





1044864

For KCC Use ONLY

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

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

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

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

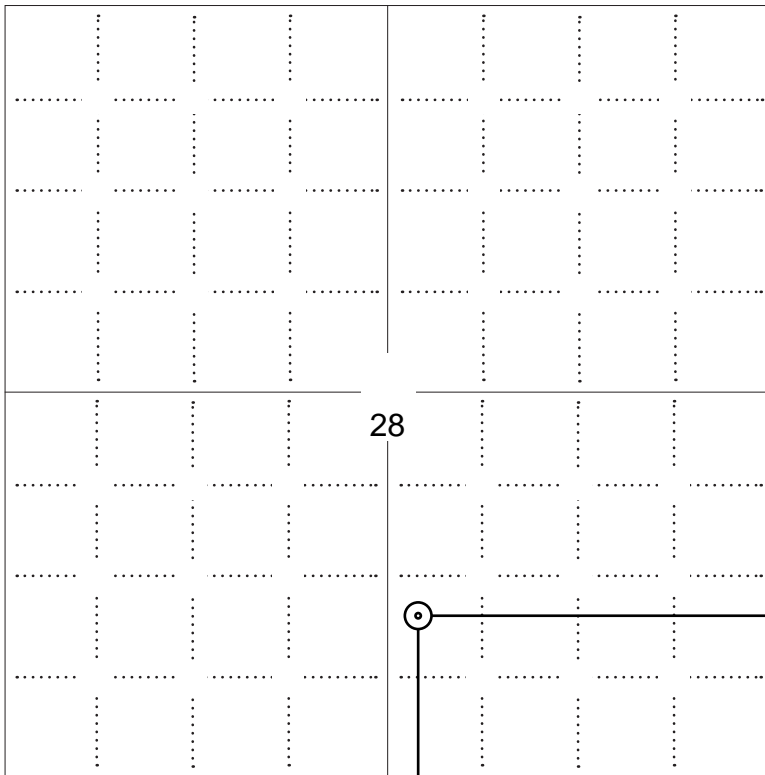
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

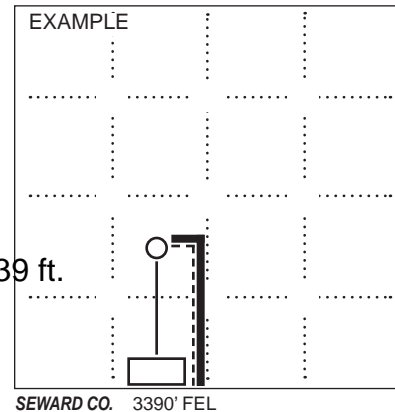
### PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



### LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location



**NOTE: In all cases locate the spot of the proposed drilling locaton.**

1108 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).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



**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) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) <input type="checkbox"/> 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: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input type="checkbox"/> KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: _____ Number of working pits to be utilized: _____ Abandonment procedure: _____ Drill pits must be closed within 365 days of spud date.	
<p><b>Submitted Electronically</b></p>			

**KCC OFFICE USE ONLY**

Liner     Steel Pit     RFAC     RFAS

Date Received: \_\_\_\_\_ Permit Number: \_\_\_\_\_ Permit Date: \_\_\_\_\_ Lease Inspection:     Yes     No



# CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

*This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.*

Select the corresponding form being filed:  C-1 (Intent)  CB-1 (Cathodic Protection Borehole Intent)  T-1 (Transfer)  CP-1 (Plugging Application)

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

Well Location:  
\_\_\_\_ - \_\_\_\_ - \_\_\_\_ - \_\_\_\_ Sec. \_\_\_\_ Twp. \_\_\_\_ S. R. \_\_\_\_  East  West  
County: \_\_\_\_\_  
Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

*If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:*

### Surface Owner Information:

Name: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

*When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.*

*If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.*

### Select one of the following:

- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

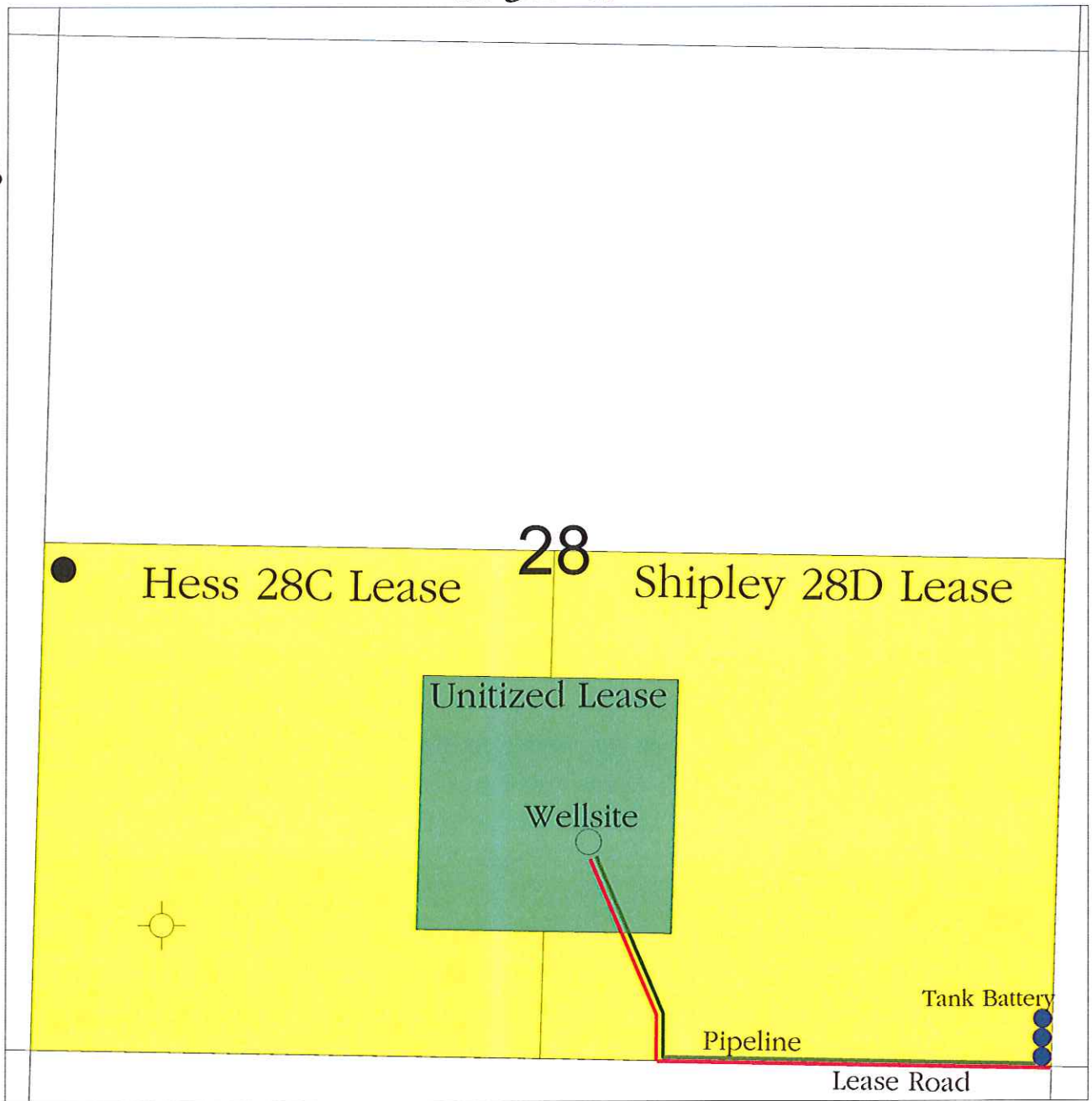
*If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.*

I Submitted Electronically

KANSAS SURFACE OWNER NOTICE ACT

R 31 W

T  
13  
S



SCALE = 1 : 10,000

GOVE COUNTY, KANSAS

**KANSAS SURFACE OWNER NOTICE ACT**

**SURFACE OWNERS:**

**Jean Marie Phelps (Hess 28C Lease)  
PO box 302  
Pine, Co 80470**

**Leslie Hess (Hess 28C Lease)  
PO 1450  
Hays, KS 67601**

**Gerald Shipley (Shipley 28D Lease)  
717 E. 6<sup>th</sup>  
Oakley, KS 67748**

**OIL AND GAS LEASE**
 AGREEMENT, Made and entered into the 19th day of July, 2006

 by and between Leslie Ann Hess and Steven J. Hess, her husband

 whose mailing address is PO Box 1450 Hays, Kansas 67601

 and J. Fred Hambright Inc. 125 N. Market #1415 Wichita, Kansas 67202 hereinafter called Lessor (whether one or more),

 hereby leasing to Lessee, hereinafter called Lessee:
 

Lessor, in consideration of One and More Dollars (\$ One (1.00) ) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, including gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and their respective and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Kansas State of Kansas described as follows to-wit:

Township 13 South, Range 31 West  
Section 28: SW/4

 In Section 28, Township 13 South, Range 31 West, and containing 160 acres, more or less, and all accretions thereto.

 Subject to the provisions herein contained, this lease shall remain in force for a term of Two (2) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

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

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

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

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

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

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

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

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

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

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

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

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

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

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

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

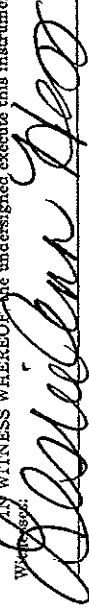
*In the event the acreage covered by this lease is pooled or unitized, Lessor's share shall not be less than 50% of the total unit royalty.*

See RIDER attached hereto and made a part hereof.

See ADDENDUM - EXHIBIT A attached hereto and made a part hereof.

I, the undersigned,

do hereby witness WHEREOF the undersigned, execute this instrument as of the day and year first above written.



Leslie Ann Hess



Steven J. Hess

 SS# 

1530467

RIDER

Lessee, or his assigns, agrees to consult with Lessor regarding routes of ingress and egress prior to commencing operations.

Lessee, or his assigns, further agrees in the event of drilling operations to restore the surface of the land to its original contour as nearly as is practicable.

If at the end of the primary term, this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor, the sum of \$ 5.00 multiplied by the number of net mineral acres owned by the Lessor in the land above described and then subject to this lease; and subject to the other provisions of this lease, the primary term shall be extended for an additional term of One year(s) from the end of the primary term hereof.



Leslie Ann Hess



Steven J. Hess



## ADDENDUM – EXHIBIT A

Addendum to Oil and Gas lease dated July 19, 2006, by and between Leslie Ann Hess and Steven J. Hess, her husband, herein after collectively referred to as Lessor and J. Fred Hambright Inc., Lessee.

This Addendum shall cover the following described land situated in Gove County, Kansas and described as follows:

Township 13 South, Range 31 West

Section 28: SW/4

1. **Size of unit held by production.** It is understood and agreed that any producing well classified as an oil well will hold no more than 160 acres past the primary term of this lease. Lessee shall designate the 160 acre tract held by production to Lessor in writing. In the event a well is drilled which is capable of producing gas in paying quantities, Lessee shall have the right to designate a gas operating unit of not more than 640 acres plus a tolerance of 10% to conform to Governmental Survey. Lessee shall designate the 640 acre gas operating unit held by production to Lessor in writing. Said gas operating unit may be held past the primary terms of this lease by payment of royalty or shut-in royalty as herein provided.

Upon expiration of the primary term of this lease, Lessee agrees to release all acreage not held by production or otherwise held by any other terms contained in this lease. The Lessee shall place a properly executed release of record and shall mail a copy thereof to Lessor. If Lessee fails or refuses to file appropriate releases after written demand is made to the last assignee of record Lessor shall be entitled to recover attorney fees for obtaining a release and filing it of record.

2. **Consultation regarding location.** Prior to the construction of any roads, pipelines, tank battery installation, or initial installation of any other equipment on the leased premises, Lessee shall consult with Lessor and/or its tenant and mutually agree upon the location and direction of same. Lessor and/or its tenant agree not to unreasonably withhold or deny the location and direction of such roads, pipelines, tank batteries or the placement of other equipment necessary for the production of oil or gas.

3. **Wellsite damages.** Lessee agrees to pay Lessor a reasonable amount, but not less than \$2,500.00 payable in advance of commencing drilling operations, for each drill site location on the leases premises. Upon the establishment of a drilling site and the excavation of slush pits, all topsoil shall be removed and piled separately and shall be returned to the surface when the pits are filled. All drill sites shall be properly fenced against livestock by Lessee and shall remain fenced until the site is restored to its original condition and contour. Lessee further agrees to clean up the drill site area and remove all trash and debris and to restore the surface of the land damaged by Lessee's operations to its original contour and condition as nearly as is practicable.

4. **Non-wellsite damages.** In addition to the payment for damages to the wellsite, as further consideration hereunder, Lessee agrees to pay for all other damages caused by its operations, whether temporary or permanent, (and specifically including damages to growing crops at the minimum rate of \$25.00 per rod) whether to crops, native grass, livestock, fences, water wells and other structures or improvements located on the leased premises. All gates and cattle guards installed by Lessee on the leased premises shall be maintained in good working order by Lessee during the life of this lease and at such time as Lessee elects to abandon this lease, said gates and cattle guards shall remain in place and become the property of the Lessor.

Lessee, its agents or employees, including seismograph operators, shall not operate any equipment on the leased premise when ground conditions are such that the operation of any equipment might unreasonably damage the surface or result in erosion of the surface.

5. **Pipeline damages.** As a further consideration hereunder, Lessee agrees to pay Lessor, in advance of commencing construction, a minimum of \$10.00 per rod for any pipeline installed or constructed on the above described land.

Lessee also shall pay any actual damages to growing crops, pasture grasses, fences and irrigation systems which may arise from Lessee's construction, maintenance and operation of any pipeline. All damages payable under this paragraph shall be due and payable within three months of the date such damage was incurred.
6. **Pipeline depth.** All pipelines shall be buried to a minimum depth of 36 inches.
7. **Shut-in gas royalty.** In the event a gas well is drilled and Lessee elects to pay shut-in royalty under the terms of this lease, shut-in royalty payments shall be tendered at the rate of \$5.00 per net mineral acre per year for the first two years and \$25.00 per acre for the next three years. Thereafter the lease shall terminate for non-production.
8. **Saltwater disposal wells.** No wells drilled on the leased premises shall be used for saltwater disposal or other waste disposal without the written consent of the Lessor and without compensation for such use.
9. **Water Use.** Lessee shall not have the right to use water from Lessor's ponds or water wells for any purpose, and Lessee further agrees that any water well damaged by Lessee's operations shall be re-drilled at Lessee's sole expense.
10. **Deep horizons.** If production extends the primary term of this lease more than three (3) years, Lessee shall release all rights to oil, gas and other mineral exploration and production in all zones, formations, or horizons that are 100 feet or more below the stratigraphic equivalent of the deepest depth drilled on land covered by this lease or land with which it may be unitized.
11. **Gas taken in-kind for agricultural use.** Lessor shall have the right to take in kind the royalty, or any portion thereof, provided for gas herein, by using gas from any gas well on the land above described for farming and agricultural purposes on said land. Any gas so taken by Lessor shall be taken at or near the mouth of the well at a point to be designated by Lessee. All equipment necessary to the taking of such gas and the measuring of same shall be furnished by Lessor at its own expense. The method of taking gas and the point of connection for taking must be such as not to interfere with the operation of the well and must be submitted to Lessee or its assigns and accepted by it before gas is taken, which consent will not be unreasonably withheld. For gas so taken by lessor in an amount less than the full royalty fraction provided for gas in this lease, lessee shall have the right to make a corresponding deduction in gas royalty payments due Lessor, said payment to be made in accordance with the terms of this lease. Lessee or its assigns shall never be liable to Lessor, its agents or employees or any other person in regards to gas taken, the use thereof, the equipment used, and the manner of its use, the use to which it is put or anything incident thereto or resulting therefrom. Lessee or its assigns shall never be under any obligation to produce gas from any well on the leased premises unless practical or economical to do so.
12. **Surface restoration and tank battery placement.** Lessee agrees to restore the surface to its original contour and condition as nearly as practicable and to consult with Lessors concerning roads and tank battery placement.
13. **Seismograph operations.** No Seismograph operator shall enter the lease premises without giving Lessor advanced written notice of its intention to do so and without, in advance, making the customary payment per mile for the right of ingress and egress and reasonable compensation for damages to the premises. If damages beyond that reasonably contemplated are incurred, Lessee or its agent shall pay Lessor within 60 days of the date of injury. Any seismograph operator shall provide Lessor with written evidence of its authority to conduct operation under this lease and with proof of liability insurance coverage in an amount of not less than \$100,000.00 per occurrence.

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

SIGN FOR IDENTIFICATION:



Leslie Ann Hess



Steven J. Hess

**COPY**

Reorder No. **KBP**  
09-115  
Kansas Blue Print  
700 S. Main Street  
Wichita, KS 67202-0783  
316-264-8344 • 264-5165 fax  
www.kbp.com • kbp@kbp.com

**OIL AND GAS LEASE**

AGREEMENT, Made and entered into the 20th day of July, 2006  
by and between Gerald Shipley Life Estate by

Gerald H. Shipley, Trustee717 E. 6th StreetOakley, KS. 67748

whose mailing address is \_\_\_\_\_ hereinafter called Lessor (whether one or more),

and J. Fred Hambright, INC., 125 N. Market, STE. 1415, Wichita, KS. 67202

\_\_\_\_\_, hereinafter called Lessee:

Lessor, in consideration of One and more Dollars (\$ 1.00+) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, sorting oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of GOVE State of Kansas described as follows to-wit:

**\*\*\*See Addendum attached hereto and made a part hereof:**

In Section XXX Township XXX Range XXX and containing 480 acres, more or less, and all accretions thereto.

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

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

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

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

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

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

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

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

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

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

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

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

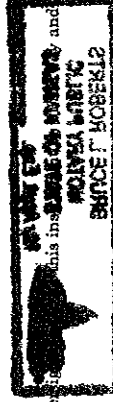
Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

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

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

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

**\*\*\*See Addendum attached hereto and made a part hereof:**



IN WITNESS WHEREOF, the undersigned, on this 20th day of July, 2006, and year first above written.

Witnesses:

*Gerald H. Shipley*  
Gerald H. Shipley, Trustee

SSN: \_\_\_\_\_

1530473

**ADDENDUM TO OIL & GAS LEASE**

Attached to and made a part hereof an Oil and Gas Lease dated July 20th, 2006, by and between Gerald H. Shipley Life Estate, by Gerald H. Shipley, Trustee, whose address is 717 E. 6<sup>th</sup> Street, Oakley, KS. 67748, as Lessors and J. Fred Hambright, INC., as Lessee, covering the following described property in Gove County, Kansas, to wit:

Township 13 South, Range 31 West  
(Tract 1) Section 28: NE/4  
(Tract 2) Section 28: NW/4  
(Tract 3) Section 28: SE/4

1. It is understood and agreed that the above described Tracts shall constitute separate and individual Leases according to the terms herein established. Production on a Tract described above will not extend lease on other tracts.
2. When preparing development locations, the topsoil shall be segregated to be replaced on the surface upon completion of drilling activities. Any terraces driven over or altered for drilling or tank locations shall be restored to original height and contour as nearly as is practicable.
3. In the event of drilling operations on the said land, Lessee or assigns agree to backfill all slushpits, level the location and restore the surface as nearly as is practicable. Lessee or assigns agrees to pay for all damages of any nature arising from its operations on the said land.
4. It is understood and agreed that upon the termination of production on the Lease, all equipment of Lessee shall be removed within six (6) months and all sites shall be restored to their original condition as nearly as is practicable.
5. A sufficient dike shall be placed around tank batteries. Also tank batteries and pumping equipment units shall be fenced to restrain cattle in pastures or on ground that Lessor grazes cattle on milo or corn stalks or wheat. Lessee or assigns agrees to comply with all applicable Federal, State and Local laws and regulations.
6. If at the end of the primary term, this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor the sum of \$10.00 multiplied by the number of net mineral acres owned by Lessor in the land herein above described and then subject to this lease; and subject to the other provisions of this lease, the primary term shall be extended for an additional term of Three(3) years from the end of the primary term hereof.

X \_\_\_\_\_

X *Gerald H. Shipley*  
Gerald H. Shipley, Trustee

1530475



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

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October 01, 2010

Justin Clegg  
Ritchie Exploration, Inc.  
8100 E 22ND ST N # 700  
BOX 783188  
WICHITA, KS 67278-3188

Re: Drilling Pit Application  
Shipley-Hess 28CD 1  
SE/4 Sec.28-13S-31W  
Gove County, Kansas

Dear Justin Clegg:

District staff has inspected the above referenced location and has determined that the reserve pit shall be 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 as soon as practical after drilling operations have ceased. Keep pits away from draw/drainage.

**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 (785) 625-0550 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR 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 (785) 625-0550.