



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

**KANSAS CORPORATION COMMISSION 1032582**  
**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: \_\_\_\_\_

|   |                                   |                                     |
|---|-----------------------------------|-------------------------------------|
| <b>Well Drilled For:</b>                            | <b>Well Class:</b>                | <b>Type Equipment:</b>              |
| <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) \_\_\_\_\_ 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: \_\_\_\_\_



1032582

**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

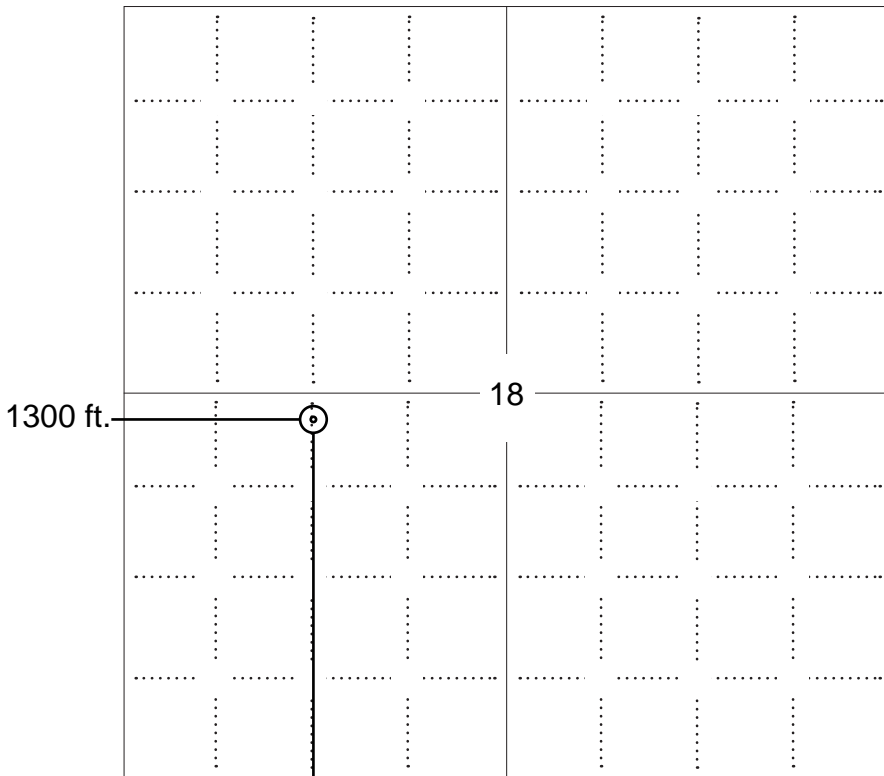
**If Section is Irregular, locate well from nearest corner boundary.**

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.**



2455 ft.

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

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



KANSAS CORPORATION COMMISSION 1032582  
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):<br>_____ - _____ - _____ - _____  |  |
| Type of Pit:<br><input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit<br><input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit<br><input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit<br><i>(If WP Supply API No. or Year Drilled)</i>             |  | Pit is:<br><input type="checkbox"/> Proposed <input type="checkbox"/> Existing<br>If Existing, date constructed:<br>_____<br>Pit capacity:<br>_____ (bbls)   |  |
| Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input type="checkbox"/> No   |  | Chloride concentration: _____ mg/l<br><i>(For Emergency Pits and Settling Pits only)</i>   |  |
| Is the bottom below ground level?<br><input type="checkbox"/> Yes <input type="checkbox"/> No   |  | Artificial Liner?<br><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<br>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<br>_____ feet    Depth of water well _____ feet   |  | Depth to shallowest fresh water _____ feet.<br>Source of information:<br>_____ measured    _____ well owner    _____ electric log    _____ KDWR  |  |
| <b>Emergency, Settling and Burn Pits ONLY:</b><br>Producing Formation: _____<br>Number of producing wells on lease: _____<br>Barrels of fluid produced daily: _____<br>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><br>Type of material utilized in drilling/workover: _____<br>Number of working pits to be utilized: _____<br>Abandonment procedure: _____<br>_____<br>Drill pits must be closed within 365 days of spud date. |  |
| Submitted Electronically  |  |  |  |

|                            |                      |                    |  |      |
|----------------------------|----------------------|--------------------|--|------|
| <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 |      |

528

## OIL AND GAS LEASE

AGREEMENT, made and entered into the 19th day of November, 2006, by and between Larry L. Haley a/k/a Larry Haley and/or Judith K. Haley aka Judith Kay Haley, Trustees of The Larry L. Haley and Judith K. Haley Revocable Living Trust dated February 19, 1997, P.O. Box 68, 501 E. Microlite Street, Buffalo, KS 66717, hereinafter called Lessor, and Texas Capitalization Resource Group, Inc., 4916 Camp Bowie Blvd., Suite 200, Fort Worth, Texas 76107, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of Ten and No/100 Dollars cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by those presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and gas of whatsoever nature or kind, including all hydrocarbon and non-hydrocarbon substances produced in association therewith, with the term "gas" specifically including coal bed methane gas and occluded gas from coal seams, helium, carbon dioxide, gaseous sulphur compounds, and other commercial gases, as well as normal hydrocarbon gases, with rights of way and easements for laying pipe lines, and erections of structures thereon to produce and take care of said products (including dewatering of coal bed gas wells), all that certain tract of land situated in the County of Wilson, State of Kansas, described as follows, to wit:

### SEE EXHIBIT "A"

Together with any reversionary rights therein, and together with all strips, or parcels of land, (not, however, to be construed to include parcels comprising a regular 40-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above-described land and owned or claimed by Lessor, and containing 388.4 acres, more or less. Notwithstanding any other term of this lease to the contrary, there is excepted from the lands previously described, a square tract or tracts 20 feet North to South and 20 feet East to West centered upon any unplugged and abandoned oil and/or gas well located upon the property previously described.

1. It is agreed that this lease shall remain in force for a primary term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this lease shall continue in force so long as dewatering or drilling operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and drilling operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If, after discovery of oil or gas on said land or on acreage pooled therewith, dewatering operations and the production of oil or gas should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from the date of cessation of the dewatering operation or production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as dewatering operations continue or oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. For consideration herein paid to Lessor by Lessee, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

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

2<sup>nd</sup>, To pay Lessor one-eighth (1/8) of the gross proceeds each year, payable quarterly, for the gas produced and saved from each well where gas only is found, while the same is being used off the premises, and if used for the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly, at the prevailing market rate for gas.

3<sup>rd</sup>, To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product thereof royalty of one-eighth (1/8) of the proceeds, payable monthly, at the prevailing market rate.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced) is not sold or used, Lessee may pay or tender as royalty to the Lessor One Dollar (\$1.00) per year per net royalty acre, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of ninety days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this during the period such well is shut in or dewatering operations are being conducted. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease for a period of one year from the date of said anniversary date.

5. If said Lessor owns a less interest in the above-described land other than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

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

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled with a surface location nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

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

10. Lessee shall have the right, but not the obligation, at any time to remove all machinery and fixtures placed on said premises, including the right to draw and removing casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for dewatering operations or the production of oil and gas, or separately for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not being dewatered or not producing oil or gas may be reformed to exclude such non-producing formations.

13. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaring shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, dewatering, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, dewatering, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above-described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operations approved by any governmental authority and, from time to time with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this shall not terminate or expire during the life of such plan or agreement. In the event that said above-described land or any part thereof shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purposes of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to other tracts of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. If required and requested, Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon such request.

In the event a well (or wells) is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coal bed gas, the word "operations" shall mean, in addition to those matters covered in the preceding sentence, (1) operation of said wells to remove water or other substances from the coal bed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, (2) shutting-in or otherwise discontinuing production from said wells to allow for surface of underground mining affecting the drill site or well bore, or (3) drilling a stratigraphic test hole(s) for the purpose of acquiring stratigraphic information, including but not limited to lithology, porosity, permeability, gas and water characteristics and similar information.

14. Lessee shall conduct its operations in a good and workmanlike manner, as would a prudent operator under the same or similar circumstances, in compliance with all applicable rules and regulations of any regulatory body having jurisdiction on such operations. Lessee shall comply with all laws and regulations of any governmental body claiming jurisdiction over the lands covered by this lease or the person of the Lessor herein and in so complying, Lessee shall not be responsible for determining the legality, validity or constitutionality of any such law or regulation enacted or issued by any such governmental body. In determining the residence of Lessor for the purpose of complying with such laws or regulations, Lessee may rely upon the address of Lessor herein set forth or upon the last known address of Lessor. Neither any error in the determination of the residence or status of Lessor nor an error in the payment of any sums of money due or payable to Lessor under the terms of this lease which is made during the course of, or as a result of, Lessee's good faith efforts to comply with any such laws or regulations shall terminate this lease or constitute grounds for any cause of action against Lessee. All of Lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with any thereof is prevented or hindered by or is in conflict with federal, state, county or municipal laws, rules, regulations or Executive Order asserted as official by or under public authority claiming jurisdiction, or act of God, adverse field, weather, or market conditions, inability to obtain materials in the open market or transportation thereof, war, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by Lessee, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which Lessee shall be prevented from conducting production, drilling, dewatering or reworking operations during the primary term of this lease, under the contingencies stated above, shall be added to the primary term of the lease.

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

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The work "Lessor" as used in this lease shall mean any one or more of all the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

17. Lessor agrees that Lessee shall not be liable for any operations or costs associated with abandoned wells already located on the lands covered hereby which were drilled or operated by prior lease owners whose rights have terminated.

18. This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of three (3) years commencing on the date that the lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of \$75.00 per acre for the land then covered by the extended lease, said bonus to be paid or tendered to Lessor in the same manner as provided in Paragraph numbered 4 hereof with regard to the payment of shut-in royalties. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term. Lessee's option shall expire on the first to occur of the following: (a) the termination or expiration of this lease or (b) the second anniversary of the expiration of the primary term stated in Paragraph numbered 1 above.

19. See Addendum attached hereto and by this reference made a part hereof.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

**LESSOR:**

**The Larry L. Haley and Judith K. Haley Revocable Living Trust dated February 19, 1997**

Larry L. Haley  
Larry L. Haley aka Larry Haley, Trustee

Judith K. Haley  
Judith K. Haley aka Judith Kay Haley, Trustee

STATE OF KANSAS                    }  
  } ss.  
COUNTY OF WILSON                }

On the 27<sup>th</sup> day of November, in the year 2006 Before me, the undersigned, a Notary Public in and for said State, personally appeared Larry L. Haley aka Larry Haley and Judith K. Haley aka Judith Kay Haley, Trustees of The Larry L. Haley and Judith K. Haley Revocable Living Trust dated February 19, 1997, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their capacity, and that by their signatures on the instrument, the individuals, or the persons upon behalf of which the individuals acted, executed the instrument.

Wanda Sue Kinsley  
Notary Public

My commission expires:



**Exhibit "A"**

**Township 27 South, Range 15 East**

**Section 13:** The Southeast Quarter lying South of the Railroad, Except Right-of-Way;

**Section 24:** An 18.5 acre tract in the Northeast Quarter (NE4) lying North of Highway 39, Except Right-of-Way;

**Township 27 South, Range 16 East**

**Section 18:** The Southwest Quarter (SW4);

The South Three (3) acres of the West One-Half (W2) of the Northwest Quarter (NW4);

The East One-Half (E2) of the Northwest Quarter (NW4), less and except the following tracts:

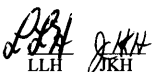
- A. Tract platted as Roberts Addition to Buffalo, Kansas, described as beginning 435 feet West of the Northeast corner of the East One-Half of the Northwest Quarter (E2NW4); thence West 887 feet; thence South 520 feet; thence East 887 feet; thence North 520 feet to the point of beginning;
- B. A five (5) acre tract in the Northeast corner of the East One-Half of the Northwest Quarter (E2NW4), described as: Beginning at the Northeast corner of said East One-Half of the Northwest Quarter (E2NW4) of said Section Eighteen (18); thence West 214.5 feet; thence South 1017 feet; thence East 214.5 feet; thence North 1017 feet to the point of beginning;
- C. Tract beginning at a point on the North line of said East One-Half of the Northwest Quarter (E2NW4), which point is 214.5 feet West of the Northeast corner of the East One-Half of the Northwest Quarter (E2NW4), running thence West approximately 220.5 feet to the Northeast corner of Roberts Addition to Buffalo; running thence South along the East line of said Roberts Addition to Buffalo a distance of 250 feet; running thence East parallel with the North line of said East One-Half of the Northwest Quarter (E2NW4) a distance of 220.5 feet; running thence North 250 feet to the point of beginning;
- D. Beginning at a point 435 feet West and 250 feet South of the Northeast corner of the Northwest Quarter (NW4) of said Section Eighteen (18); thence South 270 feet; thence East 220.5 feet; thence North 270 feet; thence West 220.5 feet to the point of beginning.

## ADDENDUM

Attached to and made a part of that certain oil and gas lease dated November 19, 2006 by and between, **Larry L. Haley a/k/a Larry Haley and/or Judith K. Haley aka Judith Kay Haley, Trustees of The Larry L. Haley and Judith K. Haley Revocable Living Trust dated February 19, 1997, P.O. Box 68, 501 E. Microlite Street, Buffalo, KS 66717**, LESSOR and Texas Capitalization Resource Group, Inc., 4916 Camp Bowie Blvd., Suite 200, Fort Worth, Texas 76107, LESSEE:

**All terms contained in this Addendum shall be controlling, and any conditions or terms on the printed lease which are inconsistent with the terms herein shall be void.**

1. Pooling Prohibited. Notwithstanding any provision of the Lease or this Addendum, the leased premises shall not be pooled or unitized with any other acreage without the express written consent of LESSOR.
  2. Landowner Royalty. The fraction one-eighth (1/8th) shall be replaced by the fraction three sixteenths (3/16ths) wherever the former appears in this lease.
  3. Property Taxes. LESSEE agrees to pay eighty-one and one-quarter percent (81.25%) of any increase in real estate or ad valorem taxes attributable to or resulting from assessment of the oil and gas within the leased premises. Each party remains responsible for payment of ad valorem property taxes upon the party's respective property interests. Increases in LESSOR'S ad valorem property taxes due to LESSEE'S activities shall be determined on an annual basis and LESSOR and LESSEE responsibility for such increases, if any, shall be determined based upon their respective royalty percentages.
  4. Expiration. It is hereby understood and agreed that after the expiration of the primary term or extended primary term herein, and in the event a portion or portions of the land herein leased is pooled or unitized so as to form a pooled unit or units, operations on or production from such unit or units will maintain this Lease in force only as to the land included in said unit or units. This Lease, as to land not included in said unit or units shall revert to LESSOR unless extended. Any acreage not so extended shall be released by LESSEE at LESSOR'S request.
  5. Guaranteed Royalty. Notwithstanding any other provisions for shut-in royalty, pooling or continuous drilling, it is expressly understood that at the end of the three (3) year primary term of this lease, if on an annual calendar year basis, beginning with year four (4) of the Lease the royalty monies paid to LESSOR hereunder are less than the greater of \$3,884.00 or (\$10.00) per net mineral acre then leased, LESSEE shall, at or prior to the end of sixty (60) days after the end of such calendar year pay to LESSOR or deposit to the credit of LESSOR a sum of money equal to the difference between the greater of \$3,884.00 or (\$10.00) per net mineral acre then leased and the total of all royalty payment received by LESSOR during the calendar year, LESSOR shall notify LESSEE via certified mail delivered to LESSEE'S address that the minimum royalty as provided herein is insufficient or has not been paid. The lease shall thereafter terminate unless LESSEE shall within thirty (30) days pay the difference following mailing of such notification.
  6. Shut In. Following the primary term, or any extension thereof, where gas from a well is shut-in and is not sold or used, LESSEE shall pay LESSOR a shut-in gas royalty of Ten Dollar's (\$10.00) per year per net mineral acre retained hereunder, for a period not to exceed five (5) years.
  7. Road Maintenance. LESSEE will maintain any roads constructed by LESSEE or any existing roads of LESSOR'S used by LESSEE in its operations, so that the roads are maintained in such conditions to adequately provide for LESSEE'S operations, however, any roads which require construction using larger than road rock will require prior landowner approval. All roads used by LESSEE in its operations will be maintained in such a condition as to allow normal car usage. Further, during the time drilling operations are being conducted or any other times when any of the LESSOR'S present roads are being used for transporting oil, machinery and/or being traveled by any motor vehicle larger than an automobile or a ¾ ton pickup Truck, the LESSEE shall always keep LESSOR'S roads maintained and/or graded so that LESSOR'S roads are smooth and passable for automobile traffic.
- LESSEE shall make only one road to each well, and make no roads exceeding twelve (12) feet in width, and to properly maintain such roads. Existing roads may be used and maintained by LESSEE. LESSOR may use all such roads. Upon request by LESSOR, LESSEE shall not construct a permanent road to a well site in planted fields to reduce crop loss. In that event, after wells are drilled and equipped for production, LESSEE'S routine maintenance and inspection shall be performed by personnel using small four-wheel all-terrain vehicles (ATV's) rather than regular size autos, trucks, or other vehicles. An annual rental of \$150.00 per acre for any new roads in planted fields shall be paid by LESSEE.
8. Well Spacing. It is expressly understood and agreed that no well or wells drilled on LESSOR'S lands herein shall contain no more than 80 acres of land per well per proration unit nor less than 40 acres of land without express written consent of LESSOR'S, their heirs, successors and assigns.
  9. Completion Date. As to all wells hereunder, the completion date of non producing wells shall be the date of final plugging and abandonment and the completion date of producing wells shall be the date the well is physically completed and capable of production, including the completion of the potential and all other tests, including but not limited to the dewatering process necessary for the production of hydrocarbons and coal bed methane gas.

  
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10. Indemnification. LESSEE shall indemnify and hold LESSOR harmless from any and all liability, liens, claims and environmental liability arising out of LESSEES operations under the terms of this lease.
11. Continuous Drilling/Development. It is hereby understood and agreed that at the end of the primary term of this lease, the lease shall not terminate as to the undeveloped acreage so long as production has been obtained and is continuing on some part of the leased land, or a gas well located on some part of the leased land is shut in as provided herein, or so long as operations for drilling or reworking are being conducted on some part of the undeveloped acreage of the leased land. This does not relieve LESSEE of implied covenants to develop the leased property.
12. LESSOR Water. LESSEE shall have no right to use water from LESSOR'S water well or wells, ponds or streams located on the leased premises.
13. Road location. LESSEE and LESSOR shall mutually agree on routes of ingress and egress for operations on the leased premises. LESSOR acknowledges that LESSEE shall require adequate access without delay for personnel and equipment required for LESSEE'S operations. Where requested by LESSOR, all roads added by LESSEE shall run parallel to crop rows planted or to be planted at time of road installation. Gravel roads shall not cross drainage ditches or terrace channels. When entering tilled fields or fields with planted crops, routes of ingress and egress shall parallel, tilled or planted rows. LESSEE agrees to keep all gates closed and secured during operations upon the leased premises.
14. Facility Location. In the event production of oil and/or gas is obtained under this lease, LESSEE and LESSOR shall mutually agree upon the location of production equipment such as tanks, pipelines and access roads, and the agreement of LESSOR shall not be unreasonably withheld. LESSOR acknowledges that such facilities are necessary for the operation of this lease. LESSEE shall provide LESSOR with a map of leased premises showing current well locations on LESSOR'S property annually and in addition when requested by LESSOR. LESSEE shall, on an annual basis, provide in writing to LESSOR the LESSEE'S current address and telephone number, together with the name, address and telephone number of the operator for the lease, if different than LESSEE.
15. Property Restoration. LESSEE agrees that as soon as is reasonably possible, following completion of its drilling and other operations, LESSEE shall restore its well site, as near as possible, to its original condition and land contour. This obligation shall survive termination of this lease.
16. Re seeding by LESSOR. LESSEE will have the option of contracting with LESSOR to perform the re seeding on those parts of the herein described lands affected by LESSEE'S operations hereunder, subject to the following conditions:
1. LESSOR must have the capability and the equipment necessary for performing such work to the specifications and time frames required by any governmental entities having jurisdiction over the reclamation of well sites and pipelines. If there are no such specifications and LESSOR elects to conduct the re seeding, LESSOR shall release LESSEE from any further obligation with respect to re-vegetation, it being assumed that LESSOR will be satisfied with its own work.
  2. The fees for such work shall not exceed those charged by other contractors for the same type of work in the area.
17. Spud Fee. In the event LESSEE elects to drill a well on any parcel of the herein described leased premises, LESSEE agrees to pay LESSOR a spud fee of Five Hundred Dollars (\$500.00), per well site location, prior to commencement of operations.
18. Pipelines. It is hereby understood and agreed that for all pipelines which serve other leases in addition to the hereinabove leased premises, LESSEE shall pay as damages the sum of \$20.00 per rod together with market value of growing crops destroyed, if any. Pipeline location shall be governed by provisions for facility location, to minimize crop loss, interference with waterways and terraces, and otherwise minimize interference with LESSOR'S use of the property. Provisions for surface restoration and damages subsequent to installation shall apply to pipeline operation. LESSEE will bury all pipelines and electric lines crossing LESSOR'S fields, as soon as is reasonably possible after the date on which the pipe is first placed on the ground and fused together, or in the case of electric lines, after said electric lines are first connected. LESSEE further agrees that all pipelines and electric lines buried, will be buried below plow depth. LESSEE will install no permanent overhead electric lines except along roads or property lines without the express written consent of Lessor.
19. Lease Appearance. No open salt-water pits or ditches shall ever be maintained on the premises. All storage tanks, separators and compressors shall be kept as a group on the above described drilling and operation sites located on the lease premises and all oil or gas wells shall be neatly attractively and adequately fenced and enclosed by LESSEE so as to reasonably protect person's livestock from injury. LESSEE shall at all times conduct and keep all of its operations including said equipment, neat in appearance, in proper condition and well painted to blend in as naturally as possible with the surroundings and as to not lower the land value of the areas for agriculture and/or industrial use, and consistent with the highest and best standards of the oil and gas industry.
20. Line Burial. LESSEE shall bury all pipelines and electric lines at least below plow depth, but not less than 48 inches below the surface of leased premises, and upon reasonable request, lower pipelines, electric lines, flowlines, gathering lines, etc. to allow terracing, waterway construction, or other improvement to the surface by LESSOR for agricultural purposes.
21. Surface Use Limitations. LESSEE shall not use the surface of the land for storage of supplies and equipment except as may be necessary for current oil or gas operations on and benefiting solely LESSOR'S land. LESSEE may not cause living quarters to be constructed or placed upon the property. LESSEE or its employees shall not hunt, fish, remove game or fish, or bring dogs upon, in any manner on the leased premises. LESSEE or its employees shall not leave trash, especially aluminum cans, on the leased premises.

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22. Injection or Disposal Well(s). LESSEE shall not install a gas processing plant, disposal well, or dehydration plant except by separate written agreement for agreed compensation.
23. Workmanlike Operations. LESSEE shall operate the lease in a workmanlike manner, to close and secure all gates located on the leased premises, to not cut any fences, to repair any fences damaged by LESSEE, and to repair terraces or waterways, if damaged.
24. Timber. LESSEE shall not cut or remove any timber or timber products without the express written consent of LESSOR.
25. Well Plugging. Prior to conducting operations on the leased premises, LESSEE or its assignee/operator shall comply with the provisions of K. A. R. 82-3-120 regarding operator financial responsibility.
26. Termination. Upon termination of this lease for any reason, LESSEE shall pull and plug all wells, remove all LESSEE'S machinery and other property. If LESSEE fails to remove LESSEE'S equipment and other property within one hundred eighty (180) days after termination of the lease, such property shall, at the option of LESSOR, become the property of LESSOR free of all right, title or interest of LESSEE. LESSEE agrees to restore land to the same condition as of the date of this lease as nearly as possible.
27. Damages. LESSEE shall pay for damages caused by LESSEE'S operations to crops including hay, on the leased premises and to pay for all other damages caused by LESSEE, including but not limited to damages to livestock, pasture, waterways and terraces. LESSEE agrees to compensate LESSOR at fair market value for the death or injury of any livestock killed or injured as a direct result of LESSEE'S operations under the terms of this lease. Provided however that LESSEE will not be responsible to compensate LESSOR for said damages or injuries to livestock that were caused by the negligent or willful act or omissions of LESSOR, its heirs, assigns, agents, employees or contractors. In addition, when LESSEE'S lines are buried below LESSOR'S buried irrigation lines and/or related electric lines, LESSEE shall repair and restore the same at LESSEE'S expense. LESSEE acknowledges it may be necessary to place LESSEE'S lines below LESSOR'S buried irrigation lines and/or related electric lines.
28. Pits. LESSEE shall not make any pits except when necessary to drill or service a well; within ninety (90) days after drilling or servicing a well, a pit shall be pumped out, filled in with original soil and leveled. All top soil shall be piled separately and returned to the surface when the pits are filled.
29. Late Payment. Any payment due hereunder which is made more than thirty (30) days after its due date shall have added thereto a five percent (5%) penalty payable to LESSOR, plus statutory interest, subject to LESSEE'S right to abandon a site or portion of a right-of-way as stipulated herein and thereafter not liable for future payments as to said abandoned site or right-of-way portion.
30. Prepayment. No prepayment of damages of any kind shall be acceptable by LESSOR from LESSEE. Damages shall be settled within forty-five (45) days following each instance of surface disturbance on the leased premises. All payments made hereunder for initial operations within each particular wellsite location, whether such operations involve drilling production well or stratigraphic test holes, building roadways, or installing gathering systems and other equipment, must be made by LESSEE to LESSOR at least fifteen (15) days in advance of the contemplated operation or activity. Subsequent anniversary checks where provided herein shall be made by mailing such to LESSOR on or before said anniversary date. The LESSOR agrees to notify LESSEE of any change in the party to be identified as LESSOR under this Lease, which change might be caused by any conveyances or descent from the original LESSOR hereunder, so that LESSEE may be informed of changes in the proper payee for payments made under this Lease. It is understood and agreed that the covenants made by the LESSEE to LESSOR under this Lease covenants running with the surface ownership of the subject lands, and that said rights must pass with said ownership and are not subject to retention by the party identified herein as OWNER in the event of such a change in the surface ownership.
31. Execution. This Lease and Addendum shall be executed in duplicate, one (1) executed original to be held by LESSOR and one (1) executed original to be held by LESSEE. LESSEE may elect to file of record only an agreed Memorandum of the Lease in lieu of the actual Lease and Addendum. Upon written request of LESSOR, LESSEE shall record the actual Lease and Addendum with the Register of Deeds for the county or counties where the leased property is situated. Such recording request may not be made before three (3) years following execution of this Lease. If LESSEE fails to record the lease following written request permitted herein, LESSOR may record the Lease and Addendum and LESSEE shall reimburse LESSOR for recording fees.
32. Damage to Unplugged Abandoned Wells. In the event LESSEE'S drilling operations on the leased premises cause any previously drilled unplugged abandoned well now located on LESSOR'S lands to leak salt water or gas and become hazardous, LESSEE shall at its sole cost and expense, repair, plug and make safe any such well. Nothing in this Addendum or the attached Lease shall be construed to obligate LESSOR for any responsibility for any such wells.
33. Well Locations. LESSEE and LESSOR will mutually agree on all drill site and road locations, not to be unreasonably withheld by LESSOR.
34. CRP. If any part of the leased premises are subject to or enrolled in the Conservation Reserve Program, LESSEE shall reseed to grass all areas thereof affected by LESSEE'S operations and hold LESSOR harmless from penalties or liquidated damages assessed by the Department of Agriculture, the Soil Conservation Service or the Agricultural Stabilization and Conservation Service under the Conservation Reserve Program as a result of LESSEE'S operations.

  
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35. Fires. LESSEE acknowledges that the herein leased grasslands are prone to fire during dry periods, and agrees to exercise all due caution in preventing grass fires on the herein leased lands. LESSEE and LESSOR have discussed the fact that LESSOR annually burns grass on lands covered hereby. LESSEE agrees to make provisions in its operations for LESSOR'S burning and agrees to adequately protect LESSEE'S equipment placed upon the herein leased lands. LESSOR shall be allowed to continue LESSOR'S burning practices on the herein leased lands and shall have no liability to LESSEE for any damages caused by said burning. LESSOR agrees to notify LESSEE prior to conducting burning operations and to give LESSEE twenty-four (24) hour notice if operations are being conducted upon the surface.

36. LESSOR Operations. It is understood that LESSOR shall continue to use the surface for farming and agriculture and other purposes, and LESSOR shall not be liable to LESSEE for interruption or damage to LESSEE'S operations under this lease unless LESSOR'S acts are wilful, wanton, or constitute gross negligence.

37. LESSOR Consent For Oil Production. This lease is for oil or gas, however, in the event oil is discovered in marketable quantities written consent is required from LESSOR prior to production.

38. LESSOR Gas. By written request to the LESSEE, LESSOR may reserve from the leased premises through any well thereon producing gas, provided the gas pressure is high enough, gas for use in one dwelling and dwelling outbuildings for domestic purposes to the extent of 100,000 cubic feet per year, or such part thereof per year as LESSOR requires; subject, however, to the operation and pumping by LESSEE of its wells and pipelines on the premises, the LESSEE to make the necessary connection at a cost agreed in advance in writing and LESSOR to assume all risk in using the gas. Said connection must be made at a reasonable location designated by LESSEE and may be at any gas line of LESSEE on said premises; subject, however, to the right of LESSEE at any time to abandon, take up, remove, repair or change any of its lines or abandon any of its wells, LESSEE not being liable for any expense, shortage or failure of gas which may arise by reason of said changes, lack of gas pressure or abandonment. Moreover, LESSOR shall indemnify and hold LESSEE harmless from any and all claims, damages, costs or expenses that LESSEE might incur as a result of the installation, operation and maintenance of such gas facilities by LESSOR. LESSOR agrees to pay for all gas used in excess of the quantity reserved at the then existing well head price established by LESSEE and further agrees that LESSEE, at its option, may deduct from any royalty accruing to LESSOR hereunder any amount owed to LESSEE by reason of LESSOR'S use of gas in excess of the quantity of gas which may be reserved under the terms hereof. Said established price shall not exceed the highest posted domestic rate for any public utility in the country in which the leased premises is located, and measurement and regulation shall be by meter furnished by LESSEE and regulations furnished by LESSOR and set at the tap on the line. If LESSOR'S use of the gas reserved at anytime interferes with LESSEE'S operation of the leased premises, LESSOR agrees at the option of the LESSEE, and after receipt of written notice, to discontinue the use of the gas reserved and to accept in lieu thereof and in full consideration therefore, a cash payment of Two Hundred Dollars (\$200.00) per annum. If LESSOR resides on leased premises and elects in writing not to utilize any reserve gas, LESSEE agrees to make a cash payment of Two Hundred Dollars (\$200.00) per annum in lieu thereof.

**LESSOR:**

**The Larry L. Haley and Judith K. Haley Revocable Living Trust dated February 19, 1997**

  
Larry L. Haley aka Larry Haley, Trustee

  
Judith K. Haley aka Judith Kay Haley, Trustee