





1036064

### 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

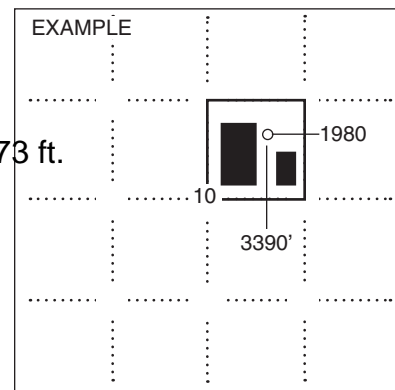
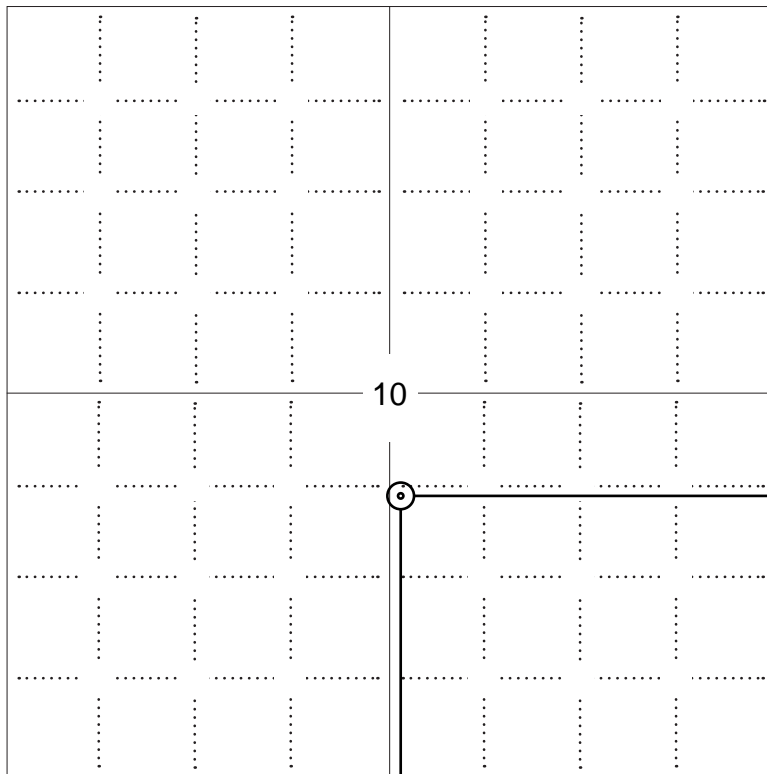
**If Section is Irregular, locate well from nearest corner boundary.**

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.**

1933 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 1036064  
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.	
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	



Return to:  
Silverado Land Management, LLC  
6715 Mahogany  
Barling AR 72923

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**OIL AND GAS LEASE**  
**KANSAS Paid-up**

THIS LEASE made and entered into this 1st day of April, 2008, by and between Rick Pauly, a/k/a Rick D. Pauly, and Dee Ann Pauly, his wife, whose address is 4735 14<sup>th</sup> Road, Udall, KS 67146, hereinafter called Lessor, and Sublette Oil Company, hereinafter called Lessee, whose address is 560 N Ridge Road, Wellington KS 67152.

1. That Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, in hand paid, and of the covenants and agreements hereinafter contained to be performed, does hereby grant, demise, lease and let unto said Lessee exclusively, all the rights for the purpose of carrying on geological, seismic (including but not limited to the right to drill and set source charges and lay receiver lines), geophysical and other exploration work and the drilling, operating for, producing and saving of all the oil, gas and other hydrocarbons and all rights incident thereto, including, but not limited to, the right of ingress and egress and the right to construct, operate and maintain pipelines, seismic access roads/easements, structures and facilities, all that certain tract of land, together with any reversionary rights therein, situated in the County of COWLEY, State of KANSAS, described as follows:

**Township 30 South, Range 3 East**  
**Section 10: N/2 SE/4 and the NE/4**

IT IS THE INTENT FOR THIS LEASE TO COVER ALL LANDS OWNED OR CLAIMED TO BE OWNED BY LESSOR IN SECTION 10-30S-3E REGARDLESS OF THE ACCURACY OF THE DESCRIPTION ABOVE.

, containing 240 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by Lessor, all of the foregoing land being hereinafter referred to as "leased premises". It is the intention of Lessor that the leased premises cover and include all lands owned or claimed by Lessor in the above numbered governmental section(s) together with any and all accretions thereto, whether or not accurately and completely described herein.

2. This Lease shall remain in force for a primary term of two (2) years from this date and as long thereafter as oil, gas or other hydrocarbons is produced or deemed to be produced, from the leased premises or from lands pooled therewith.

3. Lessee shall deliver, free of cost, to Lessor at the wells, or to the credit of Lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at Lessee's option, to pay Lessor for such one-eighth (1/8) royalty the market value at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

4. Lessee shall pay or, if required by law, contribute to be paid to Lessor one-eighth (1/8) of the net proceeds realized by Lessee for all gas (including all substances contained in such gas) produced from the leased premises and sold by Lessee, less Lessor's proportionate share of taxes and all costs incurred by Lessee in delivering, processing, compressing or otherwise making such gas or other substances merchantable or enhancing the marketing thereof. If such gas is used by Lessee off the leased premises or used by Lessee for the manufacture of casinghead gasoline or other products, Lessee shall pay Lessor one-eighth (1/8) of the prevailing market value at the well for the gas so used.

5. If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate is sold therefrom or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut in. Lessee shall use reasonable diligence to market gas or gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor, within forty-five (45) days after the expiration of each period of one (1) year in length (annual period) during which such well is so shut in, a royalty of One Dollar (\$1.00) per net mineral acre retained hereunder as of the end of such annual period; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if at the end of any such annual period this Lease is being maintained in force and effect otherwise than by reason of such shut-in well, Lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this Lease. Lessee's failure to pay or tender such payment, for any reason, shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Such payment shall be made or tendered to Lessor at the above address or to their successors. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall govern the determination of the party or parties entitled to receive such payment.

6. Lessee hereby is given the right at its option, at any time and whether before or after production, to pool for development and operation purposes all, or any part or parts, of the leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land, so as to create units of such size and surface acreage as Lessee may reasonably desire, but containing not more than three hundred twenty (320) acres: provided, however, a unit may be established hereunder containing not more than six hundred forty (640) acres plus ten percent (10%) acreage tolerance if unitized only as to gas rights or only as to gas-condensate, except that units pooled for oil or oil and gas for or in conjunction with repressuring, pressure maintenance, cycling and secondary recovery operations or any one or more of same may be formed to include not more than three hundred twenty (320) acres. If at any time larger units are required under any then applicable law, rule, regulation or order of any governmental authority for the drilling, completion or operation of a well, or for obtaining maximum allowable from any contemplated, drilling or completed well, any such unit may be established or enlarged to conform to the size specified by such law, rule, regulation or order.

Operations on any part of any lands so pooled shall, except for the payment of royalties, be considered operations on the leased premises under this Lease, and, notwithstanding the status of the well at the time of pooling, such operations shall be deemed to be in connection with a well which was commenced on the leased premises under this Lease. The term "operations" as used herein shall include, without limitation, the following: commencing construction of roadways, preparation of drillsite, drilling, testing, completing, reworking, recompleting, deepening, plugging back, repressuring, pressure maintenance, cycling, secondary recovery operations; or the production of oil or gas; or the existence of a shut-in well capable of producing oil or gas.

There shall be allocated to the portion of the leased premises included in any such pooling such proportion of the actual production from all lands so pooled as such portion of the leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery of royalty to be the entire production for the portion of the leased premises included in such pooling in the same manner as though produced from such portion of the leased premises under the terms of this Lease.

7. If Lessor owns a lesser interest in the leased premises than the entire and undivided mineral estate therein, then the royalties provided for herein shall be paid said Lessor only in the proportion which his interest bears to the whole and undivided mineral estate.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the leased premises or the minerals in and under the same or assignment of royalties shall be binding on Lessee

③ 12.00 Wolf Exploration

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unless Lessee shall have been furnished ninety (90) days before payment hereunder of such royalties with certified copies of recorded instruments showing evidence of title.

9. Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations, except water from the wells of Lessor. When required by Lessor, Lessee shall bury its pipelines below plow depth and shall pay reasonable damages for injury by reason of its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to any house or other permanent structure occupied by animals or humans on the leased premises as of the date of this lease without the written consent of Lessor. Lessee shall have the right at any time during, or after the expiration of the term of this Lease to enter upon the property and to remove all machinery, fixtures and other structures placed on the leased premises, including the right to draw and remove all casing, but Lessee shall be under no obligation to do so.

10. If prior to the discovery of oil or gas on the leased premises Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional operations as provided herein within ninety (90) days thereafter, or, if it be within the primary term, then not until the expiration thereof. If at, or after, the expiration of the primary term oil or gas is not being produced on the leased premises, but Lessee is then engaged in operations thereon as provided herein, this Lease shall remain in force so long as operations are prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and, if production results therefrom, then as long as production is maintained pursuant to the terms hereof.

11. Lessee may at any time surrender or cancel this Lease, in whole or in part, by delivering or mailing such release to the Lessor, or by placing such release of record in the proper County. In case this Lease is surrendered or canceled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter under the terms of this Lease as to that portion shall cease. As to the portion of the acreage not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

12. All provisions hereof, express or implied, shall be subject to all Federal and State Laws and the orders, rules and regulations of all governmental agencies administering the same. This lease shall not in any way be terminated, wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure is the result of the exercise of such governmental authority, acts of God, explosion, blow out, fire, flood, lack of market, market conditions, lack of equipment for any cause, equipment failure, labor trouble, war or any other cause reasonably beyond the control of Lessee. Should the Lessee be prevented from complying with any of the express or implied provisions hereof or its obligations hereunder by any of the aforesated causes, the primary term of this Lease shall be extended until one year after the removal of such cause or causes.

13. Lessor hereby warrants and agrees to defend the title to the leased premises and agrees that Lessee, at its option, may pay or discharge, in whole or in part, any taxes, encumbrances or other liens existing, levied or assessed against the leased premises and, in the event Lessee exercises such option, it shall be subrogated to the rights of any holder(s) thereof and may reimburse itself by applying any royalty accruing hereunder to the amount of such encumbrance, tax or other lien paid by Lessee plus any costs, expenses or attorney's fees reasonably incurred by Lessee and interest at the rate of ten percent (10%) per annum. To facilitate Lessee's proper payment hereunder, it is specifically understood and agreed that Lessee will require Lessor to execute and return Lessee's then current form of division order or other payment directive as a condition precedent to Lessee's obligation to pay royalties from production hereunder.

14. Lessee is hereby given the right to acquire for its own benefit, deeds, leases or assignments covering any interest or claim in the leased premises which Lessee or any other party contends is outstanding and not covered hereby even though such outstanding interest or claim may be invalid or adverse to Lessor. In the event the validity of this Lease, or Lessee's privilege to exercise its rights hereunder, be disputed by Lessor or by any other person, then, for the period such dispute remains undisposed of, Lessee shall be relieved of all obligations hereunder to explore or develop leased premises, all royalties or other payments which would otherwise accrue shall be suspended for such period and this Lease shall automatically be extended for an additional period equal to the duration of such period.

15. It is specifically understood that each spouse named herein and executing this Lease, for the consideration set out, above and the covenants and agreements contained in this Lease to be performed, does hereby release and relinquish unto said Lessee all right of dower, curtesy and homestead in and to the lands covered hereby for the purposes of this Lease.

16. This Lease and all its terms, conditions and stipulations shall extend to and be binding upon all successors in title of said Lessor or Lessee.

17. If at any time within the primary term of this lease or during the time this lease is in effect, Lessor receives any bona fide offer acceptable to Lessor to grant an additional lease (top lease) covering all or any part of the leased premises described above, Lessee, or its assigns, shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, including the client name if purchased through an independent broker, bonus consideration and royalty consideration to be paid for such Lease, and include a copy of the Lease form to be utilized, which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee, or its assigns, shall have thirty (30) days after receipt from Lessor the information required herein to meet any such bona fide offer and enter into an oil and gas lease of equivalent terms and conditions. If Lessee, or its assigns, fails to notify Lessor within the aforesated time period of its election to meet the bona fide offer, Lessor shall have the right to accept the offer.

This Lease is executed as of the date first set out herein above.

Rick Pauly  
Rick Pauly, a/k/a Rick D. Pauly

Dee Ann Pauly  
Dee Ann Pauly

ACKNOWLEDGMENT

STATE OF KANSAS

COUNTY OF Sedgwick

This instrument was acknowledged to me on the 9th day of April, 2008, by Rick Pauly, a/k/a Rick D. Pauly, and Dee Ann Pauly, his wife.

My Commission Expires:

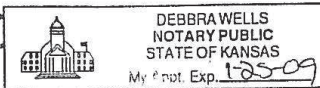
1-25-09

Debbora Wells  
Notary Public

002598



COMPARED \_\_\_\_\_  
NUMERICAL   
DIRECT   
INDIRECT   
REGISTRATION



Cowley County, KS  
Register of Deeds  
Nancy C. Horst

Book: 817 Page: 80  
Receipt #: 23216 Total Fees: \$12.00  
Pages Recorded: 2  
Date Recorded: 6/12/2008 9:09:48 AM



Return to:  
Silverado Land Management, LLC  
6716 Mahogany  
Barling AR 72923

12.00

003708

Cowley County, KS  
Register of Deeds  
Nancy C. Horst

Book: 821 Page: 12

Receipt #: 23944

Total Fees: \$12.00

Pages Recorded: 2

Date Recorded: 8/14/2008 10:30:16 AM

**OIL AND GAS LEASE**  
**KANSAS Paid-up**

*Silverado Land Management*

THIS LEASE made and entered into this 16th day of July, 2008, by and between Norma G. Miller, a single woman, whose address is 560 East 77<sup>th</sup> Wellington, KS 67152, hereinafter called Lessor, and Sublette Oil Company, hereinafter called Lessee, whose address is 560 N Ridge Road, Wellington KS 67152.

1. That Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, in hand paid, and of the covenants and agreements hereinafter contained to be performed, does hereby grant, demise, lease and let unto said Lessee exclusively, all the rights for the purpose of carrying on geological, seismic (including but not limited to the right to drill and set source charges and lay receiver lines), geophysical and other exploration work and the drilling, operating for, producing and saving of all the oil, gas and other hydrocarbons and all rights incident thereto, including, but not limited to, the right of ingress and egress and the right to construct, operate and maintain pipelines, seismic access roads/easements, structures and facilities, all that certain tract of land, together with any reversionary rights therein, situated in the County of COWLEY, State of KANSAS, described as follows:

**Section 10 Township 30 South, Range 3 East**

Beginning at a point on the West line of the SW/4 that lies North 3° 11' 32" West, 2,149.44 feet from the Southwest corner of the SW/4; thence North 3° 11' 32" West, 480.96 feet to the Northwest corner SW/4; thence South 89° 56' 56" East, 2,665.47' to the Northeast corner SW/4; thence South 2° 51' 52" East on the East line of the SW/4, 478.45 feet; thence South 90° 0' 0" West and parallel to the South line of the SW/4, 2,662.7 feet to the point of beginning

IT IS THE INTENT FOR THIS LEASE TO COVER ALL LANDS OWNED OR CLAIMED TO BE OWNED BY LESSOR IN SECTION 10-30S-3E REGARDLESS OF THE ACCURACY OF THE DESCRIPTION ABOVE.

, containing 29 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by Lessor, all of the foregoing land being hereinafter referred to as "leased premises". It is the intention of Lessor that the leased premises cover and include all lands owned or claimed by Lessor in the above numbered governmental section(s) together with any and all accretions thereto, whether or not accurately and completely described herein.

2. This Lease shall remain in force for a primary term of two (2) years from this date and as long thereafter as oil, gas or other hydrocarbons is deemed to be produced, from the leased premises or from lands pooled therewith.

3. Lessee shall deliver, free of cost, to Lessor at the wells, or to the credit of Lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at Lessee's option, to pay Lessor for such one-eighth (1/8) royalty the market value at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

4. Lessee shall pay or, if required by law, contribute to be paid to Lessor one-eighth (1/8) of the net proceeds realized by Lessee for all gas (including all substances contained in such gas) produced from the leased premises and sold by Lessee, less Lessor's proportionate share of taxes and all costs incurred by Lessee in delivering, processing, compressing or otherwise making such gas or other substances merchantable or enhancing the marketing thereof. If such gas is used by Lessee off the leased premises or used by Lessee for the manufacture of casinghead gasoline or other products, Lessee shall pay Lessor one-eighth (1/8) of the prevailing market value at the well for the gas so used.

5. If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate is sold therefrom or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut in. Lessee shall use reasonable diligence to market gas or gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor, within forty-five (45) days after the expiration of each period of one (1) year in length (annual period) during which such well is so shut in, a royalty of One Dollar (\$1.00) per net mineral acre retained hereunder as of the end of such annual period; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if at the end of any such annual period this Lease is being maintained in force and effect otherwise than by reason of such shut-in well, Lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this Lease. Lessee's failure to pay or tender such payment, for any reason, shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Such payment shall be made or tendered to Lessor at the above address or to their successors. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall govern the determination of the party or parties entitled to receive such payment.

6. Lessee hereby is given the right at its option, at any time and whether before or after production, to pool for development and operation purposes all, or any part or parts, of the leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land, so as to create units of such size and surface acreage as Lessee may reasonably desire, but containing not more than three hundred twenty (320) acres: provided, however, a unit may be established hereunder containing not more than six hundred forty (640) acres plus ten percent (10%) acreage tolerance if unitized only as to gas rights or only as to gas-condensate, except that units pooled for oil or oil and gas for or in conjunction with repressuring, pressure maintenance, cycling and secondary recovery operations or any one or more of same may be formed to include not more than three hundred twenty (320) acres. If at any time larger units are required under any then applicable law, rule, regulation or order of any governmental authority for the drilling, completion or operation of a well, or for obtaining maximum allowable from any contemplated, drilling or completed well, any such unit may be established or enlarged to conform to the size specified by such law, rule, regulation or order.

Operations on any part of any lands so pooled shall, except for the payment of royalties, be considered operations on the leased premises under this Lease, and, notwithstanding the status of the well at the time of pooling, such operations shall be deemed to be in connection with a well which was commenced on the leased premises under this Lease. The term "operations" as used herein shall include, without limitation, the following: commencing construction of roadways, preparation of drillsite, drilling, testing, completing, reworking, recompleting, deepening, plugging back, repressuring, pressure maintenance, cycling, secondary recovery operations; or the production of oil or gas; or the existence of a shut-in well capable of producing oil or gas.

There shall be allocated to the portion of the leased premises included in any such pooling such proportion of the actual production from all lands so pooled as such portion of the leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery of royalty to be the entire production for the portion of the leased premises included in such pooling in the same manner as though produced from such portion of the leased premises under the terms of this Lease.

COMPARED \_\_\_\_\_  
NUMERICAL \_\_\_\_\_  
DIRECT \_\_\_\_\_  
INDIRECT \_\_\_\_\_  
REGISTRATION \_\_\_\_\_





7. If Lessor owns a lesser interest in the leased premises than the entire and undivided mineral estate therein, then the royalties provided for herein shall be paid said Lessor only in the proportion which his interest bears to the whole and undivided mineral estate.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the leased premises or the minerals in and under the same or assignment of royalties shall be binding on Lessee unless Lessee shall have been furnished ninety (90) days before payment hereunder of such royalties with certified copies of recorded instruments showing evidence of title.

9. Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations, except water from the wells of Lessor. When required by Lessor, Lessee shall bury its pipelines below plow depth and shall pay reasonable damages for injury by reason of its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to any house or other permanent structure occupied by animals or humans on the leased premises as of the date of this lease without the written consent of Lessor. Lessee shall have the right at any time during, or after the expiration of the term of this Lease to enter upon the property and to remove all machinery, fixtures and other structures placed on the leased premises, including the right to draw and remove all casing, but Lessee shall be under no obligation to do so.

10. If prior to the discovery of oil or gas on the leased premises Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional operations as provided herein within ninety (90) days thereafter, or, if it be within the primary term, then not until the expiration thereof. If at, or after, the expiration of the primary term oil or gas is not being produced on the leased premises, but Lessee is then engaged in operations thereon as provided herein, this Lease shall remain in force so long as operations are prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and, if production results therefrom, then as long as production is maintained pursuant to the terms hereof.

11. Lessee may at any time surrender or cancel this Lease, in whole or in part, by delivering or mailing such release to the Lessor, or by placing such release of record in the proper County. In case this Lease is surrendered or canceled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter accruing under the terms of this Lease as to that portion shall cease. As to the portion of the acreage not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

12. All provisions hereof, express or implied, shall be subject to all Federal and State Laws and the orders, rules and regulations of all governmental agencies administering the same. This lease shall not in any way be terminated, wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure is the result of the exercise of such governmental authority, acts of God, explosion, blow out, fire, flood, lack of market, market conditions, lack of equipment for any cause, equipment failure, labor trouble, war or any other cause reasonably beyond the control of Lessee. Should the Lessee be prevented from complying with any of the express or implied provisions hereof or its obligations hereunder by any of the aforesaid causes, the primary term of this Lease shall be extended until one year after the removal of such cause or causes.

13. Lessor hereby warrants and agrees to defend the title to the leased premises and agrees that Lessee, at its option, may pay or discharge, in whole or in part, any taxes, encumbrances or other liens existing, levied or assessed against the leased premises and, in the event Lessee exercises such option, it shall be subrogated to the rights of any holder(s) thereof and may reimburse itself by applying any royalty accruing hereunder to the amount of such encumbrance, tax or other lien paid by Lessee plus any costs, expenses or attorney's fees reasonably incurred by Lessee and interest at the rate of ten percent (10%) per annum. To facilitate Lessee's proper payment hereunder, it is specifically understood and agreed that Lessee will require Lessor to execute and return Lessee's then current form of division order or other payment directive as a condition precedent to Lessee's obligation to pay royalties from production hereunder.

14. Lessee is hereby given the right to acquire for its own benefit, deeds, leases or assignments covering any interest or claim in the leased premises which Lessee or any other party contends is outstanding and not covered hereby even though such outstanding interest or claim may be invalid or adverse to Lessor. In the event the validity of this Lease, or Lessee's privilege to exercise its rights hereunder, be disputed by Lessor or by any other person, then, for the period such dispute remains undisposed of, Lessee shall be relieved of all obligations hereunder to explore or develop leased premises, all royalties or other payments which would otherwise accrue shall be suspended for such period and this Lease shall automatically be extended for an additional period equal to the duration of such period.

15. It is specifically understood that each spouse named herein and executing this Lease, for the consideration set out, above and the covenants and agreements contained in this Lease to be performed, does hereby release and relinquish unto said Lessee all right of dower, curtesy and homestead in and to the lands covered hereby for the purposes of this Lease.

16. This Lease and all its terms, conditions and stipulations shall extend to and be binding upon all successors in title of said Lessor or Lessee.

17. If at any time within the primary term of this lease or during the time this lease is in effect, Lessor receives any bona fide offer acceptable to Lessor to grant an additional lease (top lease) covering all or any part of the leased premises described above, Lessee, or its assigns, shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, including the client name if purchased through an independent broker, bonus consideration and royalty consideration to be paid for such Lease, and include a copy of the Lease form to be utilized, which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee, or its assigns, shall have thirty (30) days after receipt from Lessor the information required herein to meet any such bona fide offer and enter into an oil and gas lease of equivalent terms and conditions. If Lessee, or its assigns, fails to notify Lessor within the aforesaid time period of its election to meet the bona fide offer, Lessor shall have the right to accept the offer.

This Lease is executed as of the date first set out herein above.

Norma G. Miller 8-4-08  
Norma G. Miller

ACKNOWLEDGMENT

STATE OF KANSAS

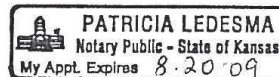
COUNTY OF Sumner

This instrument was acknowledged to me on the 4<sup>th</sup> day of August, 2008, by Norma G. Miller.

My Commission Expires:

8-20-09

Patricia Ledesma  
Notary Public





Return to:  
Silverado Land Management, LLC  
6716 Mahogany  
Barling AR 72923

BOOK 0821 PAGE 0009

COMPARED \_\_\_\_\_  
NUMERICAL \_\_\_\_\_  
DIRECT \_\_\_\_\_  
INDIRECT \_\_\_\_\_  
REGISTRATION \_\_\_\_\_  
OIL AND GAS LEASE  
KANSAS Paid-up

Cowley County, KS  
Register of Deeds  
Nancy C. Horst  
Book: 821 Page: 9  
Receipt #: 23944 Total Fees: \$16.00  
Pages Recorded: 3  
Date Recorded: 8/14/2008 10:30:15 AM

003707



16.00 (2) (envelope)  
Silverado Land Management  
6716 Mahogany  
Barling AR 72923 2682

THIS LEASE made and entered into this 28th day of July, 2008, by and between Michael W. Morton and Melinda K. Morton, his wife, whose address is 4420 22<sup>nd</sup> Road, Udall KS 67146, hereinafter called Lessor, and Sublette Oil Company, hereinafter called Lessee, whose address is 560 N Ridge Road, Wellington KS 67152.

1. That Lessor, for and in consideration of the sum of Ten Dollars (\$10.00) and other valuable consideration, in hand paid, and of the covenants and agreements hereinafter contained to be performed, does hereby grant, demise, lease and let unto said Lessee exclusively, all the rights for the purpose of carrying on geological, seismic (including but not limited to the right to drill and set source charges and lay receiver lines), geophysical and other exploration work and the drilling, operating for, producing and saving of all the oil, gas and other hydrocarbons and all rights incident thereto, including, but not limited to, the right of ingress and egress and the right to construct, operate and maintain pipelines, seismic access roads/easements, structures and facilities, all that certain tract of land, together with any reversionary rights therein, situated in the County of COWLEY, State of KANSAS, described as follows:

**Section 10 Township 30 South, Range 3 East**

Tract 1: Beginning at a point 33' North of a point on the South line of the SW/4 that is 1325.14' East of the SW/c SW/4, thence North parallel to the West line of the SW/4 a distance of 1377.19'; thence East parallel to said South line 662.57'; thence South parallel to the West line 1360.69' to a point 49.5' North of said South line; thence Westerly 661.86' to the point of beginning

Tract 2: Beginning at a point 49.5' North of a point on the South line of the SW/4 that is 1987.71' East of the SW/c SW/4; thence North parallel to the West line of the SW/4 a distance of 1360.69'; thence East parallel to said South line, 670.72' to the East line of the SW/4; thence South parallel to said West line 1343.76' to appoint 66' North of the SE/c SW/4; thence Westerly 662.23' more or less to the point of beginning

Tract 3: Beginning at a point that bears North 90°00'00" East a distance of 1658.07' from a point on the West line of the SW/4 that bears North 3°11'32" West a distance of 1410.19' from the SW/c thereof; thence North 1°52'18" West a distance of 738.49'; thence North 90°00'00" East a distance of 987.57' to the East line of the SW/4; thence South 2°51'52" East on the East line 739.02'; thence South 90°00'00" West a distance of 1000.38' to the point of beginning.

IT IS THE INTENT FOR THIS LEASE TO COVER ALL LANDS OWNED OR CLAIMED TO BE OWNED BY LESSOR IN SECTION 10-30S-3E REGARDLESS OF THE ACCURACY OF THE DESCRIPTION ABOVE.

, containing 58 acres, more or less, and also, in addition to the above described land, any and all strips or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by Lessor, all of the foregoing land being hereinafter referred to as "leased premises". It is the intention of Lessor that the leased premises cover and include all lands owned or claimed by Lessor in the above numbered governmental section(s) together with any and all accretions thereto, whether or not accurately and completely described herein.

2. This Lease shall remain in force for a primary term of two (2) years from this date and as long thereafter as oil, gas or other hydrocarbons is produced or deemed to be produced, from the leased premises or from lands pooled therewith.

3. Lessee shall deliver, free of cost, to Lessor at the wells, or to the credit of Lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) part of all oil and other liquid hydrocarbons produced and saved from the leased premises, or, at Lessee's option, to pay Lessor for such one-eighth (1/8) royalty the market value at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease stock tanks.

4. Lessee shall pay or, if required by law, contribute to be paid to Lessor one-eighth (1/8) of the net proceeds realized by Lessee for all gas (including all substances contained in such gas) produced from the leased premises and sold by Lessee, less Lessor's proportionate share of taxes and all costs incurred by Lessee in delivering, processing, compressing or otherwise making such gas or other substances merchantable or enhancing the marketing thereof. If such gas is used by Lessee off the leased premises or used by Lessee for the manufacture of casinghead gasoline or other products, Lessee shall pay Lessor one-eighth (1/8) of the prevailing market value at the well for the gas so used.

5. If a well capable of producing gas or gas and gas-condensate in paying quantities located on the leased premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate is sold therefrom or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises, producing gas, in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut in. Lessee shall use reasonable diligence to market gas or gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor, within forty-five (45) days after the expiration of each

BOOK 0821 PAGE 0009



period of one (1) year in length (annual period) during which such well is so shut in, a royalty of One Dollar (\$1.00) per net mineral acre retained hereunder as of the end of such annual period; provided that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if at the end of any such annual period this Lease is being maintained in force and effect otherwise than by reason of such shut-in well, Lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this Lease. Lessee's failure to pay or tender such payment, for any reason, shall render Lessee liable for the amount due, but shall not operate to terminate this lease. Such payment shall be made or tendered to Lessor at the above address or to their successors. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall govern the determination of the party or parties entitled to receive such payment.

6. Lessee hereby is given the right at its option, at any time and whether before or after production, to pool for development and operation purposes all, or any part or parts, of the leased premises or rights therein with any other land in the vicinity thereof, or with any leasehold, operating or other rights or interests in such other land, so as to create units of such size and surface acreage as Lessee may reasonably desire, but containing not more than three hundred twenty (320) acres: provided, however, a unit may be established hereunder containing not more than six hundred forty (640) acres plus ten percent (10%) acreage tolerance if unitized only as to gas rights or only as to gas-condensate, except that units pooled for oil or oil and gas for or in conjunction with repressuring, pressure maintenance, cycling and secondary recovery operations or any one or more of same may be formed to include not more than three hundred twenty (320) acres. If at any time larger units are required under any then applicable law, rule, regulation or order of any governmental authority for the drilling, completion or operation of a well, or for obtaining maximum allowable from any contemplated, drilling or completed well, any such unit may be established or enlarged to conform to the size specified by such law, rule, regulation or order.

Operations on any part of any lands so pooled shall, except for the payment of royalties, be considered operations on the leased premises under this Lease, and, notwithstanding the status of the well at the time of pooling, such operations shall be deemed to be in connection with a well which was commenced on the leased premises under this Lease. The term "operations" as used herein shall include, without limitation, the following: commencing construction of roadways, preparation of drillsite, drilling, testing, completing, reworking, recompleting, deepening, plugging back, repressuring, pressure maintenance, cycling, secondary recovery operations; or the production of oil or gas; or the existence of a shut-in well capable of producing oil or gas.

There shall be allocated to the portion of the leased premises included in any such pooling such proportion of the actual production from all lands so pooled as such portion of the leased premises, computed on an acreage basis, bears to the entire acreage of the lands so pooled. The production so allocated shall be considered for the purpose of payment or delivery of royalty to be the entire production for the portion of the leased premises included in such pooling in the same manner as though produced from such portion of the leased premises under the terms of this Lease.

7. If Lessor owns a lesser interest in the leased premises than the entire and undivided mineral estate therein, then the royalties provided for herein shall be paid said Lessor only in the proportion which his interest bears to the whole and undivided mineral estate.

8. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is hereby expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the leased premises or the minerals in and under the same or assignment of royalties shall be binding on Lessee unless Lessee shall have been furnished ninety (90) days before payment hereunder of such royalties with certified copies of recorded instruments showing evidence of title.

9. Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations, except water from the wells of Lessor. When required by Lessor, Lessee shall bury its pipelines below plow depth and shall pay reasonable damages for injury by reason of its operations to growing crops on said land. No well shall be drilled nearer than two hundred (200) feet to any house or other permanent structure occupied by animals or humans on the leased premises as of the date of this lease without the written consent of Lessor. Lessee shall have the right at any time during, or after the expiration of the term of this Lease to enter upon the property and to remove all machinery, fixtures and other structures placed on the leased premises, including the right to draw and remove all casing, but Lessee shall be under no obligation to do so.

10. If prior to the discovery of oil or gas on the leased premises Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional operations as provided herein within ninety (90) days thereafter, or, if it be within the primary term, then not until the expiration thereof. If at, or after, the expiration of the primary term oil or gas is not being produced on the leased premises, but Lessee is then engaged in operations thereon as provided herein, this Lease shall remain in force so long as operations are prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and, if production results therefrom, then as long as production is maintained pursuant to the terms hereof.

11. Lessee may at any time surrender or cancel this Lease, in whole or in part, by delivering or mailing such release to the Lessor, or by placing such release of record in the proper County. In case this Lease is surrendered or canceled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter accruing under the terms of this Lease as to that portion shall cease. As to the portion of the acreage not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

12. All provisions hereof, express or implied, shall be subject to all Federal and State Laws and the orders, rules and regulations of all governmental agencies administering the same. This lease shall not in any way be terminated, wholly or partially, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure is the result of the exercise of such governmental authority, acts of God, explosion, blow out, fire, flood, lack of market, market conditions, lack of equipment for any cause, equipment failure, labor trouble, war or any other cause reasonably beyond the control of Lessee. Should the Lessee be prevented from complying with any of the express or implied provisions hereof or its obligations hereunder by any of the aforesaid causes, the primary term of this Lease shall be extended until one year after the removal of such cause or causes.

13. Lessor hereby warrants and agrees to defend the title to the leased premises and agrees that Lessee, at its option, may pay or discharge, in whole or in part, any taxes, encumbrances or other liens existing, levied or assessed against the leased premises and, in the event Lessee exercises such option, it shall be subrogated to the rights of any holder(s) thereof and may reimburse itself by applying any royalty accruing hereunder to the amount of such encumbrance, tax or other lien paid by Lessee plus any costs, expenses or attorney's fees reasonably incurred by Lessee and interest at the rate of ten percent (10%) per annum. To facilitate Lessee's proper payment hereunder, it is specifically understood and agreed that Lessee will require Lessor to execute and return Lessee's then current form of division order or other payment directive as a condition precedent to Lessee's obligation to pay royalties from production hereunder.

14. Lessee is hereby given the right to acquire for its own benefit, deeds, leases or assignments covering any interest or claim in the leased premises which Lessee or any other party contends is outstanding and not covered hereby even though such outstanding interest or claim may be invalid or adverse to Lessor. In the event the validity of this Lease, or Lessee's privilege to exercise its rights hereunder, be disputed by Lessor or by any other person, then, for the period such dispute remains undisposed of, Lessee shall be relieved of all obligations hereunder to explore or develop leased premises, all royalties or other payments which would otherwise accrue shall be suspended for such period and this Lease shall automatically be extended for an additional period equal to the duration of such period.

15. It is specifically understood that each spouse named herein and executing this Lease, for the consideration set out, above and the covenants and agreements contained in this Lease to be performed, does hereby release and relinquish unto said Lessee all right of dower, curtesy and homestead in and to the lands covered hereby for the purposes of this Lease.

16. This Lease and all its terms, conditions and stipulations shall extend to and be binding upon all successors in title of said Lessor or Lessee.

17. If at any time within the primary term of this lease or during the time this lease is in effect, Lessor receives any bona fide offer acceptable to Lessor to grant an additional lease (top lease) covering all or any part of the leased premises described above, Lessee, or its assigns, shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, including the client name if purchased through an independent broker, bonus consideration and royalty consideration to be paid for such Lease, and include a copy of the Lease form to be utilized, which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee, or its assigns, shall have thirty (30) days after receipt from Lessor the information required herein to meet any such bona fide offer and enter into an oil and gas lease of equivalent terms and conditions. If Lessee, or its assigns, fails to notify Lessor within the aforesaid time period of its election to

meet the bona fide offer, Lessor shall have the right to accept the offer.

This Lease is executed as of the date first set out herein above.

[Signature]  
Michael W. Morton

Melinda K Morton  
Melinda K. Morton

ACKNOWLEDGMENT

STATE OF KANSAS

COUNTY OF Seawater

This instrument was acknowledged to me on the 7 day of August, 2008, by Michael W. and Melinda K. Morton, husband and wife

My Commission Expires:

3.26.2012

Meredith Morley  
Notary Public

*For Melinda  
Morton*

MEREDITH MORLEY  
Notary Public - State of Kansas  
Expires 3.26.2012

Meredith Morley  
Customer Service  
330 E. Madison Suite #100  
Derby, KS 67037

*For Michael Morton*

MEREDITH MORLEY  
Notary Public - State of Kansas  
My Appt. Expires

MEREDITH MORLEY  
Notary Public - State of Kansas  
My Appt. Expires





*Mark Parkinson, Governor  
Thomas E. Wright, Chairman  
Joseph F. Harkins, Commissioner*

March 17, 2010

Lori Zehr  
Oil Producers Inc. of Kansas  
1710 WATERFRONT PKWY  
WICHITA, KS 67206-6603

Re: Drilling Pit Application  
Pauly #2  
SE/4 Sec.10-30S-03E  
Cowley County, Kansas

Dear Lori Zehr:

District staff has inspected the above referenced location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined with bentonite or native clay, constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the reserve pit within 48 hours after drilling operations have ceased.

**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

The fluids should be taken to an authorized disposal well. Please call the District Office at (316) 630-4000 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through SOLAR within 30 days of fluid removal.

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.** If you have any questions or concerns please feel free to contact the District Office at (316) 630-4000.