



For KCC Use:

Effective Date: _____

District # _____

SGA? Yes No

KANSAS CORPORATION COMMISSION 1019174
OIL & GAS CONSERVATION DIVISION

Form C-1

October 2007

Form must be Typed
Form must be Signed
All blanks must be Filled

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date: _____
month day year

OPERATOR: License# _____

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

Contact Person: _____

Phone: _____

CONTRACTOR: License# _____

Name: _____

Well Drilled For:

- | | | | |
|---|-----------------------------------|------------------------------------|-------------------------------------|
| <input type="checkbox"/> Oil | <input type="checkbox"/> Enh Rec | <input type="checkbox"/> Infield | <input type="checkbox"/> Mud Rotary |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Storage | <input type="checkbox"/> Pool Ext. | <input type="checkbox"/> Air Rotary |
| | <input type="checkbox"/> Disposal | <input type="checkbox"/> Wildcat | <input type="checkbox"/> Cable |
| <input type="checkbox"/> Seismic ; _____ # of Holes | <input type="checkbox"/> Other | | |
| <input type="checkbox"/> Other: _____ | | | |

If OWWO: old well information as follows:

Operator: _____

Well Name: _____

Original Completion Date: _____ Original Total Depth: _____

Directional, Deviated or Horizontal wellbore? Yes No

If Yes, true vertical depth: _____

Bottom Hole Location: _____

KCC DKT #: _____

Spot Description: _____

_____ - _____ - _____ - _____ Sec. _____ Twp. _____ S. R. _____ E W
(AAA) _____ feet from N / S Line of Section

_____ feet from E / W Line of Section

Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: _____

Lease Name: _____ Well #: _____

Field Name: _____

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): _____

Nearest Lease or unit boundary line (in footage): _____

Ground Surface Elevation: _____ feet MSL

Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No

Depth to bottom of fresh water: _____

Depth to bottom of usable water: _____

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: _____

Length of Conductor Pipe (if any): _____

Projected Total Depth: _____

Formation at Total Depth: _____

Water Source for Drilling Operations:

Well Farm Pond Other: _____

DWR Permit #: _____

(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone: _____

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 DAYS** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

Submitted Electronically

For KCC Use ONLY

API # 15 - _____

Conductor pipe required _____ feet

Minimum surface pipe required _____ feet per ALT. I II

Approved by: _____

This authorization expires: _____

(This authorization void if drilling not started within 12 months of approval date.)

Spud date: _____ Agent: _____

Remember to:

- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well Not Drilled - Permit Expired Date: _____
Signature of Operator or Agent: _____



1019174

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - _____

Operator: _____

Lease: _____

Well Number: _____

Field: _____

Number of Acres attributable to well: _____

QTR/QTR/QTR/QTR of acreage: _____ - _____ - _____ - _____

Location of Well: County: _____

_____ feet from N / S Line of Section

_____ feet from E / W Line of Section

Sec. _____ Twp. _____ S. R. _____ E W

Is Section: Regular or Irregular

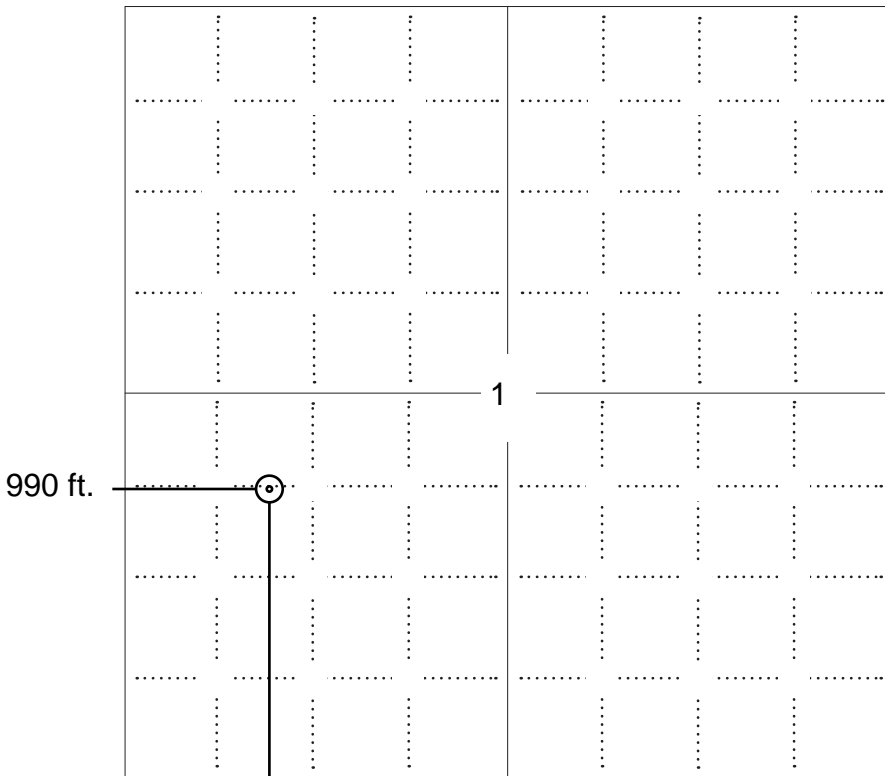
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)

(Show footage to the nearest lease or unit boundary line.)



NOTE: In all cases locate the spot of the proposed drilling locaton.

1980 ft.

In plotting the proposed location of the well, you must show:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).



KANSAS CORPORATION COMMISSION 1019174
OIL & GAS CONSERVATION DIVISION

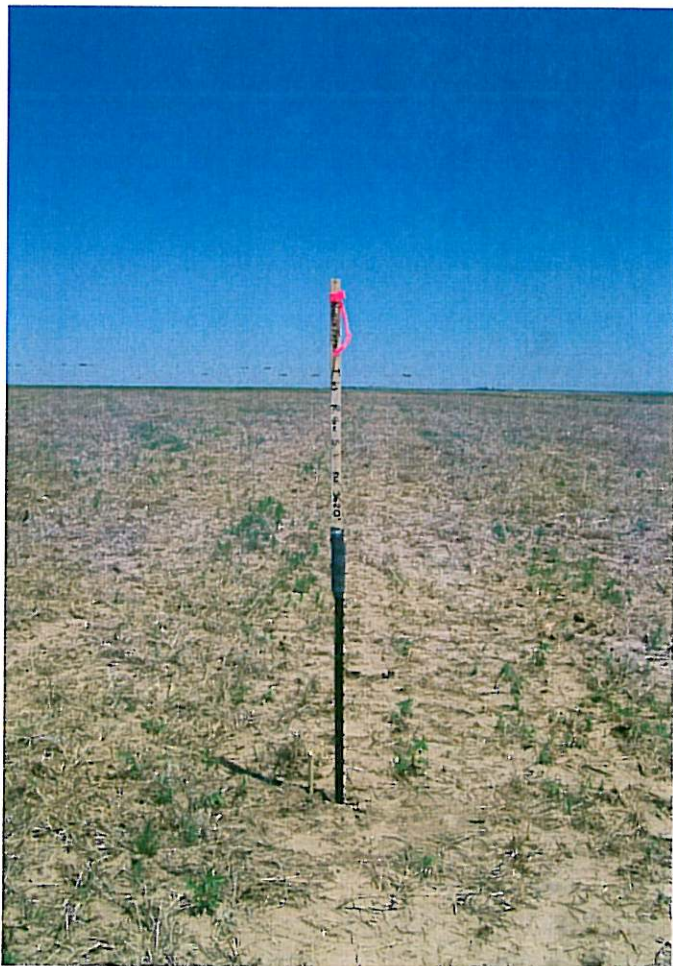
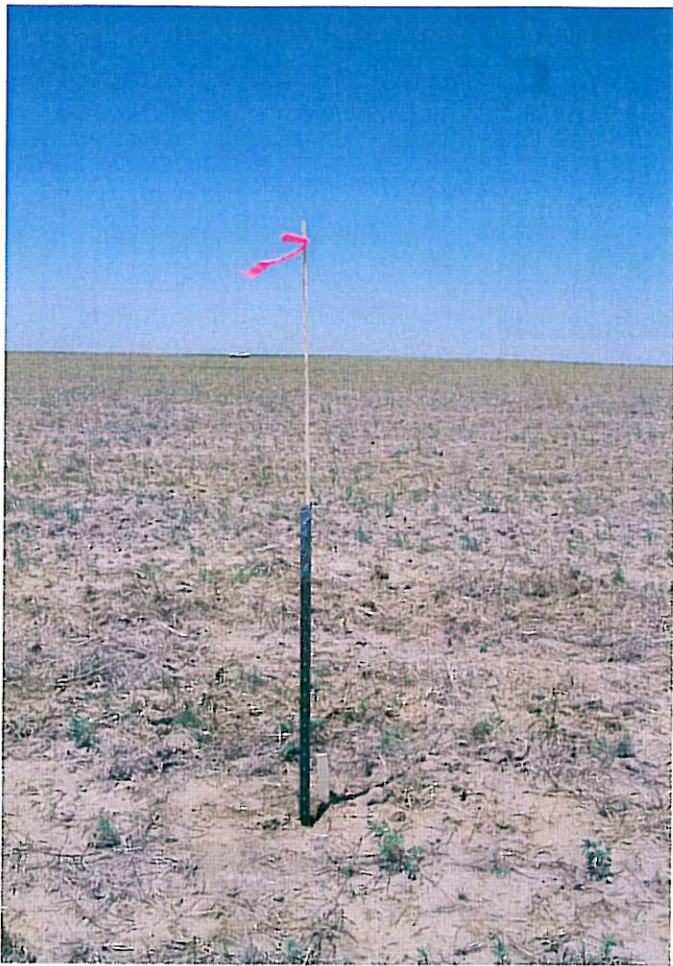
Form CDP-1
April 2004
Form must be Typed

APPLICATION FOR SURFACE PIT

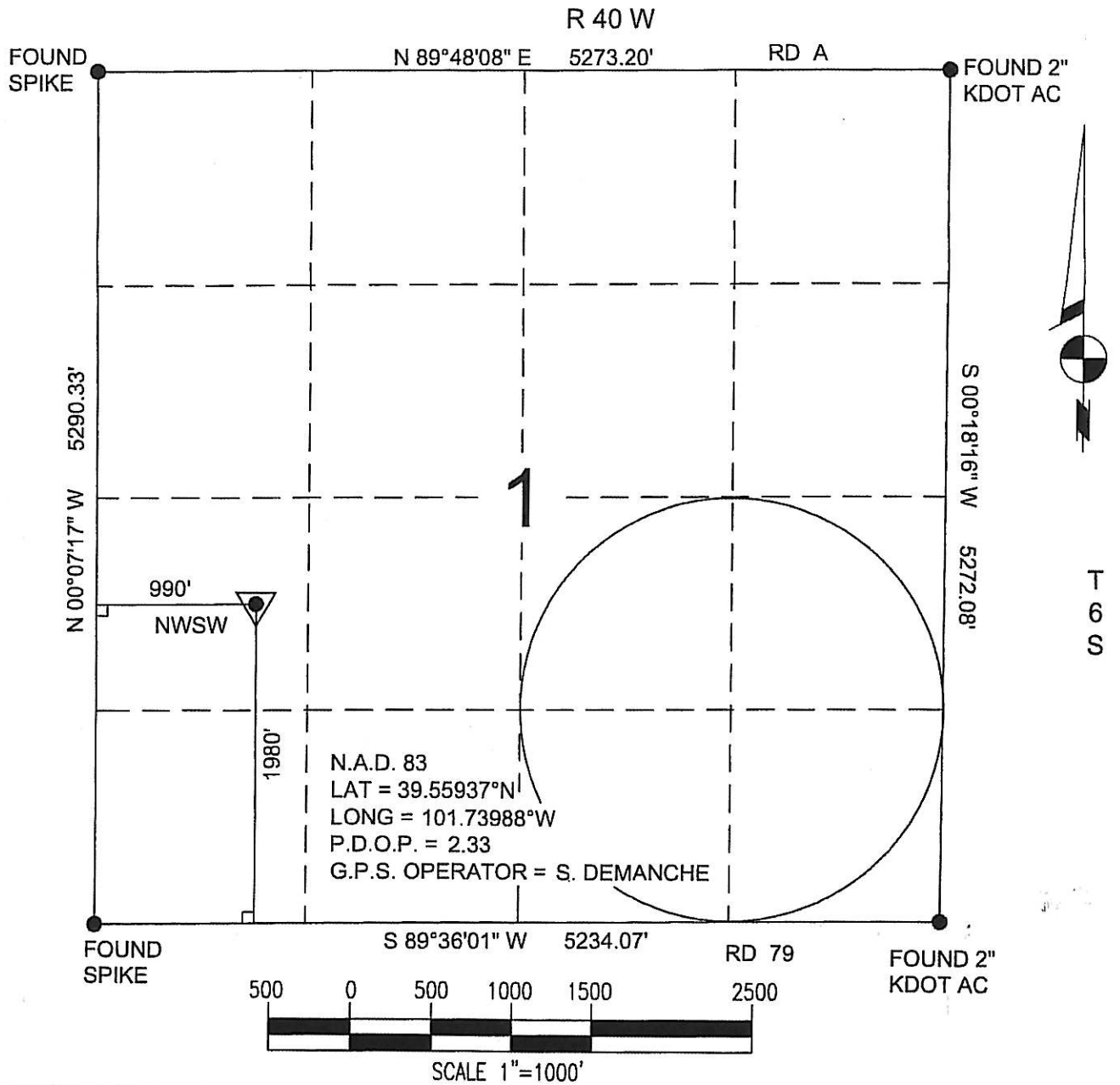
Submit in Duplicate

Operator Name: _____		License Number: _____	
Operator Address: _____			
Contact Person: _____		Phone Number: _____	
Lease Name & Well No.: _____		Pit Location (QQQQ): _____ - _____ - _____ - _____	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used?		_____	
Pit dimensions (all but working pits): _____ Length (feet) _____ Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) _____ No Pit			
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
Distance to nearest water well within one-mile of pit _____ feet Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: _____ measured _____ well owner _____ electric log _____ KDWR	
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: _____ Number of working pits to be utilized: _____ Abandonment procedure: _____ _____ Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			

KCC OFFICE USE ONLY		Steel Pit	RFAC	RFAS
Date Received: _____	Permit Number: _____	Permit Date: _____	Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> No	



BASIS OF BEARINGS: THE WEST LINE OF SECTION 1 AS SHOWN HEREON



POWER SURVEYING COMPANY, INC. OF FREDERICK, COLORADO HAS IN ACCORDANCE WITH A
 REQUEST FROM DAN CASPER OF NOBLE ENERGY INC.
 DETERMINED THE LOCATION OF BILLINGER 13-1
 TO BE 1980' FSL & 990' FWL OF SECTION 1
 TOWNSHIP 6 SOUTH, RANGE 40 WEST OF THE 6th PRINCIPAL MERIDIAN,
 COUNTY OF SHERMAN, STATE OF KANSAS

LOCATION NOTES:

LOCATION FALLS IN: PLOWED FIELD
 IMPROVEMENTS: NONE WITHIN 200' OF LOCATION

ELEVATION DETERMINED FROM NAVD 1988
 DATUM. GROUND ELEVATION = 3620'

DISTANCES AND BEARINGS ARE FIELD
 MEASURED UNLESS NOTED OTHERWISE.

LEGEND:

- SECTION CORNER (AS NOTED)
- ▼ PROPOSED WELL LOCATION



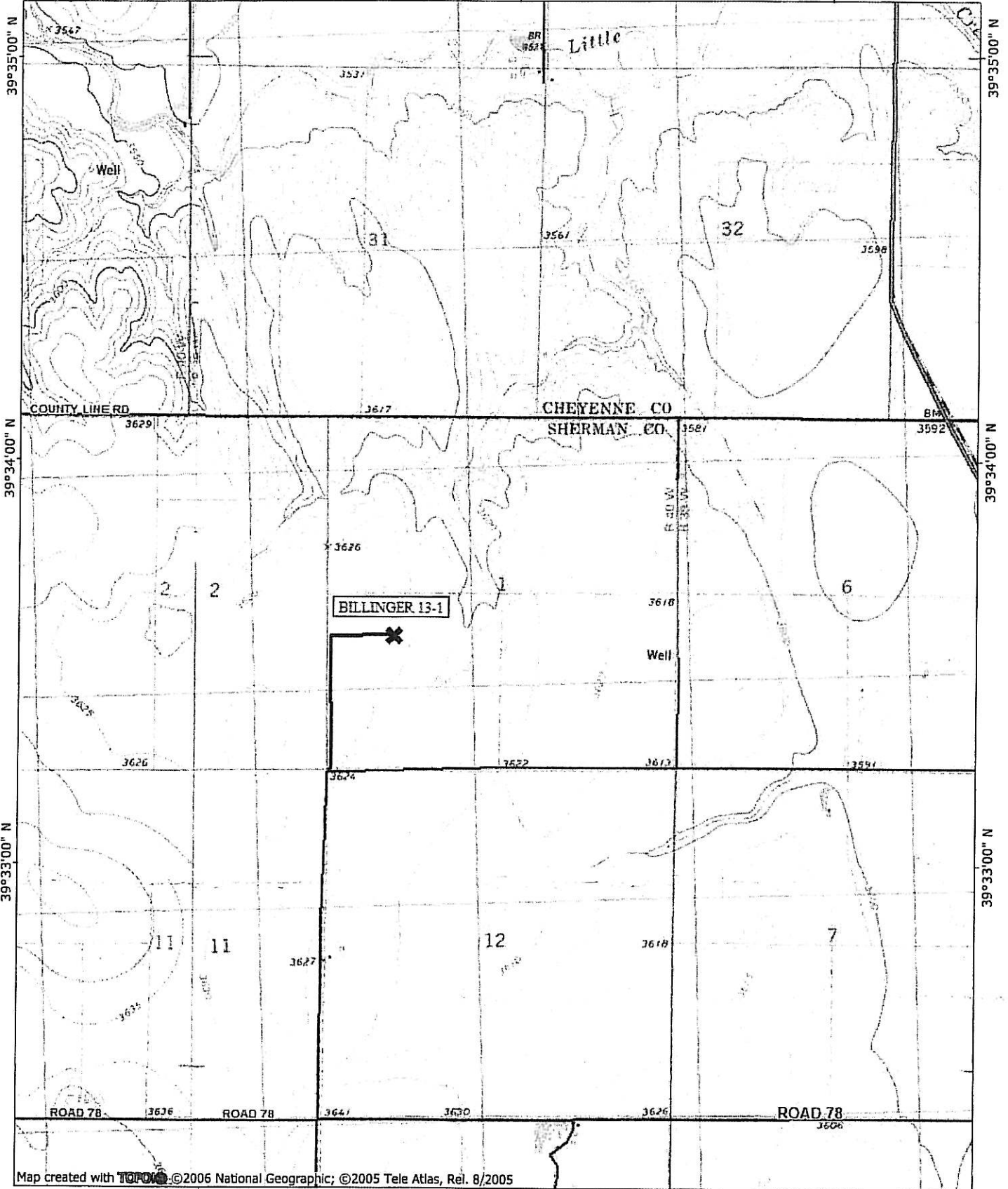
7800 MILLER DRIVE, UNIT C
 FREDERICK, CO 80504
 (303) 702-1617, FAX (303) 702-1488

WORK ORDER # 501-08-377
 FIELD DATE: 6-11-08
 DATE OF COMPLETION: 6-12-08

101°45'00" W

101°44'00" W

WGS84 101°43'00" W

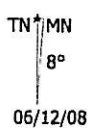


Map created with TOPO! ©2006 National Geographic; ©2005 Tele Atlas, Rel. 8/2005

101°45'00" W

101°44'00" W

WGS84 101°43'00" W



STATE OF KANSAS, COUNTY OF SHERMAN, SS
 This instrument was filed this 14th
 day of November 2003 at 10:10 A.M.
 and recorded in Microfilm Book 128
 at Page 279-280-281 FEE \$16.00

Ks/Neb/Colo
 Producers Form 88 - Paid Up



OIL AND GAS LEASE

MICROFILM
 INDEXED

Carol S. Hamstra
 Register of Deeds

This Oil and Gas Lease (the "Lease") is dated 13th July, 2003
 (the "Effective Date"). The parties to this Lease are

The First National Bank of Goodland, custodian of both the
Richard L. Billinger IRA and the Rita M. Billinger IRA

as Lessor (whether one or more), whose address is P.O. Box 594, Goodland, KS 67735
 and J. Fred Hambright, Inc., as Lessee, whose address is, 125 N. Market, #1415, Wichita, KS 67202.

1. For the consideration of Ten and More (\$10.00 & more) Dollars, the receipt of which Lessor acknowledges, and Lessee's covenants and agreements in this Lease, Lessor grants, leases, and lets exclusively to Lessee, the lands described below (the "Lands"), with the right to unitize, pool, or combine all or part of this Lease with other lands or leases for the purpose of carrying on geological, geophysical, or other exploration work, core drilling and the drilling, mining, and operating for, producing, and saving oil, gas, and other hydrocarbons, and for constructing roads, laying pipelines, building tanks, storing oil, building power stations, telephone lines, and other structures necessary or convenient for the economical operation of the Lands alone, or with adjacent lands, and to produce, save, and take care of the oil and gas produced. The Lands are

located in Sherman County, Kansas, and are described as follows:

TOWNSHIP 6 SOUTH, RANGE 40 WEST

- ✓ Section 1: Part of the W $\frac{1}{2}$ described as beginning at the Northwest corner of the Northwest Quarter (NW $\frac{1}{4}$), thence due south 2,516.5 feet; thence due east 1,371.4 feet; thence due north 4,432.4 feet; thence due west along the northern boundary of the section line 2,598.3 feet to the point of beginning
- ✓ Section 11: N $\frac{1}{2}$ of (SW $\frac{1}{4}$ and South 53 acres of the NW $\frac{1}{4}$)

The Lands are deemed to contain 300.70 acres for whether they contain more or less.

2. This Lease shall remain in force for a primary term of five (5) years (the "Primary Term") from the Effective Date and as long thereafter as oil, gas, or other hydrocarbons are, or can be produced from the Lands. On or before five (5) years from the Effective Date, if this Lease is not otherwise continued in force, Lessee, at its option may automatically renew this lease and extend the Primary Term for an additional five (5) year term if, on or before five (5) years from the Effective Date, Lessee tenders consideration to Lessor, in the amount equivalent to the initial bonus payment (per net mineral acre) as to the lands covered by this lease.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, one-eighth (1/8th) of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of one-eighth (1/8th) of the product sold or used. On the product sold at the well, the royalty shall be one-eighth (1/8th) of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be one-eighth (1/8th) of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any. Where there is a gas well or wells on the Lands subject to this Lease or lands pooled with the Lands, whether before or after the Primary Term, and the well or wells are shut-in and there is no other production, drilling operations or other operations being conducted on the Lands capable of keeping this Lease in force under any of its terms or provisions, Lessee may pay as royalty to Lessor (and if within the Primary Term such payment shall be in lieu of delay rentals) the sum of \$1.00 per year per acre of the Lands then subject to this Lease (the shut-in royalty). Payments of shut-in royalty are to be made to the depository, named above or directly to Lessor as shown, on or before the anniversary date of this Lease following the expiration of 12 months from the date a well or the wells are shut-in, and if the wells remain shut-in following the anniversary date of this Lease during the period the wells are shut-in. Upon payments being made this Lease shall be deemed to be maintained in full force and effect.

4. If at any time prior to the discovery of oil or gas or other hydrocarbons on the Lands, and during the Primary Term, Lessee drills a dry hole or holes on the Lands, this Lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing Rental Paying Date, or Lessee begins or resumes the payment of Rentals.

5. If Lessor owns a lesser interest in the Lands than the entire and undivided fee simple estate in the minerals, any royalty and Rentals which may be due or payable shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. Lessee's failure to proportionately reduce Rentals shall have no effect on the right to reduce royalties to correspond with Lessor's actual interest in the mineral estate in the Lands.

6. Lessee is granted the right to use, free of cost, gas, oil, and water found on or under the Lands, for all of Lessee's operations, except water from Lessor's wells. When required by Lessor, Lessee will bury its pipelines crossing those portions of the Lands that are under cultivation below ordinary plow depth, and pay for damages caused by its operations to growing crops on the Lands. No well shall be drilled nearer than 200 feet to any house or barn located on the Lands on the Effective Date without the written consent of Lessor. Lessee has the right at any time during or after the expiration of this Lease, to remove all machinery, fixtures, buildings, and other structures placed on the Lands, including the right to draw and remove all casing.

7. If the estate of either party is assigned, the privilege of assigning in whole or in part being expressly allowed, the terms of this Lease shall extend to the party's heirs, devisees, executors, administrators, successors, and assigns. No change of ownership in the Lands, Rentals or royalties, or any sum due, or the depository address of Lessor, under this Lease shall be binding on the Lessee until 60 days after it has been furnished with written notice of the change accompanied by the original recorded instrument or certified copy of the conveyance, a certified copy of the Will and probate proceedings of any deceased owner, or a certified copy of the proceedings showing the appointment of an administrator of the estate of any deceased owner, whichever is appropriate, together with all recorded instruments of conveyance or certified copies necessary to show a complete chain of title to the interest claimed. All advanced payment of Rentals made before the end of the 60-day period following Lessee's receipt of documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.

8. No change or division in the ownership of the Lands, Rentals, or royalties, however accomplished, shall enlarge the obligation or diminish the rights of the Lessee. In the event of an assignment in whole or in part by Lessee, the liability for breach of any obligation of this Lease shall rest exclusively on the owner of the portion of the Lease committing the breach. Lessee has no obligation to offset wells on separate tracts into which the Lands may be divided by sale, devise, descent or otherwise, or to furnish separate measuring devices or tanks. If this Lease is assigned as to a segregated part or parts of the Lands and the holders or owners of any part is in default in the payment of the proportionate part of the Rentals due, the default shall not operate to affect this Lease insofar as it covers a part of the Lands on which Lessee or any other assignee makes timely payment of Rentals. If six or more parties become entitled to royalty payments, Lessee may withhold payment until furnished with a recordable instrument executed by all the parties designating an agent to receive payment of royalties for all the parties.

9. Lessor warrants and agrees to defend title to the Lands and agrees Lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages or other liens existing, levied or assessed on or against the Lands. If Lessee exercises this option it shall be subrogated to the rights of any holder or holders of the liens or claims and may reimburse itself by applying to the amounts paid to discharge any mortgage, tax or other lien, any royalty, shut-in royalty, or Rentals accruing to the account of Lessor.

10. If Lessee commences operations for drilling at any time while this Lease is in force, this Lease shall remain in force and its terms shall continue so long as those operations are prosecuted. If production results from the operations, the Lease shall remain in effect as long as production continues.

11. If, during the Primary Term, production on the Lands ceases for any cause, this Lease shall not terminate provided operations for the drilling of a well are commenced before or on the next ensuing Rental Paying Date, or, Lessee begins or resumes the payment of Rentals in the manner and amount provided in paragraph 3 above. If after the expiration of the Primary Term, production on the Lands ceases for any cause, this Lease shall not terminate provided Lessee resumes operations for drilling a well or commences reworking operations on a well within one hundred and eighty (180) days from the date of cessation of production. This Lease shall remain in force during the prosecution of the operations and, if production results or resumes, as long as production continues.

12. At any time Lessee may surrender this Lease in whole or in part by delivering or mailing a release to the Lessor, or by placing the release of record in the county where the Lands are located. If the Lease is surrendered on only a portion of the Lands, all payments and liabilities that accrue as to the released portion of the Lands shall cease and any subsequent Rentals that may be paid may be apportioned on an acreage basis. As to the portion of the Lands not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

13. All provisions of this Lease, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations of all governmental agencies administering them. This Lease shall not in any way be terminated in whole or in part, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions of this Lease if the failure results from any such laws, orders, rules or regulations. If Lessee is prevented from drilling a well during the last six months of the Primary Term by the order of any constituted authority having jurisdiction, or if Lessee is unable during that period to drill a well due to the unavailability of necessary equipment, the Primary Term of this Lease shall continue for six months after the order is suspended and/or the equipment is available. Lessee shall pay Rentals during this extended time.

14. Lessee, at its option, is granted the right and power to voluntarily pool, unitize, or combine all or any portion of the Lands as to oil and/or gas, with any other adjacent lands, or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the Lease, or to obtain the maximum production allowable for any well. Unless larger units are permitted, pooling may be in units not exceeding forty (40) acres for an oil well plus a tolerance of 10%, and 640 acres for a gas well plus a tolerance of 10%. Larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities. Lessee or Lessee's agent, shall record in the county where the Lands are located an instrument identifying the unit and describing the pooled acreage. All acreage pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this Lease. Drilling or reworking operations, production of oil, gas, or other hydrocarbons, or the completion of a well as a shut-in gas well shall be considered for all purposes, except the payment of royalties, as if the operations were on, the production from, or the completion were on the Lands, whether or not the well or wells are located on the Lands actually covered by this Lease. In lieu of the royalty provided in this Lease, including shut-in gas royalties, Lessor shall receive from a unit only that portion of the royalty provided for in this Lease, as that portion of the Lands placed in the unit, or bears to the total amount of acreage included in a Unit.

This Lease and all its terms, covenants, and conditions shall extend to and be binding on all successors grantees and assigns of Lessor and Lessee.

This Lease is executed by Lessor as of the date of the acknowledgment of Lessor's signature, but shall be deemed effective for all purposes as of the Effective Date stated above.

Richard L. Billinger, IRA

Rita M. Billinger, IRA
Lessor

By Debra D. Martin
Debra D. Martin
First National Bank of Goodland

By Debra D. Martin
Debra D. Martin
First National Bank of Goodland

Acknowledgment For Individual

STATE OF Kansas

COUNTY OF Sherman

Before me, the undersigned, a Notary Public, within and for said county and state, on this _____ day of

July, 2003, personally appeared _____

to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____
Notary Public

Acknowledgment For Corporation

STATE OF Kansas

COUNTY OF Sherman

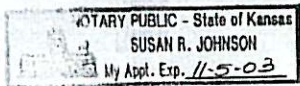
Be it remembered that on this 13th day of July, 2003, before me, the undersigned, a

Notary Public, duly commissioned, in and for the county of Sherman and State of Kansas

came Debra D. Martin, vice president of the First National Bank of Goodland, custodian of both Richard L. Billinger IRA and Rita M. Billinger a corporation of the State of Kansas, personally known to me to be such officer, and to be the same IRA person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires 11-5-03
Notary Public Susan R. Johnson



Attached and made a part of a certain Oil & Gas lease between First National Bank in Goodland, Custodian of the Richard L. Billinger IRA, as Lessors and J. Fred Hambricht, Inc., as Lessee, dated July 11th, 2003, 2003.

Rider

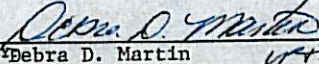
If the lands covered hereby are irrigated by the use of a self-propelled overhead sprinkler system, presently in operation or installed hereafter, the Lessee, prior to conducting operations hereon, shall consult with the Lessor in regard to said drilling operations. Said operations shall be conducted in such a manner as will least disturb or interfere with Lessor's irrigation system or the surface contours of the leased premises. Should any alterations to the surface contours be caused by its operations, Lessee, or his assigns, shall restore said surface contours to their former condition as nearly as is practicable. In the event of production and continued use of the surface, Lessee, or his assigns, will restore or prepare the surface and situate and install all equipment needed in connection therewith, so that Lessee's use will not interfere with the passage of said over-head sprinkler irrigation system. Lessee shall consult with Lessor in regard to the route of ingress and egress on said premises for the purpose of drilling and production.

Lessor shall have the right to take, in kind, lieu of money royalty, gas produced from any gas well drilled on the land herein described or on any land which is unitized, solely for use as fuel to pump water for irrigation of crops grown on the land herein described or on other lands farmed by Lessor; which right shall be subject to the following terms and conditions:

- (1) The quantity of gas taken shall not exceed the fraction of gas produced each month which Lessor is entitled to receive as royalty from gas produced from such well, and a corresponding reduction shall be made in gas royalty payments under the terms of this lease. The value of said gas based upon wellhead price.
- (2) Any gas so purchased by Lessor shall be purchased at a point designated by Lessee at or near the mouth of the well.
- (3) The Lessee shall install, operate and maintain at or near said designated point all connections, regulators and meters necessary to control and measure such gas, at the sole cost of Lessor.
- (4) All such meters and appurtenant equipment shall remain the property of Lessee. Lessor, at his own risk and expense and at locations that will not interfere with Lessee's lease operations, shall install, operate and maintain the line necessary to service engine operating the pumping equipment.
- (5) The equipment and facilities used in the purchase measurement and transportation of such gas and utilization and operation thereof shall at all times be in compliance with all reasonable current requirements of Lessee. Lessor will at all times hold Lessee harmless from all claims and liabilities arising from the taking, transportation and use of such gas.
- (6) Nothing herein contained shall operate by implication to enlarge or increase the obligations which Lessee would have in the absence of this section as to the operation of said well or impair any right it would otherwise have to determine the quantity of gas it shall produce at any particular time; and the purchase, transportation and use of such gas shall be without interference with or danger to Lessee's property or its rights and operations under the lease.
- (7) Should a breach of Lessor's obligation occur under this paragraph, Lessee shall notify Lessor in writing of such breach and Lessor shall remedy same within thirty (30) days, or Lessor's privilege, hereunder, to purchase such gas shall be revoked.
- (8) The wellhead price hereunder shall be the price per Mmbtu, including all escalations, adjustments and allowances, received by Lessee for the sale of its gas produced from leased premises.
- (9) It is understood that the gas supplied to Lessor is raw gas as produced at the well, and Lessee shall have no obligation to odorize the same; that the gas may contain water, natural gasoline or other liquids; that the pressure at the delivery point may fluctuate, and Lessor assumes the risk thereof.

The leased premises is now under flood irrigation. At such time as Lessee desires to commence drilling operations thereon, Lessee shall consult with Lessor in regard to and shall conduct its operations in such a manner as will least disturb, interfere with, or damage Lessor's irrigation system or the surface contours of the leased premises. Lessee shall promptly restore any damage caused by it to said irrigation system and/or surface contours to their former condition as nearly as possible. In the event of production and continued use of the surface, Lessee will restore or prepare the surface so that Lessee's use thereof will not prohibit use of remaining ground. Lessee shall consult with Lessor in regard to the route of ingress and Egress on said premises for the purpose of drilling and production as to use of the surface for such ingress and egress.

Richard L. Billinger IRA


By Debra D. Martin

Form 71 (Rev. 1981) **AFFIDAVIT OF POSSESSION**

Reorder No. 09-207



PO. Box 793
Wichita KS, 67201-0793
1-800-4-AFFIDAVIT
1-316-264-5244 Wichita
1-316-264-5145 Fax
www.ksp.com • ksp@ksp.com

By Fee Owner

State of Kansas }
County of Sherman } ss.

Richard L. Billinger, being first duly sworn
deposes and says:

My name is Richard L. Billinger

that I am of lawful age and reside in Sherman County, Kansas

That I am the owner of lands situated in the County of Sherman

State of Kansas, described as follows, to-wit:

TOWNSHIP 6 SOUTH, RANGE 40 WEST

Section 1: N½

Section 11: SW¼ and South 53 acres of NW¼

less and except a tract in the SW¼ described as beginning at a point on the South section line which is 741 feet West of the Southeast corner of said SW¼; thence North at a right angle a distance of 474 feet; thence West and parallel to the South Section line a distance of 460 feet; thence South at a right angle a distance of 474 feet to the Section line; thence East along said Section line a distance of 460 feet to the point of beginning.

of Section 1 & 11 Township 6 S Range 40 W and containing 523.4 acres, more or less,

That I, have been in open, adverse, exclusive, continuous, and undisputed possession of said lands for more than 5 years last past.

That I am paying taxes on, occupying and cultivating said land.

Further affiant saith not.

Richard L. Billinger
Richard L. Billinger

STATE OF Kansas }
COUNTY OF Sherman } ss.

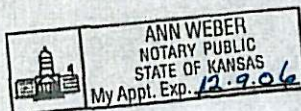
ACKNOWLEDGMENT FOR INDIVIDUAL
(KsOkCoNe)

Before me, the undersigned, a Notary Public, within and for said County and State on this 13th day of July, 2003, personally appeared Richard L. Billinger and _____, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as a free and voluntary act and deed for the uses and purposes therein set forth, and at the same time the affiant was by me duly sworn to the foregoing Affidavit of Possession.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires 12.9.06

Ann Weber
Notary Public



MEMORANDUM OF TITLE

The following information has been obtained from a careful search of the records in the office of the Register of Deeds of the County of Sherman, State of Kansas :

1. DESCRIPTION OF LAND INVOLVED:

TOWNSHIP 6 SOUTH, RANGE 40 WEST

Section 1: Part of the W $\frac{1}{2}$ described as beginning at the NW corner of the NW $\frac{1}{4}$, thence due south 2,516.5 feet; thence due east 1,371.4 feet; thence due north 4,432.4 feet; thence due west along the northern boundary of the section line 2,598.3 feet to the point of beginning

Section 11: N $\frac{1}{2}$ of (SW $\frac{1}{4}$ and South 53 acres of the NW $\frac{1}{4}$)

2. RECORD OWNER, AND HOW ACQUIRED:

ED 118/667 dated 3/29/02 Estate of Norma M. Lampe to Richard L. Billinger IRA and Rita M. Billinger IRA
50% WD 99/339 dated 2/19/98 Marjorie E. Van Vleet to Rita M. Billinger IRA
50% WD 99/340 dated 2/19/98 Marjorie E. Van Vleet to Richard L. Billinger IRA

3. OUTSTANDING MINERAL RIGHTS:

None

4. UNRELEASED OIL AND GAS LEASES EXCEPT WHERE PRIMARY TERM HAS EXPIRED:

None

5. UNRELEASED MORTGAGES:

None

6. ADDITIONAL REMARKS:

TENANT: Fee Owner

ADDRESS:

Signed: H.D. Morris

H.D. Morris

Date: _____