

PAYMENT IN LIEU OF TAX AGREEMENT

THIS PAYMENT-IN-LIEU-OF-TAX AGREEMENT (the "Agreement"), dated as of August 1, 2011, by and between CENTRAL NEW YORK OIL AND GAS COMPANY, L.L.C., a New York limited liability company with its principal office located Two Brush Creek Boulevard, Kansas City, Missouri 64112 (the "Company") and the TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY, a public-benefit corporation duly organized and validly existing under the laws of the State of New York with an office for the transaction of business located at 56 Main Street, Owego, New York 13827 (the "Agency"), collectively, (the "Parties").

WITNESSETH:

WHEREAS, Title 1 of Article 18-A, as amended, of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York (the "State"); and

WHEREAS, the Enabling Act authorizes the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and sell land and any building or other improvement, and all real and personal properties deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, commercial or industrial facilities, including industrial pollution control facilities, in order to advance job opportunities, health, general prosperity and the economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease any or all of its facilities on such terms and conditions as it deems advisable, to issue its bonds for the purpose of carrying out any of its corporate purposes; and, as security for the payment of the principal and redemption price of, and interest on, any such bonds so issued and any agreements made in connection therewith, to pledge the revenues and receipts from its facilities or from the lease thereof; and

WHEREAS, pursuant to and in accordance with the provisions of the Enabling Act, Chapter 534 of the 1971 Laws of the State of New York, as amended by Chapter 883 of the 1974 Laws of the State of New York, constituting Section 912 of said General Municipal Law (said Chapter and Enabling Act being hereinafter referred to as the "Act") created the Agency, which is empowered under the Act to undertake the providing, financing and leasing of the facility described below; and

WHEREAS, the Agency and the Company have agreed to a lease and leaseback transaction, on real property more particularly described in Schedule A attached hereto (the "Premises") to

facilitate the following: (A) (1) the construction and installation on a parcel of land located near the interconnection of the Company's North Lateral Pipeline and the Millennium Pipeline, off Rosenberger Road in the Town of Owego, Tioga County, New York (the "Land"), of an approximately 13,400 horsepower natural gas compression and metering facility, including an approximately 10,000 square foot building, access roads and related facilities (the "Facility"); and (2) the acquisition and installation therein and thereon of certain machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being hereinafter collectively referred to as the "Project Facility"), all of the foregoing to be used by the Company as a facility to enable the Company to transport natural gas for third parties between the Millennium Pipeline and the Tennessee Gas Pipeline using the Company's existing Stagecoach storage facility North Lateral and South Lateral, and any other directly or indirectly related activities; (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, mortgage recording taxes and real property taxes (collectively, the "Financial Assistance"); and (C) the lease of the Project Facility to the Agency and leaseback 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 will lease the Project Facility, including the Premises, from the Company pursuant to a certain Lease to Agency dated as of August 1, 2011 (the "Lease Agreement"), and the Agency will lease the Project Facility, including the Premises, to the Company pursuant to a certain Leaseback to Company dated as of August 1, 2011 (the "Leaseback Agreement") for a term continuing through December 31, 2022; and

WHEREAS, the Agency is exempt from the payment of taxes and assessments imposed upon real property, and the Company has agreed that, notwithstanding such exemption, the Company will nevertheless make payments to the Agency, to be distributed to the Town of Owego (the "Town"), the Owego-Apalachin Central School District (the "School District") and the County of Tioga (the "County") in lieu of general tax levies on the Premises.

NOW, THEREFORE, in consideration of the covenants herein contained, it is mutually agreed as follows:

1. Pursuant to Section 874 of the General Municipal Law and Section 412-a of the Real Property Tax Law, the Parties understand that, upon acquisition of a leasehold interest in the Premises by the Agency and the filing of an Equalization and Assessment Form RP-412-a (the "Exemption Form") with respect to the Premises, and for so long thereafter as the Agency shall have a leasehold interest in the Premises, the Premises shall be assessed by the various taxing entities having jurisdiction over the Premises, including, without limitation, the Town, the School District and the County, as exempt on their respective assessment rolls prepared subsequent to the acquisition by the Agency of a leasehold interest in the Premises and the filing of the Exemption Form. The Parties understand that the Premises shall not be entitled to such exempt status on any tax roll until the first tax year following the tax status date subsequent to the date upon which the Agency acquires

a leasehold interest in the Premises and an Exemption Form is filed. The Company shall be required to pay all taxes and assessments lawfully levied and/or assessed against the Premises, including taxes and assessments levied for the current tax year and all subsequent years until the Premises is entitled to exempt status on the tax roll. The Agency will cooperate with the Company to obtain and preserve the tax exempt status of the Premises, including the preparation and filing of the Exemption Form.

2. Pursuant to Section 2.7 of the Lease Agreement, the Company may, after the date hereof, grant the Agency a leasehold interest in additional real property or interests therein acquired by the Company in connection with the Project. The parties shall amend the description of the Premises in Schedule A to include any such additional real property in the definition of the Premises covered by this Agreement. The Agency shall promptly file the Exemption Form with respect to such additional property and will cooperate with the Company to obtain and preserve the tax-exempt status of such additional property.

3. (a) During the period the Agency has a leasehold interest in the Premises, the Company agrees to pay to the Agency, to be distributed to the Town, the County and the School District, the following payments in lieu of taxes (expressed as a percentage of real property taxes that would be due ("Normal Taxes")) if the Agency had no leasehold or other interest in the Premises):

<u>PLOT Year</u>	<u>School Tax Year</u>	<u>(Calendar Year)</u>	<u>Town/County Tax Year</u>	<u>Percentage of Normal Taxes Due</u>
Year 1	2012-13	2013	2013	0%
Year 2	2013-14	2014	2014	10%
Year 3	2014-15	2015	2015	20%
Year 4	2015-16	2016	2016	30%
Year 5	2016-17	2017	2017	40%
Year 6	2017-18	2018	2018	50%
Year 7	2018-19	2019	2019	60%
Year 8	2019-20	2020	2020	70%
Year 9	2020-21	2021	2021	80%
Year 10	2021-22	2022	2022	90%
Year 11	2022-23	2023	2023	100%

Commencing with Year 1, and until such time as the Lease Agreement is terminated, the Company shall pay an amount equal to the actual real property taxes that would have been imposed upon the Premises but for the Agency's tax exemption.

4. During the term of this Agreement, the Company waives the right to contest the assessment on the Project Facility unless, and until, the market value of the Project Facility exceeds TWENTY TWO MILLION AND 00/100 DOLLARS (\$22,000,000.00) as determined by the final New York State Equalization Rate as set by the New York State Office of Real Property Tax Services for each assessment roll year during the term of this Agreement.

(b) The tax benefits provided for herein shall include (i) the 2013 County and Town calendar tax year through and including the 2022 County and Town calendar tax year and (ii) the 2012-2013 School District fiscal year through and including the 2021-2022 School District fiscal tax year. This PLOT Agreement shall expire on December 31, 2022; *provided, however*, the Company shall pay the 2023 County and Town tax bills and the 2022/2023 School District tax bills on the dates and in the amounts as if the Agency had no leasehold or other interest in the Premises on the tax status date with respect to said tax years.

5. (a) Subject to the provisions of Section 3 of this Agreement, the Company shall have all of the rights and remedies of a taxpayer as if and to the same extent as if the Agency had no leasehold or other interest in the Premises, with respect to any proposed assessment or change in assessment with respect to the Premises and likewise shall be entitled to protest before and be heard by the appropriate assessors or Board of Assessment Review, and shall be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment or the validity or amount of any tax equivalent provided for herein.

(b) Subject to the provisions of Section 3 of this Agreement, the Company shall have all of the rights and remedies of a taxpayer with respect to any tax, service charge, special benefit, ad valorem levy, assessment, or special assessment or service charge in lieu of which the Company is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if the Agency had no leasehold or other interest in the Premises.

6. Should the Agency cease to hold a leasehold interest in the Premises, this Agreement shall terminate immediately and the Premises shall be returned to the non-exempt portion of the tax roll and be subject to taxation thereafter, including any portion of a tax year not otherwise covered by this Agreement.

7. If any default shall be made in the payment referred to in Paragraph 3, supra, the Company hereby agrees to pay the same to the extent above specified:

A. Without requiring any notice of non-payment or of default to the Company, the Agency, or to any other person;

B. Without proof of demand.

8. The Parties understand that the tax exemption extended to the Agency by Section 874 of the General Municipal Law and Section 412-A of the Real Property Tax Law does not entitle the Agency to an exemption from special assessments and special ad valorem levies such as, but without limitation, charges for metered water and sewer rent. The Company hereby agrees to pay all special assessments and special ad valorem levies lawfully levied and/or assessed against the Premises.

9. Pursuant to Section 858 (15) of the General Municipal Law, the Agency agrees to give the Town, the School District and the County a copy of this Agreement within fifteen (15) days of the execution and delivery hereof, together with a request that a copy thereof be given to the appropriate officer or officers with respect to each taxing jurisdiction responsible for preparing the tax rolls for said jurisdiction, together with a request that said officer or officers submit to the Agency and the appropriate receiver of taxes periodic statements specifying the amount and due date or dates of the payments due to each hereunder. Such periodic statements to be submitted to the Company at approximately the times that tax bills are mailed by such jurisdictions.

10. The Agency shall separately bill the Company for each payment in lieu of tax due hereunder. The Company agrees to pay to the Agency, on behalf of each particular taxing jurisdiction, the amounts due hereunder to each particular taxing jurisdiction in any calendar year within the period that such taxing entity allows the payment of taxes levied in such calendar year without penalty. The Company shall be entitled to receive receipts for such payments.

11. Pursuant to Section 874(5) of the General Municipal Law, if the Company shall fail to make any payment required by this Agreement when due, the Company shall pay the same, together with a late-payment penalty equal to five (5%) percent of the amount due. If the Company shall remain in default beyond the first month after such payment is due, the Company shall thereafter pay a late-payment penalty of one (1%) percent per month for each month, or part thereof, that the payment is delinquent beyond the first month plus interest thereon, to the extent permitted by law, at the greater of (a) one (1%) percent per month, or (b) the rate per annum which would have been payable if such amount were delinquent taxes, until so paid in full.

12. Pursuant to Section 874(6) of the General Municipal Law, if the Company defaults in performing any of its obligations, covenants or agreements under this Agreement and the Agency or any taxing jurisdiction employs attorneys or incurs other expenses for the collection of any amounts payable hereunder, or for the enforcement or performance or observation of any obligation, covenant or agreement on the part of the Company herein contained, the Company agrees that it will, on demand therefor, pay to the Agency or such taxing jurisdiction, as the case may be, not only the amounts adjudicated due hereunder, together with the late-payment penalty and interest due thereon, but also reasonable fees and disbursements of such attorneys and all other expenses, costs and disbursements so incurred whether or not an action is commenced.

13. No remedy herein conferred upon or reserved to the Agency or any taxing jurisdiction is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now and hereafter existing at law or in equity or by statute. No delay or admission in exercising any such right or power accruing upon a default hereunder shall impair any such right or power or be construed as a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

14. The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE AGENCY:

Tioga County Industrial Development Agency
56 Main Street
Owego, New York 13827
Attn: Chairman

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

IF TO THE COMPANY:

Central New York Oil and Gas Company, L.L.C.
Two Brush Creek Boulevard
Kansas City, Missouri 64112
Attn: William R. Moler

Copy to: Bond, Schoeneck & King, PLLC
One Lincoln Center
Syracuse, New York 13202-1355
Attn: Paul W. Reichel, Esq.


15. The Town, the County, the School District, the Agency and the Company as used herein shall include their successors and assigns. The terms of this Agreement shall inure to the benefit of, and shall be binding upon, any future owners of the Project Facility and the Company's successors and assigns.

16. This Agreement shall remain in effect until termination or expiration of the Lease to Agency which, by its terms, expires December 31, 2022.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this payment in lieu of tax agent to be duly executed the date set forth hereinabove.

CENTRAL NEW YORK OIL AND GAS COMPANY, L.T.C.

By: 

Its: *President*

TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

By: Aaron Gowan, Chairman

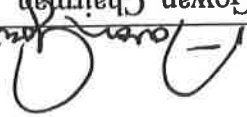
IN WITNESS WHEREOF, the Parties hereto have caused this payment in lieu of tax agent to be duly executed the date set forth hereinabove.

CENTRAL NEW YORK OIL AND GAS COMPANY, L.L.C.

By: _____

Its: _____

TIOGA COUNTY INDUSTRIAL DEVELOPMENT
AGENCY

By:  _____
Aaron Gowan, Chairman

Notary Public

On this _____ day of _____, 2011, before me, the undersigned, personally appeared AARON GOWAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

STATE OF NEW YORK:
COUNTY OF TIOGA
: ss.:
:

EILEEN BRAZELL
My Commission Expires
March 30, 2012
Jackson County
Commission #06618323



Notary Public

Eileen Brazell

On this 27th day of July, 2011, before me, the undersigned, personally appeared William R. Moler personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

STATE OF MISSOURI
COUNTY OF JACKSON
: ss.:
:

JOSEPH B. MEAGHER
Notary Public, State of New York
Broome County 02ME4974837
Commission Expires Nov. 26, 2014


Notary Public

On this 5th day of August, 2011, before me, the undersigned, personally appeared AARON GOWAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

STATE OF NEW YORK:
: ss.:
COUNTY OF TIOGA:

Notary Public

On this _____ day of _____, 2011, before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

STATE OF _____
: ss.:
COUNTY OF _____:

SCHEDULE A

LAND DESCRIPTION

TAX MAP NUMBER

MUNICIPALITY

107.00 - 1-8.12

Town of Owego

LEGAL DESCRIPTION

All that certain tract, piece or parcel of land situate in the Town of Owego, County of Tioga, State of New York, lying generally Southeast of McLean Road, and being more particularly bounded and described as follows:

BEGINNING at a point on the common division line between the lands now or formerly of Raymond Reeves and Sabrina Reeves as described in Deed 116126-001 on the West and the lands now or formerly of Dale W. Mack and Mary J. Mack as described in Book 400 of Deeds at Page 1135 and lands now or formerly of Pamela V. Mason as described in Deed 107671-001 on the East, said point being situate South 09 deg. 51 min. 26 sec. West as measured along said common division line, a distance of 184.32 feet from its point of intersection with the division line between the said lands now or formerly of Raymond Reeves and Sabrina Reeves on the South and the lands now or formerly of Richard W. Taylor as described in Book 643 of Deeds at Page 36 on the North and runs thence from said point of beginning along the above first mentioned common division line South 09 deg. 51 min. 26 sec. West 958.11 feet to a point; thence through the said lands now or formerly of Raymond Reeves and Sabrina Reeves the following six (6) courses: 1) North 80 deg. 55 min. 05 sec. West 1,260.97 feet to a point; 2) North 14 deg. 30 min. 24 sec. East 404.68 feet to a point; 3) North 07 deg. 59 min. 50 sec. East 468.58 feet to a point; 4) North 89 deg. 10 min. 31 sec. East 395.35 feet to a point; 5) South 00 deg. 49 min. 29 sec. East 78.92 feet to a point; and 6) South 87 deg. 27 min. 08 sec. East 847.01 feet to the point or place of beginning and containing 25.86 acres of land, more or less.

Parcel is subject to a 250-foot-wide easement granted to New York State Electric and Gas Corporation as described in Book 305 of Deeds at Page 427.