





1022485

**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

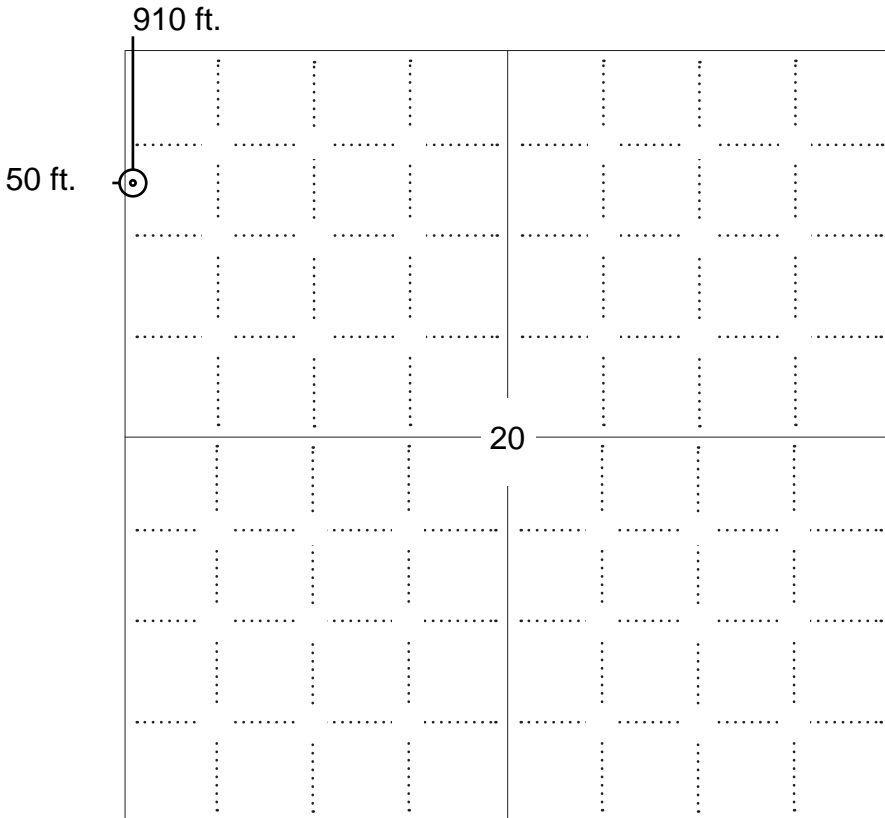
**If Section is Irregular, locate well from nearest corner boundary.**

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.**

**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 1022485  
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	
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> 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.	
<p>Submitted Electronically</p>			

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

# OIL AND GAS LEASE

(PAID-UP)

0024452

STATE OF KANSAS  
LABETTE COUNTY  
THIS INSTRUMENT WAS FILED FOR RECORD  
AND DULY RECORDED IN BOOK 168  
OF 37 08 AT PAGE 168

AGREEMENT, made and entered into this 23<sup>rd</sup> day of MARCH, 2006,  
by and between R. WESLEY IBBETSON and PATRICIA A. IBBETSON, husband and wife

11/ MAR 24 2006 1:50  
Dorena Strickland  
REGISTER OF DEEDS  
FEES 13.00

hereinafter called Lessor (whether one or more), and Colt Natural Gas, L.L.C., P.O. Box 388, Iola, Kansas 66749, hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land together with any reversionary rights and after-acquired interests therein, described as follows:

✓ THE NORTHEAST QUARTER (NE/4) OF SECTION 20, TOWNSHIP 33 SOUTH, RANGE 18 EAST, **EXCEPT:** BEGINNING AT A POINT 1411 FEET SOUTH OF THE NE CORNER OF SAID SECTION 20, THENCE SOUTH 1,226 FEET, THENCE WEST 428 FEET, THENCE NORTH 481 FEET, THENCE WEST 465 FEET, THENCE NORTH 745 FEET, THENCE EAST 893 FEET TO POINT OF BEGINNING, LABETTE COUNTY, KANSAS, AND;

✓ THE NORTHWEST QUARTER (NW/4) OF SECTION 20, TOWNSHIP 33 SOUTH, RANGE 18 EAST, LABETTE COUNTY, KANSAS;

Section 20 Township 33 S Range 18 E containing .297 acres more or less  
located in LABETTE COUNTY, KANSAS.

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of THREE (3) year(s) from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this Lease shall continue and be in force with like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:  
(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal FIFTEEN PERCENT (15%) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises FIFTEEN PERCENT (15%) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of FIVE DOLLAR (\$5.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, Lessor conditionally grants to Lessee an easement and right of way as provided herein. The use of such easement and right of way are conditioned upon Lessee first paying or tendering to Lessor of the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), at a location or locations to be determined by Lessee, on, in, over and through the land described hereinabove. The centerline of such easement and right of way shall be the center of the pipeline(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines so as to minimize interference with surface use by Lessor. Such pipeline(s) and electric line(s) shall be buried when

reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction, maintenance and operation of such pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to exercise of the rights granted herein. This easement and right of way shall be construed as if conveyed by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if use of such easement and right of way is not actually commenced within the term of said oil and gas Lease or extension or renewal thereof then this easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas lease expires. This easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this easement and right of way provides for transporting products mentioned herein which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. **DISPOSAL.** For the consideration first stated above, Lessor conditionally grants to Lessee a license, easement and right of way as provided herein. The use of such license, easement and right of way are conditioned upon Lessee first paying or tendering to Lessor the sum of FOUR HUNDRED DOLLARS (\$400.00) and a like amount annually on each twelve (12) month anniversary thereafter. The first such payment or tender may be made at any time while this Lease is in effect. If such payment is not timely made, this license, easement and right of way shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. Such license, easement and right of way are described as follows: Lessor grants to Lessee the right and license to use a newly drilled well or re-complete an existing well upon the above described land and to use same for disposing of waters, brines and other substances produced from wells owned or operated by Lessee located on said land and upon lands adjacent to or in the vicinity thereof, together with an easement and right-of-way of approximately one (1) square acre around such well, the center of which shall be the borehole of the disposal well, and an easement and right of way on a strip of land twenty (20) feet wide to install, repair, operate and remove such lines, pipes, pumps, equipment, machinery, electric lines and other appliances as Lessee shall deem suitable for the operation of such disposal well. The centerline of said twenty (20) feet easement and right of way shall be the center of the pipe line(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines and the location of new well(s) so as to minimize interference with surface use by Lessor. Any pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction, maintenance and operation of such well, pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to the exercise of the rights granted herein. Lessee shall have the right at any time to remove from the disposal well any and all equipment associated therewith, it being understood that the same shall be and remain personal property, whether or not affixed to the realty; and upon cessation of use of said well, Lessee shall clean up the area with reasonable diligence and dispatch, and shall restore the area as nearly as reasonably possible to its original condition. This license, easement and right of way shall be construed as if granted by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if a disposal well is not commenced within the term of said oil and gas Lease or extension or renewal thereof then this license, easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas Lease expires. This license, easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this license, easement and right of way provides for transportation and disposal of substances which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The license, easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such license, easement and rights-of-way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of payments and/or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar as it covers a part or parts of said lands upon which the said Lessee or any assignee thereof shall make due payments of said payments and/or royalties. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this Lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

13. **WARRANTY AND SUBROGATION.** Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

14. **SPECIAL PROVISIONS.**

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.

Whereof witness our hands as of the day and year first above written.

  
Name: R. Wesley Ibbetson

  
Name: Patricia A. Ibbetson

Address 825 E. 5<sup>th</sup> Street  
Cherryvale, Kansas 67335

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of MARCH 2006.

By R. WESLEY IBBETSON and PATCICIA A. IBBETSON, husband and wife

  
Notary Public Dan Mertensmeyer  
Commission/Appointment Expires: 6/12/2009

NOTARY PUBLIC - State of Kansas  
DAN MERTENSMEYER  
My Appt. Exp. \_\_\_\_\_

# OIL AND GAS LEASE

(PAID-UP)

0024451

AGREEMENT, made and entered into this 23<sup>rd</sup> day of MARCH, 2006,  
by and between R. WESLEY IBBETSON and PATRICIA A. IBBETSON, husband and wife

STATE OF KANSAS  
LABETTE COUNTY  
THIS INSTRUMENT WAS FILED FOR RECORD  
AND DULY RECORDED IN BOOK 167  
OF 37 AT PAGE 08

11 ✓ MAR 24 2006 1:50

Donna Strickland  
REGISTER OF DEEDS

FEES 13.00

hereinafter called Lessor (whether one or more), and Colt Natural Gas, L.L.C., P.O. Box 388, Iola, Kansas 66749, hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of conducting geological, geophysical and other exploratory work, including drilling and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive

right of injecting gas, air, water, brine and other fluids and substances into the subsurface strata, and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products, all that certain tract of land together with any reversionary rights and after-acquired interests therein, described as follows:

✓ THE EAST HALF OF THE NORTHEAST QUARTER (E/2 NE/4) OF SECTION 19, TOWNSHIP 33 SOUTH, RANGE 18 EAST, LABETTE COUNTY, KANSAS, AND;

THAT PART OF THE SOUTHWEST QUARTER (SW/4) OF SECTION 20, TOWNSHIP 33 SOUTH, RANGE 18 EAST, LABETTE COUNTY KANSAS, LYING WEST OF THE CENTER LINE OF PUMPKIN CREEK;

Section 19 & 20 Township 33 S Range 18 E containing 118 acres more or less located in LABETTE COUNTY, KANSAS.

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of THREE (3) year(s) from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this Lease shall continue and be in force with like effect as if such well had been completed within the Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells, the equal FIFTEEN PERCENT (15%) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises FIFTEEN PERCENT (15%) of the market value at the mouth of the well.

(C) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of FIVE DOLLAR (\$5.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted. If such payment is not timely made, this Lease shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or gas in accordance with paragraph 2 of this Lease.

5. **FORCE MAJEURE.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep this Lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the Primary Term, the time such force majeure exists shall be added to the Primary Term.

6. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this Lease as Lessor, then this provision applies to each such party.

7. **OPERATIONS AND REMOVAL.** Lessee shall bury its pipelines below plow depth where reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

8. **FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's taking and use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including K.A.R. 82-11-4, in effect at the time of connection including, but not limited to, odorization of the gas.

9. **RIGHT OF WAY.** For the consideration first stated above, Lessor conditionally grants to Lessee an easement and right of way as provided herein. The use of such easement and right of way are conditioned upon Lessee first paying or tendering to Lessor of the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land twenty (20) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, and electric line(s), at a location or locations to be determined by Lessee, on, in, over and through the land described hereinabove. The centerline of such easement and right of way shall be the center of the pipeline(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines so as to minimize interference with surface use by Lessor. Such pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction,

maintenance and operation of such pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to exercise of the rights granted herein. This easement and right of way shall be construed as if conveyed by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if use of such easement and right of way is not actually commenced within the term of said oil and gas Lease or extension or renewal thereof then this easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas lease expires. This easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this easement and right of way provides for transporting products mentioned herein which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

10. **DISPOSAL.** For the consideration first stated above, Lessor conditionally grants to Lessee a license, easement and right of way as provided herein. The use of such license, easement and right of way are conditioned upon Lessee first paying or tendering to Lessor the sum of FOUR HUNDRED DOLLARS (\$400.00) and a like amount annually on each twelve (12) month anniversary thereafter. The first such payment or tender may be made at any time while this Lease is in effect. If such payment is not timely made, this license, easement and right of way shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. Such license, easement and right of way are described as follows: Lessor grants to Lessee the right and license to use a newly drilled well or re-complete an existing well upon the above described land and to use same for disposing of waters, brines and other substances produced from wells owned or operated by Lessee located on said land and upon lands adjacent to or in the vicinity thereof, together with an easement and right-of-way of approximately one (1) square acre around such well, the center of which shall be the borehole of the disposal well, and an easement and right of way on a strip of land twenty (20) feet wide to install, repair, operate and remove such lines, pipes, pumps, equipment, machinery, electric lines and other appliances as Lessee shall deem suitable for the operation of such disposal well. The centerline of said twenty (20) feet easement and right of way shall be the center of the pipe line(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines and the location of new well(s) so as to minimize interference with surface use by Lessor. Any pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction, maintenance and operation of such well, pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to the exercise of the rights granted herein. Lessee shall have the right at any time to remove from the disposal well any and all equipment associated therewith, it being understood that the same shall be and remain personal property, whether or not affixed to the realty; and upon cessation of use of said well, Lessee shall clean up the area with reasonable diligence and dispatch, and shall restore the area as nearly as reasonably possible to its original condition. This license, easement and right of way shall be construed as if granted by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if a disposal well is not commenced within the term of said oil and gas Lease or extension or renewal thereof then this license, easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas Lease expires. This license, easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this license, easement and right of way provides for transportation and disposal of substances which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The license, easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such license, easement and rights-of-way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

11. **BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

12. **ASSIGNMENT AND ENTIRETY.** If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of payments and/or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not defeat or affect this Lease insofar as it covers a part or parts of said lands upon which the said Lessee or any assignee thereof shall make due payments of said payments and/or royalties. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this Lease is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts.

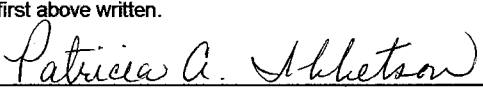
13. **WARRANTY AND SUBROGATION.** Lessor hereby warrants and agrees to defend the title to the lands herein described and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

14. **SPECIAL PROVISIONS.**

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.

Whereof witness our hands as of the day and year first above written.

  
Name: R. Wesley Ibbetson

  
Name: Patricia A. Ibbetson

Address 825 E. 5<sup>th</sup> Street  
Cherryvale, Kansas 67335

STATE OF KANSAS, COUNTY OF MONTGOMERY, ss:

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of MARCH 2006.

By R. WESLEY IBBETSON and PATCICIA A. IBBETSON, husband and wife

  
Notary Public Dan Mertensmeyer  
Commission/Appointment Expires: 6/12/2009

NOTARY PUBLIC - State of Kansas  
DAN MERTENSMEYER  
My Appt. Exp. \_\_\_\_\_