

For KCC Use:	
Effective Date: _	
District #	
0040	

# Kansas Corporation Commission Oil & Gas Conservation Division

Form C-1 October 2007 Form must be Typed

### SEPATOR: License#	expected Spud Date:	Spot Description:
SECTION:   Regular   Irrepular?	monun day year	
tidress 2:	PERATOR: License#	feet from N / S Line of Section
Mote: Locate well on the Section Plat on reverse side)	ame:	feet from E / W Line of Sectio
County:   County:   County:   County:   County:   County:   Lease Name:   County:	ddress 1:	Is SECTION: Regular Irregular?
County:   County:   County:   County:   County:   County:   Lease Name:   County:	ddress 2:	(Note: Locate well on the Section Plat on reverse side)
Lease Name:	ty:	,
Field Name:  Well Drilled For:  Well Class: Type Equipment:  Well Drilled For:  Well Class: Type Equipment:  Well Drilled For:  Well Class: Type Equipment:  Gas Stronge Pool Ext. Air Rotary Disposal Wildoat Gable  Selamic; # of Holes Other  Well Name:  Well Well Well Well Well Well Well Wel		
Target Formation(s):   Season   Seaso	none:	
Nearest Lease or unit boundary line (in footage):   feet N	ONTRACTOR: License#	Is this a Prorated / Spaced Field?
Ground Surface Elevation:	ame:	Target Formation(s):
Ground Surface Elevation:	Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage):
Gas   Storage   Pool Ext   Air Rotary   Disposal   Di		Ground Surface Elevation:feet MS
Seismic ;		Water well within one-quarter mile:
Depth to bottom of fresh water:   Depth to bottom of fresh water:   Depth to bottom of usable value and to be and to the perbor of concerns		Public water supply well within one mile:
Depth to bottom of usable water:		Depth to bottom of fresh water:
Surface Pipe by Alternate:		Depth to bottom of usable water:
Operator:  Well Name: Original Completion Date: Original Total Depth: Wall Name: Original Completion Date: Original Completion Date: Original Total Depth: Wall Source for Drilling Operations: Wall Farm Pond Other:  Wall Farm Pond Other:  Wall Farm Pond Other:  DWR Permit #:  Will Cores be taken?  If Yes, proposed zone:  ### Cores of the thing Operations:  Wall Gross be taken?  If Yes, proposed zone:  ### Approved by:  AFFIDAVIT  Length of Conductor Pipe Inflied over Set		Surface Pipe by Alternate: I II
Well Name: Original Completion Date: Original Total Depth: rectional, Deviated or Horizontal wellbore?  Res. true vertical depth: Water Source for Drilling Operations:   Well   Farm Pond   Other:	If OWWO: old well information as follows:	Length of Surface Pipe Planned to be set:
Projected Total Depth:	Operator:	Length of Conductor Pipe (if any):
Water Source for Drilling Operations:    Well   Farm Pond   Other:   DWR Permit #:		D : IT : ID ::
rectional, Deviated or Horizontal wellbore?  fes, true vertical depth:    Co DKT #:	Original Completion Date: Original Total Depth:	Formation at Total Depth:
DWR Permit #:   DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:       DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:     DWR Permit #:		Water Source for Drilling Operations:
Into Hole Location:    (Note: Apply for Permit with DWR   )		Well Farm Pond Other:
AFFIDAVIT  the undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq. sagreed 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.  **PI # 15 - File Completion Form ACO-1 within 120 days of spud date; For KCC Use ONLY  API # 15 - 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 Yes, proposed zone:  AFFIDAVIT  It yes, proposed zone:  AFFIDAVIT  It yes, proposed zone:  AFFIDAVIT  It yes, proposed zone:  It yes, proposed zone:  AFFIDAVIT  AFFIDAVIT  AFFIDAVIT  It yes, proposed yeith K.S.A. 55 et. seq.  AFFIDAVIT  AFFID		
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Profession of the properties of the properties of the provided by:    Profession	<ol> <li>is agreed that the following minimum requirements will be met:</li> <li>Notify the appropriate district office <i>prior</i> to spudding of well;</li> <li>A copy of the approved notice of intent to drill <i>shall be</i> posted on each of the minimum amount of surface pipe as specified below <i>shall be se</i> through all unconsolidated materials plus a minimum of 20 feet into the surface propriate district office will be notified before well is either plug</li> </ol>	ch drilling rig; It by circulating cement to the top; in all cases surface pipe <b>shall be set</b> the underlying formation. Strict office on plug length and placement is necessary <b>prior to plugging</b> ; aged or production casing is cemented in; the definition of the desired placement is necessary prior to plugging; the definition of the desired placement is necessary prior to plugging; the definition of the desired placement is necessary prior to plugging; the definition of the desired placement is necessary prior to plugging; the definition of the desired placement is necessary prior to plugging; the definition of the desired placement is necessary prior to plugging; the desired placement is necessary prior to plugging placement is necessary placement is necess
Approved by: Obtain written approval before disposing or injecting salt water.	Or pursuant to Appendix "B" - Eastern Kansas surface casing order #	
Approved by	Or pursuant to Appendix "B" - Eastern Kansas surface casing order # must be completed within 30 days of the spud date or the well shall b  bmitted Electronically  For KCC Use ONLY  API # 15  Conductor pipe required feet	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;
I It this normit has everyal (Figure 1) they are the figure detailed as a figure detailed as	Or pursuant to Appendix "B" - Eastern Kansas surface casing order # must be completed within 30 days of the spud date or the well shall b  bmitted Electronically  For KCC Use ONLY  API # 15  Conductor pipe required feet	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);

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

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

\_ Agent: \_

Spud date: \_



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#### IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

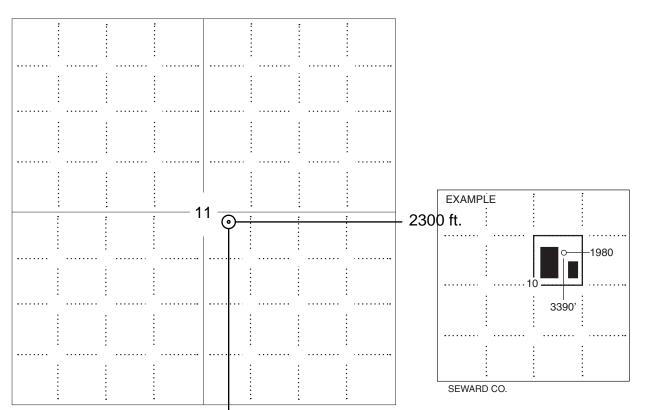
Plat of acreage attributable to a well in a prorated or spaced field

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:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	Sec Twp S. R
Number of Acres attributable to well:	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.

#### 2500 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 OIL & GAS CONSERVATION DIVISION

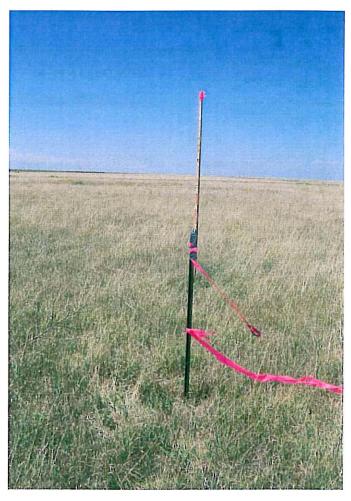
1021580

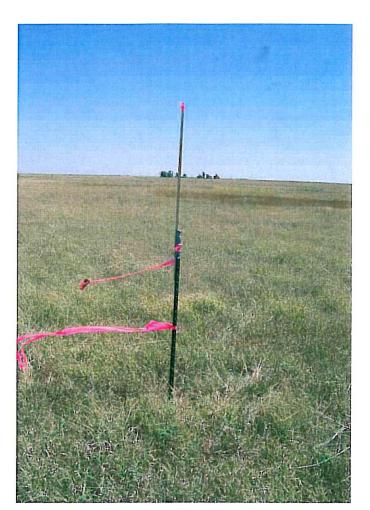
Form CDP-1
April 2004
Form must be Typed

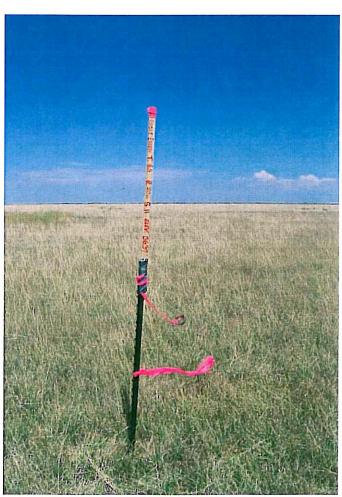
### **APPLICATION FOR SURFACE PIT**

#### Submit in Duplicate

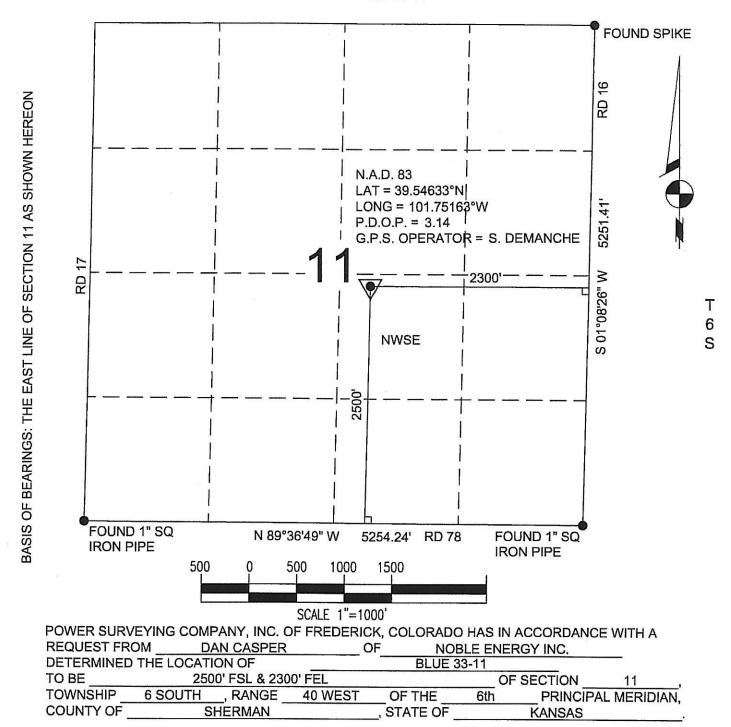
Operator Name:		License Number:	
Operator Address:		·	
Contact Person:		Phone Number:	
Lease Name & Well No.:			Pit Location (QQQQ):
Type of Pit:  Emergency Pit Burn Pit  Settling Pit Drilling Pit  Workover Pit Haul-Off Pit  (If WP Supply API No. or Year Drilled)  Is the pit located in a Sensitive Ground Water  Is the bottom below ground level?  Yes No  Pit dimensions (all but working pits):  Depth from If the pit is lined give a brief description of the material, thickness and installation procedure	Artificial Liner? Yes 1 Length (feom ground level to de	No No et)  Describe proce	
Distance to nearest water well within one-mile	of pit	Depth to shallo	owest fresh waterfeet.
feet Depth of water well	feet		redwell owner electric logKDWR
Producing Formation: Type Number of producing wells on lease: Number of fluid produced daily: Abstress of fluid produced daily: Abstress the slope from the tank battery allow all spilled fluids to		Type of material Number of work Abandonment	over and Haul-Off Pits ONLY:  al utilized in drilling/workover:  king pits to be utilized:  procedure:  be closed within 365 days of spud date.
	KCC (	OFFICE USE OF	NLY Steel Pit RFAC RFAS
Date Received: Permit Num	ber:	Permi	it Date: Lease Inspection: Yes No











**LOCATION NOTES:** 

LOCATION FALLS IN: DRY LAND

IMPROVEMENTS: NONE WITHIN 200' OF LOCATION

ELEVATION DETERMINED FROM NAVD 1988 DATUM. GROUND ELEVATION = 3637'

DISTANCES AND BEARINGS ARE FIELD MEASURED UNLESS NOTED OTHERWISE.

#### LEGEND:

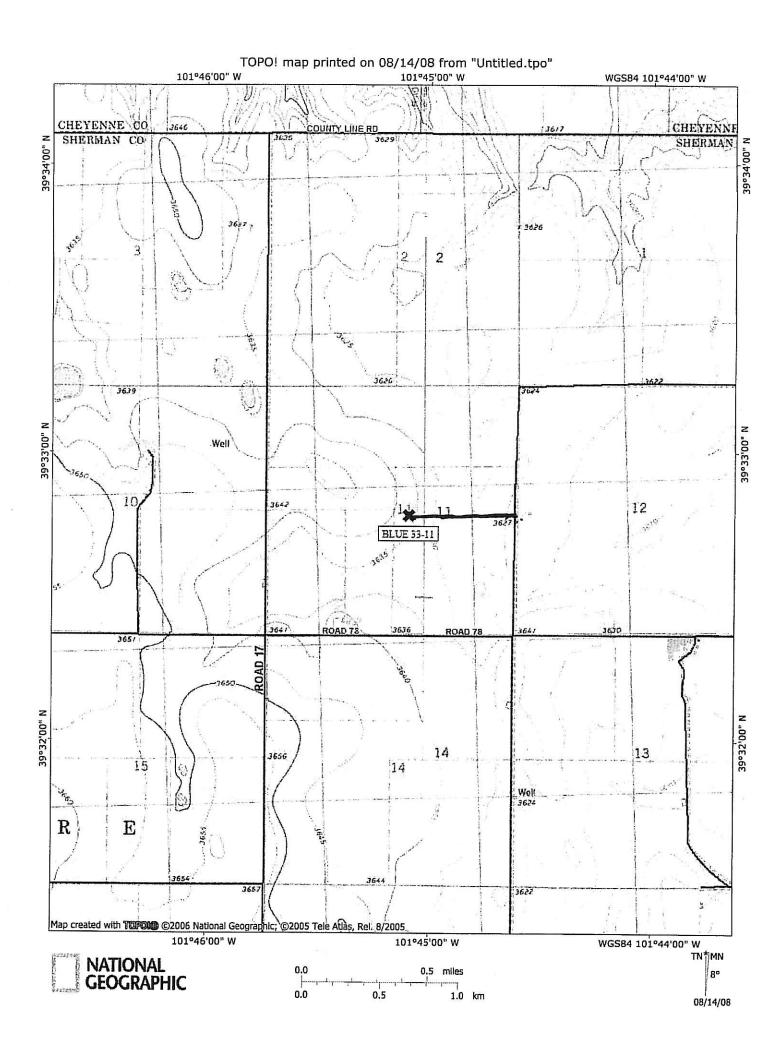
SECTION CORNER (AS NOTED)
PROPOSED WELL LOCATION



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

WORK ORDER # 501-08-553 FIELD DATE: 08-13-08

DATE OF COMPLETION: 08-14-08



#### OIL AND GAS LEASE

(AND RIGHT OF WAY AGREEMENT)

	_day of February	2 <u>006</u> , by and between
Wilma J. Blue, a single woman, Indiv	vidually, and as Trustee of The Blue	Family Trust dated December 10, 2001
where post office address is 4217 S. 4205 W.	West Valley City, UT 84120	lictematter called Lesson (whether one or more) and
Bill Barrett Corporation whose address is	1099 18th St., Ste. 2300, Denver, C	O 80202, herematter called Lessec
dentite, leave and let exclusively unto the small Lessee, the methods, and operating for and producing therefrom oil	chams and agreements herematter contained, has gran to faint bereinafter described, with the exclusive right I Land all gas of whatsoever nature or kind, with rights	ted, denused, leased and let, and by these presents does grant, of the purpose of mining, exploring by geophysical and other of way and easements for laying pape times, and erection of mity of Sherman, State of Kansas, described
TOWNSHIP 6 SOUTH, RANGE 40	WEST, 6 <sup>111</sup> P.M.	
Section 11: The South 53 acres of	the NE/4, and The North 53 acres	of the SE/4

See Exhibit "A" attached hereto and made a part hereof.

and containing 106,00 acres, more or less. This lease covers all the land described above including all lands now of hereafter invited or claimed by Lessor, adjacent. configuous or a part of the fract or fracts described above, whether such additional lands be owned or claimed by deed, limitation or otherwise, or are fenced or unfenced, or whether such lands are inside or outside of the description ser forth above.

I. It is agreed that this leave shall remain in force for a term of Five (5) years and as long thereafter as oil or gas of whatsoever nature or kind is produced from sand leaved premises or on acreage pooled therewith, in drilling operations are continued as hereunafter provided. It, at the expiration of the primary term of this leave, ofto gas is not being produced on the leaved premises or on acreage pooled therewith but I essee is then engaged in drilling or re-working operations thereon, then this leave shall continue in tonce to long as operations are being continuously prosecuted on the leaved premises or on acreage pooled therewith, and operations shall be considered to be continuously proveeded if not more than one hundred and eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If falter discovery of ord or gas in said had or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this leave shall not terminate it Lesvec commences additional drilling or re-working operations which one hundred and eighty (180) days from date of completion of dry look. If of or gas is produced from the leaved primary and or after the expiration of the primary term of this leave shall not terminate in Lesvec soul and acreate a state of the expiration of the primary term of this leave shall continue in force so long as oil of gas is produced from the Leaved primary of our days and primary leaves of the primary term of this leave is to all or any source of the consideration of the down each payment. Lesver agrees that I esvee shall not be obligated, except as otherwise provided herein, to commence or continue any operations, during the grain parties. It is a partie of the credity of the primary term of this leave is to all or any portion of said land and as to any strata obstration of the down each payment. Lesver agrees that I esvee shall not be obligated, except as otherwise pr

A Where gas berma well capable of producing gas is not sour or used. Lessee may pay or remote a region of most of production of the made on or before the anniversary date of this bease extension and the capitation of mostly (90) days from the date well is shot in and thereafter over before the anniversary date of this bease.

3.18 and Lessor owns a less interest in the above described I and than the entire and undivided fee simple estate therein, then the myshle's (including any shaft-in pay towalls) herein provided for shall be paid the Lessor only in the proportion which I essor's unterest bears to the whole and undivided fee.

5.18 and Lessor owns a less interest in the above described I and than the entire and undivided fee simple estate therein, then the myshle's (including any shaft-in pay towalls) herein provided for shall be paid the Lessor only in the proportion which I essor's unterest bears to the whole and undivided fee.

5.18 and Lessor that he paid to the less of early, gas, oil and water produced on said land for I esser shall have the right of early pay to get the the lesse or harm now on said premises.

5.18 to well shall be fine care than 200 feet to the lesse or harm now on said premises.

6.19 Lesser shall have the right in any fine to remove all inachmery and it fivures placed on said premises.

6.10 Lesser shall have the right and such the right in whole or part. No clange in ownership of Lessor's underest by responsible to the complete chain of troud the from Lessor, and then only will respect to pay ment thereafter made. Bo other kind of motice, whether actual or constructive, shall be handing on the said of the processor or future distributed to pay the present fraid the distributed without regard to any such division. If all or any part of this lease is adjusted to reflect the original of a process or part to the constructive pay in a shall be a present in future dission of I essor's owner than a constitutive pay and the right and power to voluntarity pool, united for any partition of

or Regulation.

15 I esser hereby warrants and agrees to defend the rule to the lands therein described and agrees that the Lessee shall have the right at any time to redeem for Lesson, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lesson and be subrogated to the rights of the holder thereof, and the undersyined Lessons, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and housestead may in any way affect the purposes for which this Laws I under a recited herein.

16. In the event Lesson considers that Lessee has not complied with all its obligations hereinader, either express or implied, Lesson shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this lessee. I essee shall then have sixty (od) days after express or implied, Lesson that how the right of any part of the breaches alleged by Lesson. The service of said notice chall be precedent to the bringing of any action by Lesson on and lease for any cause, and no such action shall be brought until the lapse of vixty (tot) days after service of such notice on Lessee. Neither the service of said notice nor the doing of only acts by Lessee annead to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations betweender.

17. Should any one or more of the parties bereinabove named as Lessor fail to execute this leave, it shall nevertheless be binding upon all such parties who do execute it as I essor. The word "I essor," as used in this leave, shall mean any one or more or all of the parties who execute this leave as Lessor. All the provisions of this leave shall be binding on the heirs, successors and assigns in I essor, and this leave shall ever and bind all interest of the Lessor which may be acquired subsequent to the date of this leave which Lessor may be acquired subsequent to the date of B3 WIFFLESS WHFREOL, this instrument is executed as of the date first above written Wilma J. Blue, Individually, and as Trustee of The Blue Family Trust dated December 10, 2001 Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utali, Nebraska, North Dakota, South Dakota ACKNOWLEDGMENT--INDIVIDUAL BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this day of February Wilma J. Blue, a single woman, Individually, and as Trustee of The Blue Family Trust personally appeared dated December 10, 2001 to me known to be the identical person \_\_\_, described in and who executed the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as her free and voluntary act and deed for the uses and purposes therein set IN WITNESS WHERFOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written. My Commission Expires Notary Public. MEGAN HARRIS Notary Public State of Utah Comm. Expires May 30, 2003 Drive West Jerden-UT-6408

STATE OF	)	ACKNOWLEDGMENT	
COUNTY OF	)	(For use by Corporation)	
On this	day of		2 16
ppeared	, to j	me personally known, who, being by	me duly sworn did say thathe is the
cal affixed to said instrument is orporation by authority of its Bo s be free act and deed of said co	the corporate seal of said	1	and that the and was signed and sealed in behalf of said acknowledged said instrument
Vitness my hand and seal this	day of		
ly Commission Expires			

STATE OF KWSAS, OTINIY OF SIERAN, SS This instrument was filed this 12th day of Nay 2005 at 9:17 A.M. and recorded in Microfilm Book 143 at Page 32-33-34 FEE \$ 16.00

Address:\_

After Recording Return To: David V. B. Olds 6615 W. Rowland Ave. Littleton, CO 80128 Register of Dearls Carol S. Aunstrurg

Notary Public.

MICROFILM MOERED

#### EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated February 16, 2006, by and between, Wilma J. Blue, a single woman, Individually, and as Trustee of The Blue Family Trust, dated December 10, 2001, as Lessor, and Bill Barrett Corporation, as Lessee.

- Lessor hereby grants permission to Lessee or its assigns, authorized agents, contractors, or successors, (hereinafter referred to as "Lessee") to conduct geophysical operations over and across those certain lands owned by Lessor for the term of this lease. In consideration for granting this permission, Lessee agrees that all geophysical work performed on the leased lands shall be conducted at Lessee's own tisk and expense, and Lessee agrees to pay for any actual damages which may be caused by its operations on the leased lands. Furthermore, Lessee indemnifies and holds Lessor harmless for all liability to or claim of negligent parties should any such claims arise from Lessee's geophysical operations on the leased lands. Lessee agrees that 2D seismic geophysical survey operations damage settlement shall be at the agreed rate of \$500.00 per actual linear mile of leased property crossed. 3D seismic geophysical survey operations damages shall be at the following agreed rates per acre of leased property that is actually crossed over by 3D seismic operations:

  The per surface acre for cultivated dry-land;

  The per surface acre for cultivated dry-land;
- 2. Lessee or its assigns and successors (hereinafter referred to as "Lessee") agree to pay Lessor a surface damage payment of Education prior to the drilling of each well located on the leased lands. In the event that any drillsite exceeds two acres, including roads, Lessee shall pay as additional surface damages, the sum of Education for each acre or fraction thereof in excess of two acres.
- 3. Lessee shall not conduct drilling operations on leased lands which are actively under center pivot irrigation from April 1 through November 15 of each year without the prior written consent of Lessor. The intent is for the Lessee to avoid interference with Lessor's actual irrigation of the leased lands. In the event Lessee wishes to commence drilling operations on said lands during the said April 1 through November 15 period and Lessor refuses to consent to said operations, and if operations are necessary to maintain or extend the term of said lease, then the Lessor agrees to allow Lessee a period of 60 additional days from November 15 to commence drilling operations. In the event Lessee enters onto leased lands and the then current crop or crops have not been harvested. Lessee shall pay I essor additional compensation for crop loss caused by Lessee's operations based upon Lessor's reasonable estimate of yield and the local market price for said crop or crops.
- 4. Lessee agrees to consult with Lessor as to the placement of access roads prior to any drilling operation in order to minimize, without undue hardship to Lessee, disturbance of the ground surface or the disruption of Lessor's farming and/or ranching operations.
- Lessee agrees that while performing all exeavations on the leased lands, it will segregate the topsoil horizon from lower soil horizon and stockpile these soils separately. Upon restoration, Lessee agrees to place all soils to their original position and contour as nearly as practicable and reasonable.
- 6. In the event an existing center pivot irrigation system is located on the leased lands before a producing well is drilled on said lands. Lessee agrees to use "low profile" production equipment: or to construct ramps for the center pivot; or to set well(s), pump(s), and production equipment off the irrigated portion of said lands provided the application is practicable in Lessee's judgment to avoid interference with said center pivot irrigation.
- Lessee agrees to reimburse Lessor for any costs, expenses, losses or penalties to Lessor resulting from Lessee's
  operations on any portion of the leased lands which are covered by a Conservation Reserve Program contract, including any
  reseeding expenses.
- 8. Lessee agrees at all times to use best efforts in conducting operations on leased premises so as to protect the rights and property of the Lessor. All land which may be disturbed for Lessee's operations shall be treated so as to prevent crosion. Any equipment discarded by drilling contractor during the process of exploring for and/or producing oil or gas shall not be buried on said land, but shall be removed from the premises. Any fences cut by Lessee shall be repaired or replaced by Lessee so that such section equals or exceeds its original condition, and upon Lessor's request, all pits and equipment will be fenced in order to adequately hold livestock. Any oil and/or paraffin resulting from Lessee's operations shall be contained in pit(s) and removed from leased lands as soon as practical.
- 9. After a well is drilled, all areas which were disturbed by drilling and/or completion operations, and which are not needed for production operations, are to be reclaimed as close to their original condition, as nearly as is practicable and reasonable, no later than six months after completion of such operations, unless agreed to by Lessor. Any pits used for Lessee's drilling and/or reworking operations shall be filled and leveled as soon as conditions reasonably permit and the surface shall be returned as nearly as is practicable and reasonable to its original condition and contour following the
- 10. Final reclamation is to be completed within six months after the plugging and abandonment of a well and Lessee shall be required to remove all production equipment, close access roads, re-grade and re-contour the wellsite and access roads, and re-seed any non-erop land with native grass.

Ks/Neh/Colo Producers Form 88 - Paid Up



BOOK 128 PAGE 279 SI OF KANSAS, CLINIY 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 Caxal & asmothery

MICROFILM
REGISTER OF Deeds
(the "Effective Date") The publics 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 Lesser (whether one or mere), 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.

This Oil and Gas Lease (the 'Lease') is dated \_\_ 13th July, 2003

Sherman

County. Kansas

#### TOWNSHIP 6 SOUTH, RANGE 40 WEST

Section 1: Part of the W2 described as beginning at the Northwest corner of the Northwest Quarter (NW4), 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: Ni of (SWi and South 53 acres of the NWi)

300.70 scres for whether they contain more or less.

- 2. This Lease shall remain in force for a primary term of five (3) 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, Lease, at its option may automatically remay this lease and extend the Primary Term for an additional five (5) year ferm if, on or before five (5) years from the Effective Date, Lease tenders consideration to Leaser, in the amount equivalent to the initial bonus payment (per net mineral arre) as to the lends covered by this lease.
- 3. The royalites to be paid by Lessee are: (a) on oil and other liquid hydroezhour. (b) the lends covered by this feate.

  3. The royalites to be paid by Lessee are: (a) on oil and other liquid hydroezhour. (b) of the product 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 peasession, 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 the product sold or used. On product sold at the well, the royalty shall be the 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 other of sale, treating, compression, and processing. On product sold at the well, the royalty shall be the product sold at the well, the royalty shall be the product sold at the well, the royalty shall be the product sold at the well, the royalty shall be the product sold at the well, the royalty shall be the product sold at the well, the royalty shall be the product sold at the well of the product sold of the product sold at the well of the product sold of the product sold at the well of the product sold at the well of the product so
- 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 Lesses shall not terminate, provided operations for the drilling of a well shall be commenced by the next enough Rental Paying Date, or Lessee begins or resumes the payment of Rentals.
- 5. If Lessor owns a lesser interest in the Lands then 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. Lesser'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 Lesser, 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 Lesse, 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 royalities, or any sum due, or the depository address of Leaser, under this Lease shall be binding on the Lesse 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 probite proceedings of any deceased owner, or a certified copy of the proceedings showing the appointment of endinistrator 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, Rentalt, or royaltics, 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 Lesse shall rest exclusively on the owner of the portion of the Lesse committing the breach. Lessee has no obligation to offset wells on separate tracts of which the Lands may be divided by sale, devise, descent or otherwise, or to furnish separate measuring devices or tanks. If this Lesse is sesigned as to a segregated pan 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 in the payment of the proportionate part of the Rentals due, the default in the payment of the proportionate part of the Rentals due, the default shall not operate to affect this Lesse innefer as it covers a part of the Lands on which Lessee or any other sarignate makes limely payment of Rentals. If six or more parties become childred 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 Lends 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 relimbure 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 Lesse commences operations for drilling at any time while this Lesse is in force, this Lesse shall remain in force and its terms shall continue so long as those operations are presecuted. If production results from the operations, the Lesse shall remain in effect as long as production continues.
- II. If, during the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided operations for the drilling of a well are commenced before or on the next casuing Rental Paying Date; or, Leases begins or resumes the payment of Rentals in the manner and amount provided in paragraph 5 above. If after the expiration of the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided Leases resumes operations for civiling a well or commences reworking operations on a well within one hundred and eighty (180) days from the date of ceasation 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.

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12. At any time Lessee may surrender this Lesse 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 Lunds are located. If the Lesse is surrendered on only a portion of the Lands, all payments and liabilities that secrete as to the released portion of the Lunds shall cease and any subsequent Rentals that may be paid may be approximend on an acreage basis. As to the portion of the Lunds 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 Lease 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 Leasee 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 Leasee 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. Lease shall pay Rentals during this extended time

14. Lease, at its option, is granted the right and power to voluntarily pool, unitize, or combine all or any portion of the Lends as to oil and/or gas, with any other adjacent lands, or leases, when in Lease'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 a gas well plus a tolerance of 10%. Larger units may be created to conform to any specing well unit pattern that may be prescribed by governmental authorities. Lease or Lease'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

hydrocations, or the completion of a well as a shul-in gas well shall be con- from, or the completion were on the Lends, whether or not the well or well Lense, including shut-in gas toyalties, Lessor shall receive from a unit only or bears to the total amount of acreage included in a Unit.	If it were included in this Lease. Drilling or reverking operations, production of cil, gas, or other pidered for all purposes, except the payment of royalties, as if the operations were on, the production list ere located on the Lends actually excerted by this Lease. In lieu of the royalty provided in this that portion of the royalty provided for in this Lease, as that portion of the Lands placed in the unit,
	tend to and be binding on all successors grantees and assigns of Lessor and Lessoe
This Leaso is executed by Lessor as of the date of the acknowles stated above.	dgment of Lessor's signature, but shalf be deemed effective for all purposes as of the Effective Date
Richard L. Billinger, IRA	Rita M. Billinger, IRA Lessor
Debra D. Martin First National Bank of Goodland	Debra D. Martin WATO TEXD# 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
	the state of the s
	At the second se
IN WITNESS WHEREOF, I have hereunto so  My commission expires	et my hand and official seal the day and year last above written.
	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 count	ty of Sherman and State of Kansas
	rce president of the First National Bankoof,
Goodland, custodian of both Ricl a corporation of the State of 大会いらのこ person who executed as such officer the foregoing instr	hard L. Billinger IRA and Rita M. Billinge, personally known to me to be such officer, and to be the same IR rument of writing in behalf of said corporation, and he duly defor said corporation for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto se	et my hand and official seal the day and year last above written.
My commission expires	Notary Public Sugar R. Johnson
OTARY PUBLIC - State of Kansas  SUSAN R. JOHNSON	JUNEAU V. JOHNBOR

1 2 My Appl. Exp. //-5-0

BOOK 128 PAGE 281

Attached and made a p.rt of a certain Oil & Gas lease between rist National Bank in Goodland, Custodian of the Richard L. Billinger IRA, as Lessors and J. Fred Hambright, Inc., as Lessoe, dated July 11<sup>th</sup>, 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 lensed 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 pussage 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 hersee 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 breech 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