

A regular meeting of the Tioga County Industrial Development Agency (the "Agency") was convened in public session at the Tioga County Office Building at 56 Main Street in the Village of Owego, Tioga County, New York on Wednesday, March 7, 2007 at 6:00 o'clock p.m., local time.

The meeting was called to order by the Chairman and, upon roll being called, the following members of the Agency were:

PRESENT:

Aaron Gowan	Chairman
Samuel F. Thomas	Vice Chairman
William E. Caloroso	Treasurer
Michael Roberts	Member
Martha Sauerbrey	Member

ABSENT:

William W. Woods, Jr.	Secretary
Ralph Kelsey	Member

THE FOLLOWING PERSONS WERE ALSO PRESENT:

Joseph B. Meagher, Esq.	Agency Counsel
Douglas W. Barton	Director Tioga County ED & P
Jeffrey Stoke	Deputy Director Tioga County ED & P
LeeAnn Tinney	Business Administrator TCIDA

The following resolution was offered by _____, seconded by _____, to wit:

RESOLUTION TAKING ACTION TOWARD A LEASE AND LEASE-BACK TRANSACTION TO FACILITATE THE EXPANSION BY CENTRAL NEW YORK OIL & GAS, LLC (THE "COMPANY") OF ITS UNDERGROUND NATURAL GAS STORAGE FACILITY, INCLUDING THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF ONE(1) UNDERGROUND NATURAL STORAGE WELL, A 12,000 HP COMPRESSOR UNIT, OBSERVATION WELL AND RELATED IMPROVEMENTS, CONTRUCTION OF LATERAL PIPELINES TO CONNECT AND INTEGRATE WITH THE COMPANY'S EXISTING NATURAL GAS STORAGE WELL IN TIOGA COUNTY AND THE CONSTRUCTION OF AN APPROXIMATELY 9.3 MILE PIPELINE TO CONNECT TO ADDITIONAL NATURAL GAS PIPELINES(THE "FACILITY") AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN AGREEMENT BY AND BETWEEN THE AGENCY AND THE COMPANY WITH RESPECT TO THE PROVIDING OF THE FACILITY.

WHEREAS, Tioga County Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of the 1969 Laws of New York, constituting Title One of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 534 of the 1971 Laws of New York, as amended, constituting Section 912 of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of manufacturing facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the

job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to acquire, construct, reconstruct and install one or more "projects" (as defined in the Act) or to cause said projects to be acquired, constructed, reconstructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, Central New York Oil & Gas Company, LLC (the "Company") has presented an application (the "Application") to the Agency, a copy of which was presented at this meeting and copies of which are on file in the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") consisting of the following: (A) the expansion of the Company's underground natural gas storage facility located in the Town of Owego, Tioga County, including the acquisition, construction, and installation of three(3) underground natural gas storage wells, a 12,000 HP compressor unit, observation wells and related improvements, construction of lateral pipelines to connect and integrate with the company's existing natural gas storage wells in Tioga County and the construction of an approximately 9.3 mile pipeline to connect to additional interstate natural gas pipelines(hereinafter collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, transfer gains taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, the Agency has given due consideration to the Application, and to representations by the Company that (A) the granting by the Agency of the Financial Assistance with respect to the Project will be an inducement to the Company to undertake the Project in Tioga County, New York and (B) the completion of the Project Facility will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York; and

WHEREAS, the Agency desires to encourage the Company to preserve and advance the job opportunities, health, general prosperity and economic welfare of the people of Tioga County, New York by undertaking the Project in Tioga County, New York; and

WHEREAS, pursuant to the Act, any approval of the Project contained herein is contingent upon a determination by the members of the Agency to proceed with the Project following satisfaction of the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act that relate to the Project; and

WHEREAS, although the resolution authorizing the Project has not yet been drafted for approval by the Agency, a preliminary agreement (the "Preliminary Agreement") relative to the proposed undertaking of the Project by the Agency has been presented for approval by the Agency.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency has reviewed the Application and, based upon the representations made by the Company to the Agency in the Application and at this meeting, the Agency hereby makes the following findings and determinations with respect to the Project:

- A. The Project constitutes a "project" within the meaning of the Act; and
- B. The completion of the Project Facility will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York; and
- C. The Project Facility will not constitute a project where facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities constitute more than one-third of the total cost of the Project; and
- D. The granting of the Financial Assistance by the Agency with respect to the Project, through the granting of the various tax exemptions described in Section 2(D) of this Resolution, will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Tioga County, New York and the State of New York and improve their standard of living, and thereby serve the public purposes of the Act; and
- E. Upon compliance with the provisions of the Act, the Agency would then be authorized under the Act to undertake the Project in order to promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Tioga County, New York and the State of New York and improve their standard of living.

Section 2. If, following full compliance with the requirements of the Act, including the public hearing requirements set forth in Section 859-a of the Act, the Agency adopts a future resolution (the "Future Resolution") determining to proceed with the Project and to grant the Financial Assistance with respect thereto and the Company complies with all conditions set forth in the Preliminary Agreement and the Future Resolution, then the Agency will (A) acquire an interest in the Project Facility from the Company pursuant to a deed, lease agreement or other documentation to be negotiated between the Agency and the Company (the "Acquisition Agreement"); (B) construct the Facility on the Land and acquire and install the Equipment in the Facility or elsewhere on the Land; (C) lease (with the obligation to purchase) or sell the Project Facility to the Company pursuant to a lease agreement or an installment sale agreement (hereinafter, the "Project Agreement") between the Agency and the Company whereby the Company will be obligated, among other things, to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility, including all costs of operation and maintenance, all taxes and other governmental charges, any required payments-in-lieu-of-taxes, and the reasonable fees and expenses incurred by the Agency with respect to or in connection with the Project and/or the Project Facility; and (D) provide the Financial Assistance with respect to the Project, in accordance with the Agency's uniform tax exemption policy, including (1) exemption from mortgage recording fees with respect to any documents recorded by the Agency with respect to the Project in the office of the County Clerk of Tioga County, New York or elsewhere, (2) exemption from sales taxes relating to the acquisition, construction and installation of the Project Facility, (3) exemption from deed transfer taxes and real estate transfer gains taxes on real estate transfers to and from the Agency with respect to the Project, and (4) exemption from real estate taxes (but not including special assessments and special ad valorem levies) relating to the Project Facility, subject to the obligation of the Company to make payments-in-lieu-of-taxes with respect to the Project Facility, all as contemplated by the Preliminary Agreement and the Future Resolution.

Section 3. If the Agency adopts the Future Resolution, the undertaking and completing of

the Project by the Agency, and the granting of the Financial Assistance with respect to the Project

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as contemplated by Section 2 of this Resolution, shall be subject to: (A) execution and delivery by the Company of the Preliminary Agreement, which sets forth certain conditions for the undertaking and completing of the Project by the Agency, and satisfaction by the Company of all the terms and conditions of the Preliminary Agreement applicable to the Company; (B) agreement by the Agency and the Company on mutually acceptable terms for the conveyance of the Land to the Agency; (C) agreement between the Company and the Agency as to payment by the Company of payments-in-lieu-of-taxes with respect to the Project Facility, together with the administrative fee of the Agency with respect to the Project; (D) a determination by the members of the Agency to proceed with the granting of the Financial Assistance with respect to the Project following a determination by the members of the Agency that the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act have been complied with; (E) if any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; and (F) the following additional condition(s): None.

Section 4. The form, terms and substance of the Preliminary Agreement (in substantially the form presented to this meeting and attached hereto) are in all respects approved, and the Chairman, Vice Chairman or Executive Director of the Agency are hereby authorized, empowered and directed to execute and deliver said Preliminary Agreement in the name and on behalf of the Agency, said Preliminary Agreement to be substantially in the form presented to this meeting, with such changes therein as shall be approved by the officer executing same on behalf of the Agency, the execution thereof by such officer to constitute conclusive evidence of such officer's approval of any and all changes or revisions therein from the form now before this meeting.

Section 5. From and after the execution and delivery of the Preliminary Agreement, the officers, agents and employees of the Agency are hereby authorized, empowered and directed to proceed with the undertakings provided for therein on the part of the Agency and are further authorized to do all such acts and things and to execute all such documents as may be necessary or convenient to carry out and comply with the terms and provisions of the Preliminary Agreement as executed.

Section 6. The Agency hereby authorizes the Chairman of the Agency, prior to the granting of any Financial Assistance with respect to the Project, after consultation with counsel to the Agency, (A) to establish a time, date and place for a public hearing of the Agency to hear all persons interested in the location and nature of the Project Facility and the proposed Financial Assistance being contemplated by the Agency with respect to the Project, said public hearing to be held in the city, town or village where the Project Facility will be located; (B) to cause notice of such public hearing to be given to the public by publishing a notice of such hearing in a newspaper of general circulation available to residents of the governmental units where the Project Facility is to be located, such notice to comply with the requirements of Section 859-a of the Act and to be published no fewer than thirty (30) days prior to the date established for such public hearing; (C) to cause notice of said public hearing to be given to the chief executive officer of the county and each city, town, village and school district in which the Project Facility is or is to be located no fewer than thirty (30) days prior to the date established for said public hearing; (D) to conduct such public hearing; and (E) to cause a report of said public hearing fairly summarizing the views presented at such public hearing to be promptly prepared and cause copies of said report to be made available to the members of the Agency.

Section 7. The Chairman, Vice Chairman and Business Administrator of the Agency are hereby authorized and directed to distribute copies of this Resolution to the Company and to do

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such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 9. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Aaron Gowan	voting	_____	
Samuel F. Thomas	voting	_____	_____
William E. Caloroso	voting	_____	_____
Michael Roberts	voting	_____	
Martha Sauerbrey	voting	_____	

The foregoing Resolution was thereon declared duly adopted.

STATE OF NEW YORK:

: ss.:

COUNTY OF TIOGA :

I, the undersigned Secretary of the Tioga County Industrial Development Agency (the "Agency"), do hereby certify that I have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the Resolution contained therein, held on March 7, 2007 with the original thereof on file in my office, and that the same is a true and correct copy of said original and of such Resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this ___ day of March, 2007.

William J. Woods, Jr.
Secretary

(SEAL)

PRELIMINARY AGREEMENT

THIS PRELIMINARY AGREEMENT made as of March 7, 2007 between TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency"), a public-benefit corporation organized and existing under the laws of the State of New York, and CENTRAL NEW YORK OIL & GAS COMPANY, LLC (the "Company"), a limited liability company organized and existing under the laws of the State of New York, collectively, the "Parties".

WITNESSETH:

WHEREAS, the Agency is authorized and empowered by the provisions of the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York, as amended (the "Enabling Act") and Chapter 534 of the 1971 Laws of the State of New York, as amended, constituting Section 912 of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to undertake the acquisition, construction, reconstruction and installation of one or more "projects" (as said quoted term is defined in the Act) and to lease (with an obligation to purchase) or sell the same upon such terms and conditions as the Agency may deem advisable; and

WHEREAS, the purposes of the Act are to promote industry and develop trade and thereby advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of Tioga County, New York and the State of New York, to improve their prosperity and standard of living and to prevent unemployment and economic deterioration; and

WHEREAS, by resolution adopted by the members of the Agency on March 7, 2007 (the "Preliminary Inducement Resolution"), the Agency made a preliminary determination, subject to numerous conditions, to accept an application (the "Application") from the Company requesting that the Agency undertake a project (the "Project") consisting of the following: (A) the expansion of the Company's underground natural gas storage facility located in the Town of Owego, Tioga County, including the acquisition, construction, and installation of one(1) underground natural gas storage well, a 12,000 HP compressor unit, observation well and related improvements, construction of lateral pipelines to connect and integrate with the company's existing natural gas storage well in Tioga County and the construction of an approximately 9.3 mile pipeline to connect to additional interstate natural gas pipelines(hereinafter collectively referred to as the "Project Facility"); (B) the granting of certain "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales taxes, transfer gains taxes, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Agency and the Company agree as follows:

Article 1. Representations.

Among the representations which have resulted in the execution of this Preliminary Agreement are the following:

Section 1.01. The Company hereby represents to the Agency that:

- (A) The completion of the Project Facility will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York.
- (B) The Project Facility will not constitute a project where facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities constitute more than one-third of the total cost of the Project Facility.
- (C) The Project site is located entirely within the boundaries of Tioga County, New York.
- (D) The granting of the Financial Assistance by the Agency with respect to the Project, through the granting of certain exemptions from taxation with respect to the Project, as further described in Section 2(D) of the Preliminary Inducement Resolution, will encourage and assist the Company in locating the Project Facility in Tioga County, New York, and thereby serve the public purposes of the Act by promoting job opportunities in Tioga County, New York.
- (E) It is estimated at the present time that the costs of the planning, development, acquisition, construction and installation of the Project Facility (collectively, the "Project Costs") will be approximately \$142,236,666.00.
- (F) The Company will ensure that the acquisition, construction, installation and operation of the Project Facility will comply with all applicable federal, state and local laws, ordinances, rules and regulations (the applicability of same to be determined both as if the Agency were the owner of the Project Facility and as if the Company and not the Agency were the owner of the Project Facility), and the Company will obtain all necessary approvals and permits required thereunder.

Section 1.02. By the Preliminary Inducement Resolution, the Agency has approved the execution of this Preliminary Agreement. The Agency intends this Preliminary Agreement to constitute its official binding commitment, subject to the terms hereof, to accept the Application; provided, however, that this Preliminary Agreement shall not commit the Agency to undertake the Project or to grant to the Company any Financial Assistance with respect to the Project unless and until the Agency shall decide to undertake the Project and to grant such Financial Assistance following a determination by the Agency that the procedural requirements of Section 859-a of the Act that relate to the Project have been fulfilled.

Article 2. Undertakings on the Part of the Agency.

Based upon the statements, representations and undertakings of the Company and subject to the conditions set forth herein, the Agency agrees as follows:

Section 2.01. If, following full compliance with the requirements of the Act, including the public hearing requirements set forth in Section 859-a of the Act, the Agency adopts a future resolution (the "Future Resolution") determining to proceed with the Project and to grant the Financial Assistance with respect thereto and the Company complies with all conditions set forth in this Preliminary Agreement and the Future Resolution, then the Agency will undertake the Project and will grant certain Financial Assistance relating to the Project; PROVIDED, HOWEVER, that the foregoing obligation of the Agency to undertake the Project and to grant the Financial Assistance relating to the Project is subject to the conditions hereinafter contained in this Preliminary Agreement, including but not limited to the following conditions:

- (A) An interest in the Project Facility shall be acquired by the Agency from the Company pursuant to a deed, lease agreement or other documentation to be negotiated between the Agency and the Company (hereinafter, the "Acquisition Agreement") which contains terms mutually acceptable to the Agency and the Company for the conveyance of an interest in the Project Facility to the Agency. Any Equipment acquired by the Company prior to the execution and delivery of the Project Agreement (as hereinafter defined) shall be conveyed to the Agency by a bill of sale from the Company to the Agency. After the Project Agreement (as hereinafter defined) has been executed and delivered by the Agency and the Company, then, pursuant to the Project Agreement, any Equipment acquired by the Company as part of the Project will be acquired by the Company as agent of the Agency. The lease (with an obligation to purchase) or the Project Facility by the Agency to the Company shall be effected by a lease agreement or an installment sale agreement (hereinafter the "Project Agreement") between the Agency and the Company whereby the Company will be obligated, among other things, to make payments to the Agency in amounts and at such times so that such payments will be adequate to enable the Agency to timely pay all amounts due on the Acquisition Agreement. The Acquisition Agreement and the Project Agreement and any other documents to be executed by the Agency in connection with the Project (collectively, the "Project Documents") shall in all respects comply with the requirements of, and limitation contained in, the Act and shall further specifically provide that the obligations of the Agency thereunder are payable solely from the revenues derived by the Agency from the sale, lease or other disposition of the Project Facility; that the obligations of the Agency thereunder shall not be a general obligation of the Agency and shall not constitute an indebtedness or pledge of the general credit of the Agency; that no beneficiary of the obligations of the Agency thereunder shall have the right to compel any exercise of the taxing power of the Agency (if any), or of the State of New York or any political subdivision thereof, including Tioga County, New York; and that the obligations of the Agency thereunder shall not create a debt or loan of credit of Tioga County, New York or the State of New York, but such obligations shall be a special obligation of the Agency secured and payable solely as provided in the Acquisition Agreement or the Project

Agreement as the case may be, and such facts shall be plainly stated in each of such documents;

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- (B) The Company shall have executed the Project Agreement between the Agency and the Company, the terms of which shall be acceptable in form and content to the Company and the Agency and, pursuant to which, among other things, the Company shall be obligated to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility, including all costs of operation and maintenance of the Project Facility, all taxes and other governmental charges, any required payments in lieu of taxes, and the reasonable fees and expenses incurred by the Agency with respect to or in connection with the Project and/or the Project Facility.
- (C) No event shall have occurred which constitutes (or which after notice or lapse of time or both would constitute) an event of default under the Project Agreement;
- (D) The Company shall provide the Agency with all information and statements which may be required by the Agency in order to facilitate compliance by the Agency with SEQRA;
- (E) The Agency shall receive, in form and substance satisfactory to the Agency, such rulings, approvals, resolutions, consents, certificates, opinions of counsel and other instruments and proceedings as shall be specified by the Agency in connection with the Project and the various documents to be executed in connection with the Project, such rulings, approvals, resolutions, consents, certificates, opinions of counsel and other instruments and proceedings to be obtained from counsel to the Agency and such other governmental and nongovernmental agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertaining thereto;
- (F) Agreements shall be made as to (1) payments by the Company to or on behalf of the Agency of amounts in lieu of real property taxes, (2) indemnity by the Company of the Agency and the members and officers of the Agency, and (3) payment by the Company of the expenses incurred by the Agency in connection with the Project (including counsel fees and out-of-pocket expenses) and the administrative fee of the Agency, and such agreements shall be satisfactory in form and substance to the Agency;
- (G) The Agency shall have made a determination to proceed with the granting of the Financial Assistance following a determination by the Agency that all the public hearing and notice requirements and other procedural requirements of Section 859-a of the Act that relate to the Project have been complied with;
- (H) If any portion of the Financial Assistance to be granted by the Agency respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; and
- (I) The following additional conditions: None.

with

Section 2.02. The obligations of the Agency pursuant to this Preliminary Agreement are subject to the conditions elsewhere contained in this Preliminary Agreement and to the additional condition that the Agency shall not undertake the Project, nor grant any Financial Assistance with respect to the Project, unless and until the Company shall have complied with the provisions of SEQRA.

Section 2.03. Subject to the conditions stated in this Preliminary Agreement, the Agency from time to time will adopt, or cause to be adopted, such proceedings and authorize the execution of such documents as may be necessary or advisable for: (A) the authorization, undertaking and completion of the Project; and (B) the sale or lease of the Project Facility to the Company, all as shall be authorized by law and be mutually satisfactory to the Agency and the Company.

Section 2.04. The Agency will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 3. Undertakings on the Part of the Company.

Based upon the statements, representations and undertakings of the Agency and subject to the conditions set forth herein, the Company agrees as follows:

Section 3.01. Contemporaneously with the execution and delivery by the Agency of the Acquisition Agreement, the Company will enter into the Project Agreement with the Agency containing the terms and conditions described in Section 2.01 hereof. The Company agrees that the Company will pay all of the Project Costs and shall not be entitled to any reimbursement for any such payment from the Agency. **THE AGENCY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE PROJECT FACILITY WILL BE SUITABLE FOR THE COMPANY'S PURPOSES OR NEEDS.**

Section 3.02. The Company hereby agrees to indemnify and hold the Agency (and its members, officers, agents and employees) harmless from all losses, expenses, claims and liabilities arising out of or based on labor, services, materials and supplies, including equipment, ordered or used in connection with the acquisition, construction and installation of the Project Facility, including any expenses incurred by the Agency (and its members, officers, agents and employees) in defending any claims, suits or actions which may arise as a result of any of the foregoing. The Company shall not permit to stand, and will, at its own expense, take steps reasonably necessary to remove any mechanic's or other liens against the Project Facility for labor or material furnished in connection with the acquisition, construction and installation of the Project Facility.

Section 3.03. The Company hereby agrees to indemnify, defend and hold the Agency (and its members, officers, agents and employees) harmless from any and all (A) claims and liabilities for the loss or damage to property or any injury to or death of any person that may be occasioned subsequent to the date hereof by any cause whatsoever in relation to the Project and/or the Project Facility, including any expenses incurred by the Agency (and its members, officers, agents and employees) in defending any claims, suits or actions which may arise as a result of the foregoing; and (B) claims and liabilities arising from or expenses incurred in connection with the Project or the Agency's acquisition, construction and installation, owning, leasing and/or sale of the Project Facility, including all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any

of the foregoing. The Company shall include the Agency (and its members, officers, agents and employees) as a named insured under all public liability insurance policies obtained by the Company with respect to the Project.

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Section 3.04. The Company will take such further action and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 4. General Provisions.

Section 4.01. All commitments of the Agency under Article 2 hereof and of the Company under Article 3 hereof (excepting the obligations of the Company set forth in Sections 3.02 and 3.03 hereof, which shall survive the termination of this Preliminary Agreement) are subject to the condition that the following events shall have occurred not later than two (2) years from the date hereof (or such other date as shall be mutually satisfactory to the Agency and the Company):

- (A) The Agency and the Company shall have agreed on mutually acceptable terms and conditions of the Acquisition Agreement, the Project Agreement and any other agreements referred to in Articles 2 or 3 hereof.
- (B) All necessary governmental approvals shall be obtained; and
- (C) All other conditions expressed in this Preliminary Agreement shall have been satisfied.

Section 4.02. Subject to the terms and conditions of Section 4.03 hereof, the Company shall have the right to unilaterally cancel this Preliminary Agreement at any time prior to the time that the Acquisition Agreement is signed by the Agency upon thirty (30) days prior written notice of cancellation delivered to the Agency at the address set forth in Section 4.04 hereof.

Section 4.03. If the events set forth in Section 4.01 hereof do not take place within the time set forth in said Section 4.01, or any extension thereof, or if the Company exercises its right of cancellation as set forth in Section 4.02 hereof, the Company agrees that (A) it will promptly reimburse the Agency (and its officers, members, agents or employees) for all reasonable and necessary direct out-of-pocket expenses (including legal fees and expenses) which the Agency (and its officers, members, agents or employees) may incur with respect to the execution of this Preliminary Agreement and the performance of its obligations hereunder; and (B) the obligations of the Company set forth in Sections 3.02 and 3.03 hereof shall survive the termination of this Preliminary Agreement and shall remain in full force and effect until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters described therein may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by the Agency (and its officers, members, agents or employees) relating to the enforcement of the provisions therein stated.

Section 4.04.

(A) All notices and other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

- (1) To the Agency:

Tioga County Industrial Development Agency
56 Main Street
Owego, New York 13732
Attention: Business Administrator

With a copy to:

Joseph B. Meagher, Esq.
Thomas, Collison, Meagher & Seiden
1201 Monroe Street
P.O. Box 329
Endicott, New York 13761-0329

(2) To the Company:

Central New York Oil and Gas Company, LLC

Attention: President

With a copy to:

Kevin Bernstein
Bond, Schoeneck & King, PLLC
One Lincoln Center
Syracuse, New York 13202

- (B) The Agency and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

Section 4.05. All covenants and agreements herein contained by or on behalf of the Agency and the Company shall bind and inure to the benefit of the respective successors and assigns of the Agency and the Company whether so expressed or not.

Section 4.06. The obligations and agreements of the Agency contained herein shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent or employee of the Agency in his individual capacity, and the members, officers, agents and employees of the Agency shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof or of any transaction contemplated hereby. The obligations and agreements of the Agency contained herein shall not constitute or give rise to an obligation of the State of New York or of Tioga County, New York and neither the State of New York nor Tioga County, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the lease, sale or other disposition of the Project Facility.

Section 4.07. Notwithstanding any provision of this Preliminary Agreement to the contrary, the Agency shall not be obligated to take any action pursuant to any provision hereof unless (A) the Agency shall have been requested to do so in writing by the Company; and (B) if compliance with such request is reasonably expected to result in the incurrence by the Agency (or any member, officer, agent or employee of the Agency) of any liability, fees, expenses or

other costs, the Agency shall have received from the Company security or indemnity satisfactory to the Agency for protection against all such liability and for the reimbursement of all such fees, expenses and other costs.

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IN WITNESS WHEREOF, the Parties hereto have entered into this Preliminary Agreement as of the day and date first written above.

TIOGA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Aaron Gowan
Chairman

Central New York Oil and Gas Company, LLC

By: _____

Additional language which may need to be added in some cases

RESOLUTION

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency of August 8, 1997 (the "SEQRA Resolution"), the Agency has determined that the Project will not have a significant effect on the environment and, therefore, that an environmental impact statement is not required to be prepared with respect to the Project; and

Section 6. The law firm of _____ is hereby appointed Special Counsel to the Agency with respect to all matters in connection with the Project. Special Counsel for the Agency is hereby authorized, at the expense of the Company, to work with counsel to the Agency, the Company, counsel to the Company and others to prepare, for submission to the Agency, all documents necessary to effect the transactions contemplated by this Resolution.

AGREEMENT

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency on August 8, 1997 (the "SEQR Resolution"), the Agency has determined that the Project will not have a significant effect on the environment and, therefore, that an environmental impact statement is not required to be prepared with respect to the Project.

Section 1.03. Pursuant to SEQRA, the Agency has made a preliminary determination that the Project will not have a "significant effect on the environment" (within the meaning of SEQRA) and therefore that an environmental impact statement is not required to be prepared with respect to the Project.