, county and local taxes levied upon or assessed against its improvements, fixtures and personal property on the Property, including any Gas stored in the Storage Formations by Lessee and any other tax, assessment or license now or hereafter levied or imposed, measured by the quantity or value of Gas produced from the Property and any other ad valorem taxes or assessments the levy of which was made possible by the execution of this Storage Lease. Lessee may deduct any tax enacted by Lessor, acting in its legislative capacity, if such tax is created by any ordinance taking effect after the Effective Date.

25. General and Motor Vehicle Insurance.

(a) Prior to the Working Date, Lessee and its agents and subcontractors shall obtain, and at all times during this Storage Lease keep in effect, general liability insurance covering all classes of work to be done and motor vehicle public liability and property damage insurance on all motor vehicles and equipment used in any of their operations under this Storage Lease. Lessee shall furnish evidence of such insurance to Lessor prior to the Working Date. Liability insurance shall not be less than the following amounts:

i. Commercial general liability coverage of not less than Five Million Dollars (\$5,000,000) combined single limit per occurrence for bodily injury and property damage, including contractual liability covering Lessee's duty of indemnification under this Storage Lease; and

ii. Motor vehicle public liability and property damage coverage of not less than Five Million Dollars (\$5,000,000) combined single limit per occurrence for bodily injury and property damage.

(b) Lessor and its officers, agents and employees shall be named as additional insureds on all insurance coverage obtained under this Storage Lease. Any insurance policy obtained by Lessee under the terms of this Storage Lease shall contain a binder or other certification to Lessor showing that Lessor will receive a minimum of thirty (30) days' notification of any material modification, non-renewal or termination of coverage.

(c) Lessee shall provide Lessor with a certificate or certificates of insurance in the amounts described above within thirty (30) days of the Effective Date. Said certificate(s) shall be accompanied by an additional insured endorsement.

(d) Lessor may waive the insurance coverage required under this Section 25 after Lessee has satisfactorily demonstrated to Lessor that it has and maintains adequate self-insurance in a manner acceptable to Lessor. Lessee self-insurance consisting of a self-insured retention of the first Five Hundred Thousand Dollars (\$500,000) of a claim after which Lessee's excess liability coverage applies is adequate and acceptable, and Lessor shall waive the insurance coverage required under this Section 25 so long as Lessee maintains such self-insurance with excess liability coverage of not less than Ten Million Dollars (\$10,000,000) naming Lessor and its officers, agents and employees as additional insureds.

26. Protection from Liens. Lessee, at its own cost and expense, shall pay for all labor performed and materials furnished in the operations of Lessee under this Storage Lease, and Lessor shall not be chargeable with, or liable for, any part of such costs. Lessee shall protect the Property from liens of every character, including mortgages, arising from its operations. However, the obligation to protect the Property from liens shall not prevent Lessee from encumbering its leasehold estate.

27. Force Majeure.

(a) This Storage Lease shall not expire or be terminated or cancelled in whole or in part, nor shall either party be deemed to be in default in the performance of any of the obligations under this Storage Lease (other than the obligation to make payments when due), as a result of any failure of the party to commence or conduct any operations on the Property or otherwise perform its obligations under this Storage Lease while and so long as the party is prevented from such performance by act of God, accident, strike, lockout, operation of law, action of the elements or any other event, whether similar or dissimilar to the preceding list and whether foreseen, foreseeable or unforeseeable, that is beyond the reasonable control of the party claiming force majeure and does not result from the negligence of such party, or while and so long as such operations would be in violation of or in conflict with any law, ordinance, order, rule or regulation of any governmental (civil or military) agency or authority, including all governing bodies claiming jurisdiction over the issuance of permits.

(b) A party claiming the occurrence of a force majeure as described in Section 27(a) shall notify the other party in writing within ten (10) days of the commencement of the occurrence or as soon as practicable thereafter.

(c) This Storage Lease, and any deadline for performance imposed by this Storage Lease, except the obligation to make payments, shall be extended so long as the party affected by force majeure is prevented from performing by any such cause, and the affected party shall have a reasonable time after any such cause, law, ordinance, order, rule or regulation terminates, or the requisite permit issues, within which to commence or resume such operations or to perform such other obligations. Notwithstanding any provision of this Storage Lease to the contrary, the time while the affected party is so prevented shall not be counted against such party for any purpose.

(d) Nothing in this Section 27 shall be construed to relieve Lessee of its obligations to protect against undue waste, damage or injury.

28. Indemnity. Lessee shall defend, protect, indemnify and save Lessor and its officers, employees, commissioners, contractors and agents harmless from and against any and all liability, claims, demands, losses, damages, costs and causes of action, and all associated expenses, including reasonable attorneys' fees, of any kind and character arising in favor of any person, including Lessor and its officers, employees, commissioners, contractors and agents, on account of personal injuries or death, damage to property, or any other loss caused by or resulting directly or indirectly from the work to be performed by Lessee under this Storage Lease, and particularly, but not by way of limitation, against any loss (other than loss of rent) or damage caused by fire, blowout, explosions or accidents of any kind, whether caused by the withdrawal, injection, transportation or disposal of water or Gas from the Property or due to the imperfection of any material furnished to Lessee or any other cause. Lessee shall not be liable for damages to the extent due to the negligence or willful misconduct of Lessor or its officers, agents, commissioners, contractors or employees. Notwithstanding any other provision of this Storage Lease, Lessee shall not be liable for any physical changes, including deterioration, to any Storage Formation arising out of Lessee's use of such formation either to produce Native Oil or Gas or injected Gas or for Gas storage.

29. Hazardous Substances. Lessee shall take steps to minimize the types and quantity of hazardous substances that are brought upon the Property. Lessee shall not dispose of, release or treat any hazardous substances on the Property. Lessee shall defend, indemnify and hold

harmless Lessor and its officers, employees, commissioners, contractors and agents from and against any liability, claim, demand or cause of action, and all associated expenses, including reasonable attorneys' fees, of any kind and character, arising out of the handling, transportation, storage, discharge, release or disposal by Lessee or its agents and contractors, of hazardous substances on the Property. As used in this Section 29, "hazardous substance" shall mean any solid or hazardous waste, hazardous substance, pollutant, contaminant, commercial product or other substance, material or waste, the generation, handling, storage, treatment or disposal of which, as of the Effective Date, is (i) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 USC § 1251, et seq. (33 USC § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 USC § 1317); (ii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 USC § 6901, et seq. (42 USC § 6903); or (iii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 USC § 9601, et seq. (42 USC § 9601).

30. Successors in Interest. This Storage Lease shall be binding upon and shall inure to the benefit of the parties and their respective successors, heirs and assigns.

31. Reservations. To the extent that Lessor owns mineral rights in the strata underlying the Property, Lessor expressly reserves the right to sell, lease or otherwise dispose of any interest in such mineral rights underneath the Property, subject to the rights granted in this Storage Lease. This includes the rights to ingress and egress for exploration, pipeline access, and all necessary activities to explore and to produce existing and remaining Native Oil and Gas from strata beneath the Property, subject to the operational restrictions in this Section 31. Any drilling or other operations to explore for or recover Native Oil or Gas or other minerals from strata beneath the Property shall be by means of directional drilling from other lands. Such drilling shall be conducted such that the drill bit does not pass through the Property without the prior written consent of Lessee, which consent may be denied in Lessee's discretion. Lessor reserves the right to grant to third parties seismic, geophysical and geological permits and to enter into other agreements with third parties, which permits or agreements shall allow such third parties to conduct geophysical, geological or seismic surveys (other than drilling) on the surface of the Property, provided such surveys do not interfere with Lessee's Storage Operations on, over, under, through and across the surface of the Property and strata beneath the Property during the term of this Storage Lease. No change or division in ownership of Lessor's rights in the Property shall be binding on Lessee for purpose of payments and notices until thirty (30) days after Lessor has delivered to Lessee a certified copy of the recorded instrument or instruments evidencing such change in ownership.

32. Entire Agreement. This Storage Lease, including the attached Exhibits A, B, C, D, E and F, contains the entire agreement of the parties with respect to the Property. There are no other conditions, agreements, representations, warranties or understandings, express or implied.

33. Rule Against Perpetuities. If any provision of this Storage Lease would violate the rule against perpetuities or some analogous statutory provision, or any other statutory or common law rule imposing time limits, then such provision shall continue only until twenty-one (21) years, less one (1) day, after the death of the last survivor of the individuals executing this Storage Lease.

34. Compliance with Public Contract Requirements. ORS Sections 279B.220, 279B.230 and 279B.235, which apply to public contracts, are incorporated by reference as part of this Storage Lease. Lessee agrees to comply with the requirements of ORS 279B.220, 279B.230 and

279B.235 and any other statutes or public contract laws in effect or adopted or amended after the Effective Date, to the extent such requirements are applicable to this Storage Lease.

35. Right to Modify Storage Lease. The parties reserve the right to enter into such written modifications of this Storage Lease, whether deemed material or immaterial, as may be entered into by Lessor and Lessee during the term of this Storage Lease pursuant to written modification agreements executed by both Lessor and Lessee. Such modifications may include, without limitation, changes to the amount of rentals or royalties or changes in the term or other provisions as deemed necessary to adjust this Storage Lease to changes in the economics of Gas Storage Operations or to otherwise accommodate the parties to this Storage Lease.

36. Attorneys' Fees. If any suit or action is filed or arbitration commenced by any party to enforce this Storage Lease or otherwise with respect to the subject matter of this Storage Lease, each party shall pay its own attorneys' fees incurred in investigation of related matters and in preparation for and prosecution of such suit, action or arbitration.

37. Governing Law. This Storage Lease shall be construed and enforced in accordance with the laws of the State of Oregon. Venue for any judicial action allowed under Section 18 shall be in a court of competent jurisdiction in Columbia County or Multnomah County, Oregon.

38. Further Action. The parties agree, so long as authorized by applicable law to do so, to execute and deliver all documents, provide all information, and take or forbear from all action as may be necessary or appropriate to achieve the purposes of this Storage Lease, including without limitation promptly after the Effective Date executing a memorandum of this Storage Lease and recording such memorandum in the official records of Columbia County, Oregon.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Storage Lease to be executed in duplicate as of the Effective Date.

LESSOR

LESSEE

**BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON**

By: _____
Chair

By: _____

By: _____
Commissioner

Title: _____

By: _____
Commissioner

STATE OF OREGON)
)ss.
COUNTY OF COLUMBIA)

This instrument was acknowledged before me on _____, 2017, by Henry Heimuller, Chair, Margaret Magruder, Commissioner, and Alex Tardif, Commissioner, as the free act and deed of said Columbia County, a political subdivision of the State of Oregon, by and through its Board of County Commissioners.

Notary Public - State of Oregon

STATE OF OREGON)
)ss.
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2017, by _____, _____ of _____, a _____ corporation, on its behalf.

Notary Public - State of Oregon

EXHIBIT A

TO UNDERGROUND GAS STORAGE LEASE –
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE

LEGAL DESCRIPTION OF THE PROPERTY

The Property consists of the following lands located in Columbia County, Oregon:

Township 7 North, Range 5 West of the Willamette Meridian

Section 35: SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ [320 acres]

all from 100 feet above the top to 100 feet below the base of the Clark and Wilson Sands or the stratigraphic equivalent of those sands as measured to a depth of 1330 to 2011 feet in Columbia County well 23-22. For purposes of calculating the lease rental, the parties stipulate that the number of acres equals 320.

EXHIBIT B

TO UNDERGROUND GAS STORAGE LEASE –
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE

OIL AND GAS LEASES WITH RESPECT TO ALL OR PART OF THE PROPERTY

1. That certain Oil, Gas and Mineral Lease dated April 9, 1975 and memorialized by short form lease recorded April 19, 1977 in Book 211, Page 132, Deed Records of Columbia County, Oregon (commonly referenced as the "Pit 16 Lease").
2. That certain Oil and Gas Lease dated December 4, 1997 and memorialized by an instrument recorded March 30, 1998 as Doc. No. 1998-08658 in the official records of Columbia County, Oregon.
3. That certain Oil and Gas Lease dated March 26, 2009 and memorialized by an instrument recorded March 26, 2009 as Doc. No. 2009-004020 in the official records of Columbia County, Oregon.

For purposes of Section 8 of this Storage Lease, the second and third Oil and Gas Leases described above shall be deemed to be one Oil and Gas Lease.

EXHIBIT C

**TO UNDERGROUND GAS STORAGE LEASE –
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE**

MAP SHOWING THE PROPERTY AND ADJACENT LANDS

[TO BE PREPARED]

EXHIBIT D

TO UNDERGROUND GAS STORAGE LEASE –
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE

**AECO C INDEX (aka NGX AB-NIT INDEX) – NATURAL GAS EXCHANGE
AVERAGE DAILY GAS PRICES FOR THREE (3) YEAR
PERIOD IMMEDIATELY PRECEDING MARCH 26, 2009
AND EXAMPLE CALCULATION OF THE TEN- (10-) YEAR ADJUSTMENT**

THREE-YEAR AVERAGE OF THE AECO C INDEX AS OF MARCH 26, 2009

Average of daily spot prices at AECO Hub for
the three years preceding March 26, 2009
(calculated as of the end of the month
preceding March 26, 2009), which shall be
deemed to be the figure upon which the 10-
year rental adjustment called for in
Section 7(b) is calculated:

\$6.38 (actual three year
average as of 2/27/09)

**EXAMPLE CALCULATION OF THE 10-YEAR ADJUSTMENT
UNDER SECTION 7(b) OF THIS STORAGE LEASE:**

AECO C Index as of the first Ten-Year
Adjustment Date (i.e., March 26, 2019):

\$6.97 (hypothetical three year
average as of 2/27/19)

Percentage increase in AECO C Index:

9.25%

Rental (per acre) as of the first Ten-Year
Adjustment Date after adjustment per
Section 7(a): (hypothetical - for example only)

\$46.38

(Add adjustment per Section 7(c) if applicable)

Rental (per acre) after adjustment per
Section 7(b)

$\$46.38 \times 1.0925 = \50.67

EXHIBIT E

TO UNDERGROUND GAS STORAGE LEASE -
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE

**DEDUCTIONS FROM ROYALTY FOR THE COSTS FOR TRANSPORTATION,
COMPRESSION, DEHYDRATION AND PROCESSING
ASSIGNED TO EACH WELL UNDER PRODUCTION
BY LESSEE AS OF THE EFFECTIVE DATE**

[TBD AFTER AUCTION]

EXHIBIT F

TO UNDERGROUND GAS STORAGE LEASE -
MEDICINE STORAGE AREA
BETWEEN COLUMBIA COUNTY, LESSOR, AND
_____, LESSEE

RENT TRANSMITTAL LETTER TEMPLATE

Date:

[Name Here]
Board Office Administrator
Columbia County
230 Strand Street
St. Helens, OR 97051

Re: Medicine Underground Storage Lease Rent Payment
Check No. _____

Dear _____:

Please find enclosed the adjusted rent check for the above-referenced lease. The adjusted rent required under the lease for the year commencing _____, 20__ is \$ _____, and was calculated as follows:

$$\text{Adjusted Rent} = \$ \text{_____} (\text{prior year rent}) \times \frac{(\text{NGDP})^1}{(\text{IGDP})}$$

The indices source and date used in the above calculation was [cite source here].

If the adjusted rent due under the lease was paid with more than one check, the checks and their respective amounts are listed below:

[Checks Listed Here]

If you have any questions about the adjusted rent payment, please contact:

[contact name and contact information here]

¹ IGDP=gross domestic product implicit price deflator for the 3rd quarter, second year before the adjustment date. NGDP= gross domestic product implicit price deflator for the 3rd quarter, year before the adjustment date.

Sincerely,