



**For KCC Use:**  
 Effective Date: \_\_\_\_\_  
 District #: \_\_\_\_\_  
 SGA?  Yes  No

**KANSAS CORPORATION COMMISSION 1026632**  
**OIL & GAS CONSERVATION DIVISION**

Form C-1  
 October 2007

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

**NOTICE OF INTENT TO DRILL**

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

Expected Spud Date: \_\_\_\_\_  
 month day year

OPERATOR: License# \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address 1: \_\_\_\_\_  
 Address 2: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_  
 Contact Person: \_\_\_\_\_  
 Phone: \_\_\_\_\_

CONTRACTOR: License# \_\_\_\_\_  
 Name: \_\_\_\_\_

Well Drilled For:	Well Class:	Type Equipment:
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
<input type="checkbox"/> Other: _____		<input type="checkbox"/> Air Rotary
		<input type="checkbox"/> Cable

If OWWO: old well information as follows:

Operator: \_\_\_\_\_  
 Well Name: \_\_\_\_\_  
 Original Completion Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_

Directional, Deviated or Horizontal wellbore?  Yes  No  
 If Yes, true vertical depth: \_\_\_\_\_  
 Bottom Hole Location: \_\_\_\_\_  
 KCC DKT #: \_\_\_\_\_

Spot Description: \_\_\_\_\_  
 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W  
 (00/00/00) \_\_\_\_\_ feet from  N /  S Line of Section

\_\_\_\_\_ feet from  E /  W Line of Section

Is SECTION:  Regular  Irregular?

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

County: \_\_\_\_\_

Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

Field Name: \_\_\_\_\_

Is this a Prorated / Spaced Field?  Yes  No

Target Formation(s): \_\_\_\_\_

Nearest Lease or unit boundary line (in footage): \_\_\_\_\_

Ground Surface Elevation: \_\_\_\_\_ feet MSL

Water well within one-quarter mile:  Yes  No

Public water supply well within one mile:  Yes  No

Depth to bottom of fresh water: \_\_\_\_\_

Depth to bottom of usable water: \_\_\_\_\_

Surface Pipe by Alternate:  I  II

Length of Surface Pipe Planned to be set: \_\_\_\_\_

Length of Conductor Pipe (if any): \_\_\_\_\_

Projected Total Depth: \_\_\_\_\_

Formation at Total Depth: \_\_\_\_\_

Water Source for Drilling Operations:

Well  Farm Pond Other: \_\_\_\_\_

DWR Permit #: \_\_\_\_\_

*(Note: Apply for Permit with DWR )*

Will Cores be taken?  Yes  No

If Yes, proposed zone: \_\_\_\_\_

**AFFIDAVIT**

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

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

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

**Submitted Electronically**

**For KCC Use ONLY**

API # 15 - \_\_\_\_\_

Conductor pipe required \_\_\_\_\_ feet

Minimum surface pipe required \_\_\_\_\_ feet per ALT. I II

Approved by: \_\_\_\_\_

**This authorization expires: \_\_\_\_\_**  
*(This authorization void if drilling not started within 12 months of approval date.)*

Spud date: \_\_\_\_\_ Agent: \_\_\_\_\_

**Remember to:**

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

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



1026632

**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

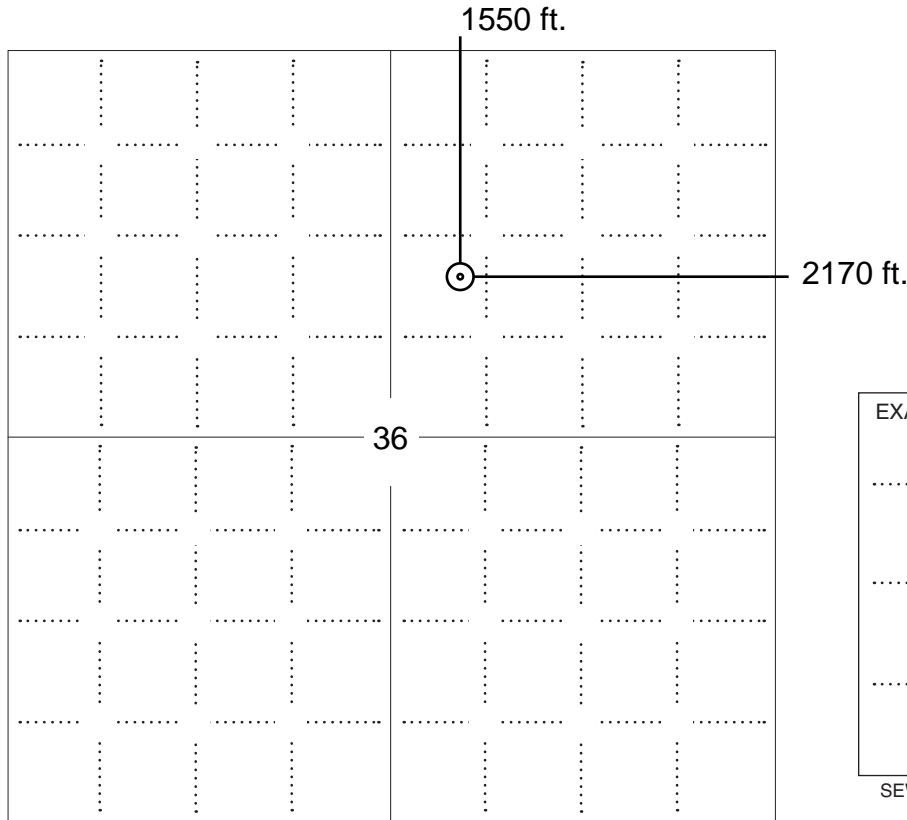
**If Section is Irregular, locate well from nearest corner boundary.**

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 1026632  
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

Recorder No. **KBP**  
09-115  
Kansas Blue Print  
700 S. Broadway PO Box 763  
Wichita, KS 67201-0763  
316-264-6344 • 264-5165 fax  
www.kbp.com • kbp@kbp.com

130 028

AGREEMENT, Made and entered into the 14<sup>th</sup> day of September, 2006

by and between Jolene A. Badger

and

Steve Badger

her husband

whose mailing address is 207 Hudson - Oakley, KS 67748Funk Petroleum, LLC. - 2110 N. 1184 Rd., - Eudora, KS 66025

hereinafter called Lessor (whether one or more),

and

hereinafter called Lessee:

Lessor, in consideration of Ten and moreDollars (\$ 10.00 & more)

is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Logan State of KANSAS described as follows to-wit:

Township: 12-South Range: 33-West  
Section 36: S/2 of NE/4

In Section XXX Township XXX Range XXX and containing 80 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal ~~one-eighth (1/8)~~ part of all oil produced and saved from the leased premises. ~~three-sixteenths (3/16)~~ three-sixteenths (3/16)

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or ~~wellhead proceeds (3/16)~~, or used in the manufacture of any products therefrom, ~~one-eighth (1/8)~~ at the market price at the well, (but, as to gas sold by lessee, in no event more than ~~one-eighth (1/8)~~ of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the 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 term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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 rentals 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. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

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 the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

See addendum attached hereto and made a part hereof.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Witness:

Jolene A. Badger

Jolene A. Badger SS#

Steve Badger

Steve Badger SS#

#34471034

ADDENDUM To Oil and Gas Lease dated this 14<sup>th</sup> day of September, 2006, between Jolene A. and Steve Badger, wife and husband, referred to as Lessors, and Funk Petroleum, LLC or assigns, as Lessee.

This Addendum is a part of that certain oil and gas lease identified above by date and parties covering the following described real estate: S/2 of the NE/4 of Section 36-T12South-R33West in Logan County, Kansas, to the extent as if the provisions hereof had originally been written in said lease. In the event of conflict between the lease provisions and the provisions provided in this Addendum, the provisions of this Addendum shall be binding.

1. No right is granted to the Lessee to erect on any part of the leased premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee specifically agrees to build any meter houses, separators, heater treaters and storage tanks, used for the purpose of producing and saving any oil and gas upon the above described lands adjacent to any county, state road or highway adjoining the above described premises which shall not interfere with Lessor's use of the surface for farming and ranching purposes.
  2. The Lessee shall not build any houses or buildings upon the leasehold estate without the expressed written consent of the Lessors.
  3. Lessors reserve all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
  4. Lessee shall bury pipelines and utility lines to a depth of not less than sixty (60) inches below the surface. Lessee shall pay Lessor for reasonable damages to all property, real, personal or mixed, caused by its operations on said land, including but specifically not limited to land, growing crops, and other improvements and personal property as further detailed below. All slush pits shall be filled and leveled within one hundred twenty (120) days after well completion or abandonment unless a longer time therefore is granted by Lessors, at their option. Additionally, the Lessee agrees to remove and save the top soil from all excavations upon the Lessor's land and to replace it on the top of the soil surface being restored. In the event the land is grass or native pasture, Lessee agrees to reseed the area to native grass. In the event the land is enrolled in Federal Farm Conservation Reserve Program, Lessee further agrees to be responsible for all contract damages, penalties and assessments related thereto, as well as expense of re-seeding the area to qualified grasses.
- Lessee further agrees to pay to Lessors a reasonable amount but not less than \$2,000.00 for each drill site location on the leases premises. As further consideration hereunder, Lessee agrees to pay Lessor a minimum of \$5.00 per rod, plus crop damages, for any

pipeline installed or constructed on the above land, whether or not connecting to the well on the leased premises.

All damages payable under this paragraph shall be due and payable on or before three (3) months after such damages occur.

5. If the leasehold estate of Lessors consists of grass or native pasture, Lessee agrees to construct proper and sufficient braces at any point where fences are to be cut prior to cutting such fence. It is agreed that such braces shall be so constructed that slack will not develop in the existing fences. Lessors and Lessee shall agree on location and type of substantial cattleguard to be installed by Lessee at Lessee's sole cost and expense. Any cattleguards shall remain in place and shall become the property of Lessors. Lessee agrees to install cattleguards on any roads constructed by Lessee at the entrance to the leasehold property.
6. Lessors reserve the right to designate all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult and agree with the Lessors as to the location and direction of same. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessors.
7. All reference to water as stated in the lease shall be deleted. Lessee shall specifically not have any right to use fresh water from the above described premises for the purpose of water flooding or injection in any water flooding program in which the leased premises may, for any reason, be pooled or unitized. Use of any water located on the above described leasehold estate shall be made only after receipt of express written consent from Lessors.
8. The installation of any salt water disposal equipment by Lessee in the operation of the lease shall be subject to the written approval of Lessors. Lessee shall not be permitted to use any well drilled on the leased premises as a salt water disposal well without the written consent of Lessors and without compensating Lessors for the use thereof. Provided however, the terms of this paragraph do not apply to the disposal of salt water produced from wells located on the leased premises.
9. In the event there is no production in paying quantities found by any operations undertaken by Lessee during the primary term of the lease and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease is executed within three (3) months after the conclusion of the exploration or drilling.
10. Lessee shall have three (3) years herein called "shut-in period", from the date of completion of a gas well in which to make pipeline connections from production or marketing of gas. During the shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying

Lessors a payment in the amount of \$5.00 per year per net mineral acre "in lieu of royalty" and not "as a shut-in royalty" as may be noted in the lease.

11. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect three years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all zones and formations of the leased premises or land unitized therewith which are 100 feet or more below the deepest zone penetrated by Lessee or its horizontal equivalent. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of the lease below such zones or formations within sixty (60) days following written demand thereof, with said demand being made after the three (3) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by the Lessors in obtaining such release.
12. Lessee agrees to maintain any well site, storage tank location, or any other area used in its lease operations reasonably free of weeds, but without the use of salt or chemical substances in such weed control.
13. Lessee agrees to be responsible for any expense of certifying any abstracts or obtain any drilling opinions covering the subject property and examination of the same; however, Lessors agree to remedy any defects in the marketability of title as determined by the Kansas Bar Association Title Standards.
14. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect three years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all portions of the leased premises which are not included in a forty (40) acre area for each producing oil well. The lessee shall file of record in the county courthouse in which the leased premises are located within sixty (60) days following written demand thereof, with said demand being made after the three (3) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessors in obtaining such release.
15. All references in the lease to 1/8<sup>th</sup> as it relates to royalty or payment to the Lessors shall be deleted and replaced with 3/16ths.
16. Lessors shall have the right to purchase from Lessee gas at the wellhead price from any gas well located on the leased premises, or on any land unitized or pooled therewith, for farming, irrigation, and other agricultural purposes; provided, however, that the amount of gas used by Lessors for such purposes in any given year shall not exceed the amount attributable to Lessor's royalty interest for that year. Lessor shall have free gas for used at the principal dwelling on the leased premises. Such right to purchase gas shall be also subject to the following terms and conditions:

(a) Any gas so purchased by Lessors shall be taken at or near the mouth of the well at a point to be designated by Lessee. All equipment necessary for the taking of gas and the measuring of the same shall be furnished by Lessors at their own expense.

(b) The method of taking of gas and the point of connection for taking must be such as to not interfere with the operation of the well and must be submitted to Lessee, or his assigns, and accepted by him before gas is taken.

(c) Lessee shall bill Lessors monthly, quarterly, semi-annually, or annually, at Lessee's option, for gas so taken by Lessors.

(d) Lessee, or his assigns, shall not be liable to Lessors, Lessor's agents or employees, or any other person with reference to the gas taken, the use thereof, the equipment used, the manner of its use, or anything incident thereto or resulting therefrom. Lessee, or his assigns, shall not be under any obligation to produce gas from any well unless practical or economical to do so.

(e) Lessee, or his assigns, shall at all times have dry land access to and from and around any equipment used by Lessors for taking gas and metering same.

17. Upon written request by Lessors, Lessee shall furnish to Lessors a copy of all logs and results of all tests run and made by Lessee in connection with its drilling operations on the leased premises. Lessors, or their agent, shall have egress and access to all wells during drilling operations. Lessors agree to keep confidential all information provided to them by Lessee.

18. Lessee further agrees to pay to Lessors \$3.00 per rod per year for any service road located on said land. Lessee further agrees to pay to Lessors \$300.00 per year as rental for any Well site located on the leased premises.

19. In the event of seismic exploration, Lessee agrees to pay to the Lessors the sum of \$50.00 for each seismic hole drilled and further agrees to drill seismic holes during dry weather when the leased property is dry. Any seismic holes drilled will be cemented shut from the bottom of the hole to 60 inches from the surface of the ground.

20. Whenever necessary in this lease and addendum and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine.

21. This lease and Addendum, and all of its terms, conditions and stipulations shall extend to and be binding on all of the heirs, administrators, executors, trustees, successors and assigns of Lessors and Lessee.



In WITNESS WHEREOF, I signed the day and year first above written.

SIGNED FOR IDENTIFICATION:

  
Jolene A. Badger

  
Steve Badger

OIL AND GAS LEASE

Recorder No. **KB**  
09-115  
Kansas Blue Print  
700 S. Broadway, P.O. Box 763  
Wichita, KS 67201-0763  
316-204-8044 • 204-5166 fax  
www.kbp.com • kbp@kbp.com

AGREEMENT, Made and entered into the 13<sup>th</sup> day of September 2006

by and between Robert Blagg and his wife

Rosann M. Blagg

whose mailing address is 709 Morningside - Salina, KS 67401  
Funk Petroleum, LLC. - 2110 N. 1184 Rd., - Eudora, KS 66025

hereinafter called Lessor (whether one or more),  
hereinafter called Lessee;  
Lessor, in consideration of Ten and more Dollars (\$ 10.00 & more) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Logan State of Kansas described as follows to-wit:

Township: 12-South, Range: 33-West  
Section 36: N/2 of NE/4

In Section XXXX Township XXXX Range XXXX and containing 80 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of Three (3) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal ~~one-eighth (1/8)~~ part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or ~~used in the manufacture of any products therefrom, one-eighth (1/8)~~ at the market price at the well, (out, as to gas sold by lessee, in no event more than ~~one-eighth (1/8)~~ of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the 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 term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said lessor in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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 rentals 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. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

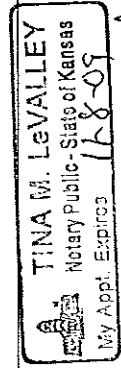
Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

See addendum attached hereto and made a part hereof.

IN WITNESS WHEREOF, I do undersigned execute this instrument as of the day and year first above written.

Robert Blagg SS# 425689925 Rosann M. Blagg SS# 514-68-7676  
Robert Blagg SS# 425689925 Rosann M. Blagg SS#



9-25-06 Tina M. LeValley

# 3447-036

100 234

ADDENDUM To Oil and Gas Lease dated this 13<sup>th</sup> day of September, 2006, between Robert and Rosann M. Blagg, husband and wife, referred to as Lessors, and Funk Petroleum, LLC or assigns, as Lessee.

This Addendum is a part of that certain oil and gas lease identified above by date and parties covering the following described real estate: N/2 of the NE/4 of Section 36-T12South-R33West in Logan County, Kansas, to the extent as if the provisions hereof had originally been written in said lease. In the event of conflict between the lease provisions and the provisions provided in this Addendum, the provisions of this Addendum shall be binding.

1. No right is granted to the Lessee to erect on any part of the leased premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee specifically agrees to build any meter houses, separators, heater treaters and storage tanks, used for the purpose of producing and saving any oil and gas upon the above described lands adjacent to any county, state road or highway adjoining the above described premises which shall not interfere with Lessor's use of the surface for farming and ranching purposes.
  2. The Lessee shall not build any houses or buildings upon the leasehold estate without the expressed written consent of the Lessors.
  3. Lessors reserve all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
  4. Lessee shall bury pipelines and utility lines to a depth of not less than sixty (60) inches below the surface. Lessee shall pay Lessor for reasonable damages to all property, real, personal or mixed, caused by its operations on said land, including but specifically not limited to land, growing crops, and other improvements and personal property as further detailed below. All slush pits shall be filled and leveled within one hundred twenty (120) days after well completion or abandonment unless a longer time therefore is granted by Lessors, at their option. Additionally, the Lessee agrees to remove and save the top soil from all excavations upon the Lessor's land and to replace it on the top of the soil surface being restored. In the event the land is grass or native pasture, Lessee agrees to reseed the area to native grass. In the event the land is enrolled in Federal Farm Conservation Reserve Program, Lessee further agrees to be responsible for all contract damages, penalties and assessments related thereto, as well as expense of re-seeding the area to qualified grasses.
- Lessee further agrees to pay to Lessors a reasonable amount but not less than \$2,000.00 for each drill site location on the leases premises. As further consideration hereunder, Lessee agrees to pay Lessor a minimum of \$5.00 per rod, plus crop damages, for any

pipeline installed or constructed on the above land, whether or not connecting to the well on the leased premises.

All damages payable under this paragraph shall be due and payable on or before three (3) months after such damages occur.

5. If the leasehold estate of Lessors consists of grass or native pasture, Lessee agrees to construct proper and sufficient braces at any point where fences are to be cut prior to cutting such fence. It is agreed that such braces shall be so constructed that slack will not develop in the existing fences. Lessors and Less shall agree on location and type of substantial cattleguard to be installed by Lessee at Lessee's sole cost and expense. Any cattleguards shall remain in place and shall become the property of Lessors. Lessee agrees to install cattleguards on any roads constructed by Lessee at the entrance to the leasehold property.
6. Lessors reserve the right to designate all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult and agree with the Lessors as to the location and direction of same. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessors.
7. All reference to water as stated in the lease shall be deleted. Lessee shall specifically not have any right to use fresh water from the above described premises for the purpose of water flooding or injection in any water flooding program in which the leased premises may, for any reason, be pooled or unitized. Use of any water located on the above described leasehold estate shall be made only after receipt of express written consent from Lessors.
8. The installation of any salt water disposal equipment by Lessee in the operation of the lease shall be subject to the written approval of Lessors. Lessee shall not be permitted to use any well drilled on the leased premises as a salt water disposal well without the written consent of Lessors and without compensating Lessors for the use thereof. Provided however, the terms of this paragraph do not apply to the disposal of salt water produced from wells located on the leased premises.
9. In the event there is no production in paying quantities found by any operations undertaken by Lessee during the primary term of the lease and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease is executed within three (3) months after the conclusion of the exploration or drilling.
10. Lessee shall have three (3) years herein called "shut-in period", from the date of completion of a gas well in which to make pipeline connections from production or marketing of gas. During the shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying

Lessors a payment in the amount of \$5.00 per year per net mineral acre "in lieu of royalty" and not "as a shut-in royalty" as may be noted in the lease.

11. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect three years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all zones and formations of the leased premises or land unitized therewith which are 100 feet or more below the deepest zone penetrated by Lessee or its horizontal equivalent. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of the lease below such zones or formations within sixty (60) days following written demand thereof, with said demand being made after the three (3) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by the Lessors in obtaining such release.
12. Lessee agrees to maintain any well site, storage tank location, or any other area used in its lease operations reasonably free of weeds, but without the use of salt or chemical substances in such weed control.
13. Lessee agrees to be responsible for any expense of certifying any abstracts or obtain any drilling opinions covering the subject property and examination of the same; however, Lessors agree to remedy any defects in the marketability of title as determined by the Kansas Bar Association Title Standards.
14. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect three years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all portions of the leased premises which are not included in a forty (40) acre area for each producing oil well. The lessee shall file of record in the county courthouse in which the leased premises are located within sixty (60) days following written demand thereof, with said demand being made after the three (3) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessors in obtaining such release.
15. All references in the lease to 1/8<sup>th</sup> as it relates to royalty or payment to the Lessors shall be deleted and replaced with 3/16ths.
16. Lessors shall have the right to purchase from Lessee gas at the wellhead price from any gas well located on the leased premises, or on any land unitized or pooled therewith, for farming, irrigation, and other agricultural purposes; provided, however, that the amount of gas used by Lessors for such purposes in any given year shall not exceed the amount attributable to Lessor's royalty interest for that year. Lessor shall have free gas for used at the principal dwelling on the leased premises. Such right to purchase gas shall be also subject to the following terms and conditions:

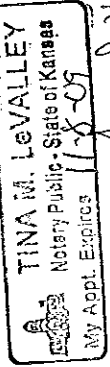
- (a) Any gas so purchased by Lessors shall be taken at or near the mouth of the well at a point to be designated by Lessee. All equipment necessary for the taking of gas and the measuring of the same shall be furnished by Lessors at their own expense.
- (b) The method of taking of gas and the point of connection for taking must be such as to not interfere with the operation of the well and must be submitted to Lessee, or his assigns, and accepted by him before gas is taken.
- (c) Lessee shall bill Lessors monthly, quarterly, semi-annually, or annually, at Lessee's option, for gas so taken by Lessors.
- (d) Lessee, or his assigns, shall not be liable to Lessors, Lessor's agents or employees, or any other person with reference to the gas taken, the use thereof, the equipment used, the manner of its use, or anything incident thereto or resulting therefrom. Lessee, or his assigns, shall not be under any obligation to produce gas from any well unless practical or economical to do so.
- (e) Lessee, or his assigns, shall at all times have dry land access to and from and around any equipment used by Lessors for taking gas and metering same.
17. Upon written request by Lessors, Lessee shall furnish to Lessors a copy of all logs and results of all tests run and made by Lessee in connection with its drilling operations on the leased premises. Lessors, or their agent, shall have egress and access to all wells during drilling operations. Lessors agree to keep confidential all information provided to them by Lessee.
18. Lessee further agrees to pay to Lessors \$3.00 per rod per year for any service road located on said land. Lessee further agrees to pay to Lessors \$300.00 per year as rental for any Well site located on the leased premises.
19. In the event of seismic exploration, Lessee agrees to pay to the Lessors the sum of \$50.00 for each seismic hole drilled and further agrees to drill seismic holes during dry weather when the leased property is dry. Any seismic holes drilled will be cemented shut from the bottom of the hole to 60 inches from the surface of the ground.
20. Whenever necessary in this lease and addendum and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine.
21. This lease and Addendum, and all of its terms, conditions and stipulations shall extend to and be binding on all of the heirs, administrators, executors, trustees, successors and assigns of Lessors and Lessee.

In WITNESS WHEREOF, I signed the day and year first above written.

SIGNED FOR IDENTIFICATION:

*Robert Blagg*  
Robert Blagg

*Rosann M. Blagg*  
Rosann M. Blagg



*Tina LeValley*