



KANSAS CORPORATION COMMISSION 1045300
OIL & GAS CONSERVATION DIVISION

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

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

NOTICE OF INTENT TO DRILL

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

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: month day year

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

CONTRACTOR: License#
Name:

Well Drilled For: Well Class: Type Equipment:
Oil Gas Enh Rec Storage Disposal Seismic; # of Holes Other
Infield Pool Ext. Wildcat Other
Mud Rotary Air Rotary Cable
If OWWO: old well information as follows:

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

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

Spot Description:
- - - Sec. Twp. S. R. E W
feet from N / S Line of Section
feet from E / W Line of Section
Is SECTION: Regular Irregular?

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

County:
Lease Name: Well #:
Field Name:
Is this a Prorated / Spaced Field? Yes No
Target Formation(s):
Nearest Lease or unit boundary line (in footage):
Ground Surface Elevation: feet MSL
Water well within one-quarter mile: Yes No
Public water supply well within one mile: Yes No
Depth to bottom of fresh water:
Depth to bottom of usable water:
Surface Pipe by Alternate: I II
Length of Surface Pipe Planned to be set:
Length of Conductor Pipe (if any):
Projected Total Depth:
Formation at Total Depth:
Water Source for Drilling Operations: Well Farm Pond Other:
DWR Permit #: (Note: Apply for Permit with DWR )
Will Cores be taken? Yes No
If Yes, proposed zone:

AFFIDAVIT

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

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

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

Submitted Electronically

For KCC Use ONLY
API # 15 -
Conductor pipe required feet
Minimum surface pipe required feet per ALT. I II
Approved by:
This authorization expires:
(This authorization void if drilling not started within 12 months of approval date.)
Spud date: Agent:

Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date:
Signature of Operator or Agent:

E
W



**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: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

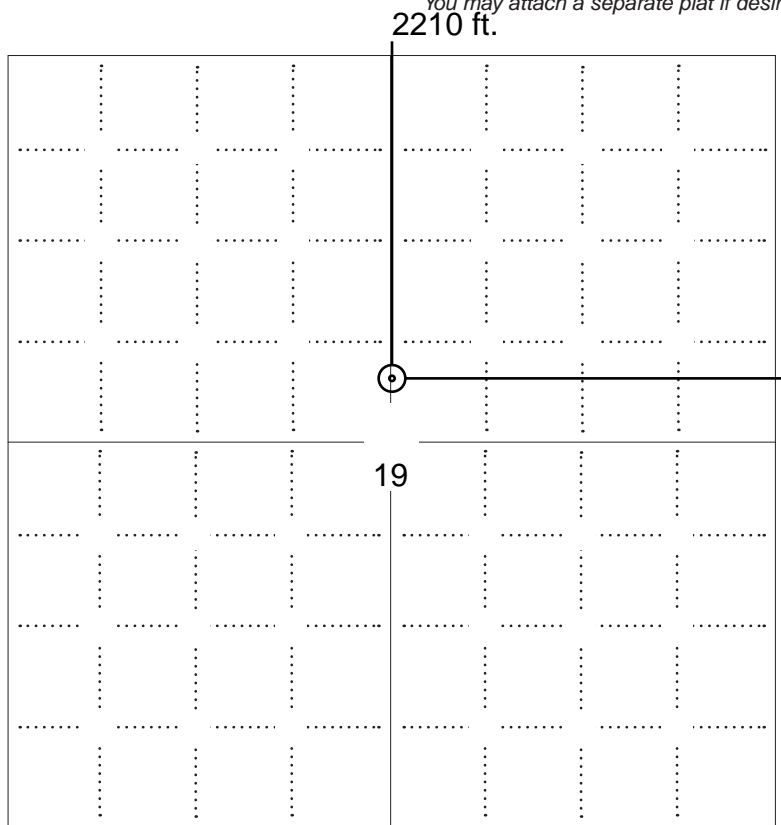
Location of Well: County: \_\_\_\_\_  
\_\_\_\_\_ feet from  N /  S Line of Section  
\_\_\_\_\_ feet from  E /  W Line of Section  
Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W

Is Section:  Regular or  Irregular

**If Section is Irregular, locate well from nearest corner boundary.**  
Section corner used:  NE  NW  SE  SW

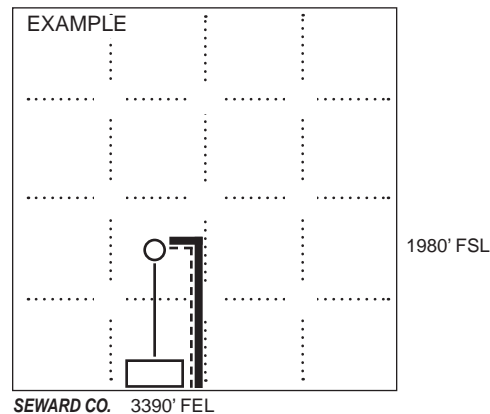
**PLAT**

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.**

**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.	
Submitted Electronically			

**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.*

Submitted Electronically



Vol       
 Num       
 Scan       
 Copy       
 Ck     

**OIL AND GAS LEASE**

AGREEMENT, Made and entered into the 28<sup>th</sup> day of November, 2008, by and between **VIRGIL RALPH FRANZ, Trustee of the VIRGIL RALPH FRANZ TRUST** dated 6-4-, hereinafter called Lessor, and, **DOWNING-NELSON OIL CO., INC.**, hereinafter called Lessee.  
 2004

Lessor, in consideration of **One Dollar and other valuable consideration (\$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, storing oil, building tanks, power stations, telephone lines and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after acquired interest, therein situated in **County of Pawnee, State of Kansas** described as follow, to-wit:

**Northwest Quarter (NW/4)**

in **Section Nineteen (19), Township Twenty (20) South, Range Twenty (20) West**, and containing **One Hundred Sixty (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 **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:

1<sup>st</sup>. 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.

2<sup>nd</sup>. 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 per Schedule "A" 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 this 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 300 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 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, and upon termination of this lease, Lessee shall remove all machinery and fixtures.

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


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

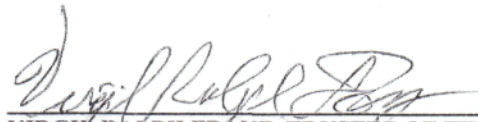
All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if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

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

**SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HERETO FOR ADDITIONAL TERMS AND PROVISIONS.**

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

**No. 20090156 Book M112 Page 236**  
 Pawnee County, State of Kansas  
**RECORDED**  
 Feb 5, 2009 9:40 AM Fees \$24.00  
  
 Jacques Schulze, Register of Deeds

  
 VIRGIL RALPH FRANZ, TRUSTEE OF THE  
 VIRGIL RALPH FRANZ TRUST dated 6-4-2004  
 LESSOR







## SCHEDULE "A"

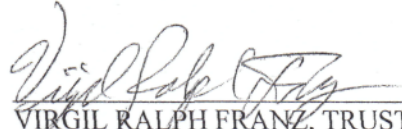
1. The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
2. The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
3. It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
4. Lessor reserves the right to purchase gas for farm purposes, including but not limited to irrigation purposes from wells located on the above-described real estate or from any real estate unitized with the above-described real estate. Lessor shall make all connections for these purposes at their sole cost, expense and liability, and Lessor shall conform to the engineering specifications of Lessee's production department. Lessor shall pay Lessee for any gas purchased for farm purposes in the amount per MCF equal to the price then in effect under any contract under which Lessee is selling gas from the gas well on the above-described real estate or any unitized real estate to a third party. The amount of gas which the Lessor may purchase hereunder shall be limited to one-eighth (1/8) of the entire amount of gas produced from wells located upon the above-described real estate or from the real estate unitized therewith.
5. Lessee agrees to return the land as nearly as possible to its present condition after any drilling operations.
6. Any tanks or gun barrels shall be placed by mutual agreement of Lessor and Lessee.
7. Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
8. The Lessee shall not, notwithstanding any other provisions of this Oil and Gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
9. Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in this lease.
10. At the option of Lessors, surface pipe will be set below the fresh water formation, per Kansas Corporation Commission regulations.
11. In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have ninety (90) days after written notification by certified mail by Lessor of insufficient royalty to tender said deficiency or this lease shall terminate.
12. If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the Lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon the written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of such lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said 60-day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
13. Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
14. Lessee shall haul trash to the landfill and shall dump no trash in any pits.
15. The Lessee shall not have the right to use fresh water produced from the above-described real estate for the purpose of secondary recovery by water flood, pressure maintenance or other similar operations.
16. Before commencing any drilling operations upon portions of the above-described real estate, the Lessee shall pay the sum of one thousand dollars (\$1,000.00) to the Lessor as a deposit to be applied against damages to land and crops caused by the operations of the Lessee. If the described real estate, is damaged (physical and/or loss to crop production capability or loss to grazing rights) to an amount greater than the amount paid prior to drilling operations, then Lessee shall promptly pay Lessor such additional damages.
17. In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred twenty dollars (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.



18. Notwithstanding anything to the contrary contained in this Lease, if during the three (3) year primary term hereof, a well is drilled and oil is produced therefrom in commercial quantities, Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within four (4) years from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well. If no well is drilled producing oil in commercial quantities during the three (3) year primary term of this Lease and pursuant to Paragraph 34 of this Lease, the primary term is extended for an additional two (2) year period, if a well is drilled and oil is produced in commercial quantities during said extended two (2) year period, the Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within seventy-two (72) months from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well.
19. Lessee shall use plastic lined pits on water pits but shall not be required to use plastic lined working and reserve pits. Within ninety (90) days after the pits are dry, Lessee shall then close the pit and restore the premises. All free fluids will be removed and the pits closed in such fashion as to protect from standing water and ponding, and pursuant to the Kansas Corporation Commission regulations. Notwithstanding anything herein contained to the contrary, the Lessee or any assignee of the Lessee shall be responsible for restoring the surface, as near as practicable, to its original condition within ninety (90) days after pits are dry following the drilling of a dry hole or within ninety (90) days after the pits are dry and following termination of production from a producing well. The obligation to restore the surface shall not apply to the Lessee in the event the Lessee shall no longer be the operator of the Lease and the Lessee shall have assigned its interest in this Lease to other parties. In the event of an assignment by the Lessee, the Assignee shall be obligated to fulfill the obligations created by this paragraph.
20. The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits will be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.
21. The Lessee agrees to comply with all rules and regulations of the United States Department of Agriculture, Natural Resources Conservation Services and appropriate Farm Service Agency with respect to any conservation Reserve Program covering the above-described real estate. In particular, when drilling and operations have terminated, the Lessee shall restore the surface to its present condition, including the reseeded of grass acceptable to the Natural Resources Conservation Services and Farm Service Agency.
22. Lessee shall not enter or attempt to enter onto the leased land during muddy conditions, except as may be agreed by Lessor. In the event Lessee shall already be on and conducting seismic or drilling operations when muddy conditions develop, then Lessee shall use reasonable efforts to minimize damage to land, but Lessee shall not be required to stop operations due to muddy conditions.
23. Notwithstanding any other provision of this lease, the Lessor and Lessee agrees that this lease does not provide Lessee with a pipeline right of way and/or easement for carrying or transporting gas, oil, or other oil and gas related materials that are solely produced from locations not originating on the leased land or on land to which the leased land is unitized.
24. The Lessee upon request shall allow Lessor or Lessor's representative(s) to view copies of any logs in its possession or under its control relative to the geologic structure of the above-described real estate. Such information shall be kept strictly confidential by the Lessor.
25. Notwithstanding anything herein contained to the contrary, no well shall be drilled nearer than three hundred feet (300') to the house, barn or any other structure on said premises without the written consent of the Lessor.
26. Notwithstanding the provisions of this lease to the contrary, if the Lessee determines that the appropriate drill site for a well on either a contiguous tract or on the real estate covered by this lease is closer than three hundred thirty feet (330') to the property line between the two (2) real estate tracts, the Lessee is hereby authorized to drill such well within three hundred thirty feet (330') of the property line between the two (2) real estate tracts.
27. In the event a well producing oil in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that an oil unit of forty (40) acres may be established by pooling twenty (20) acres in a square form around the well bore on the property covered by this lease and twenty (20) acres contiguous property. The unit shall consist of twenty (20) acres from this lease and twenty (20) acres from the contiguous property.
28. In the event a well producing gas in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square or rectangular form on the contiguous real estate and eighty (80) acres in a square or rectangular form on the real estate covered by this lease. Said gas unit shall consist of one hundred sixty (160) contiguous acres in a square or rectangular form.
29. Any pumping units shall be lowered so as not to interfere with any center pivot irrigation system, now or hereafter installed upon the above-described real estate.
30. If the Lessee conducts any drilling operations upon any portion of the above-described real estate which is irrigated land, the Lessee shall either use tanks and shall permit no free fluids to remain on said premises or, at the option of the Lessee, pits may be dug but as soon as the pits are dry, all free fluids will be removed and the pits closed as herein provided.



- 31. Lessee shall make all reasonable efforts not to go upon or conduct operations upon the irrigated portion of the above described real estate during unusually wet conditions and shall further take all reasonable and necessary steps to restore the premises, following such operations, to its original condition. Crop damages shall be based upon the average crop yield for the field upon which such damages occur at the price of such crops at the time of harvest, including any resulting loss of profits as a result of Lessee's operations to the extent that they prevent timely irrigation of crops on the damaged property.
- 32. Lessee shall pay to Lessor or to Lessor's agricultural tenant, whenever it is appropriate, an additional \$5.00 per acre for 3-D seismic exploration activities on the property. If crop damages resulting from said 3-D seismic exploration exceed \$800.00 for the quarter section covered by this Lease, the Lessee shall pay such additional amount of crop damages which exceeds \$800.00.
- 33. Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or questions of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.
- 34. Lessee, its successors and assigns, shall have sole and exclusive options, but not the obligation, ending upon the expiration date of the primary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of fifteen dollars (\$15.00) per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas upon its election to exercise the foregoing option.

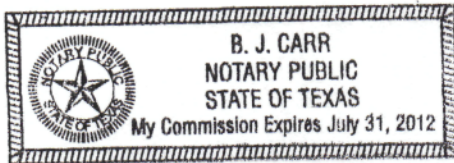
  
 VIRGIL RALPH FRANZ, TRUSTEE OF THE  
 VIRGIL RALPH FRANZ TRUST dated 6-4-2004

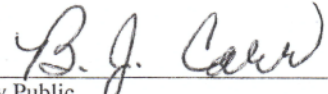
ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF ~~KANSAS~~ <sup>TEXAS</sup>, COUNTY OF WOOD, SS:

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of November, 2008, by VIRGIL RALPH FRANZ, TRUSTEE OF THE VIRGIL RALPH FRANZ TRUST dated 6-4-2004.

(Seal)



  
 Notary Public  
 B. J. Carr

Ver	
Num	TC
Scan	✓
Copy	✓
Ck	✓

## OIL AND GAS LEASE

AGREEMENT, Made and entered into the 8 day of December, 2008, by and between **SHELDON E. SAXTON and KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT U/A/D 3-24-82**, hereinafter called Lessors, and **DOWNING-NELSON OIL CO., INC.**, hereinafter called Lessee.

Lessor, in consideration of **One Dollar and other valuable consideration (\$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, storing oil, building tanks, power stations, telephone lines and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after acquired interest, therein situated in **County of Pawnee, State of Kansas** described as follow, to-wit:

## Northeast Quarter (NE/4)

in **Section Nineteen (19), Township Twenty (20) South, Range Twenty (20) West**, and containing **One Hundred Sixty (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 **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:

1<sup>st</sup>. 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.

2<sup>nd</sup>. 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 per Schedule "A" 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 this 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 300 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 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, and upon termination of this lease, Lessee shall remove all machinery and fixtures.

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

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

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

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

**SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HERETO FOR ADDITIONAL TERMS AND PROVISIONS.**

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

THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82

By: Sheldon E. Saxton, Trustee  
Sheldon E. Saxton, Trustee

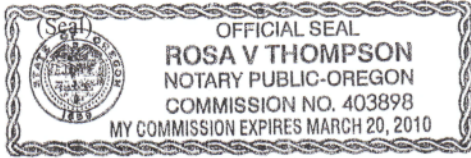
By: Katherine A. Saxton, Trustee  
Katherine A. Saxton, Trustee  
LESSORS



ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Oregon, COUNTY OF Malheur, SS:

The foregoing instrument was acknowledged before me this 8<sup>th</sup> day of December, 2008, by **SHELDON E. SAXTON AND KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82.**



Rosa V. Thompson  
Notary Public Rosa V. Thompson

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

OIL AND GAS LEASE

No. \_\_\_\_\_

FROM \_\_\_\_\_

TO \_\_\_\_\_

Date \_\_\_\_\_

State of \_\_\_\_\_ County of \_\_\_\_\_

Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_

Number of Acres \_\_\_\_\_ Term \_\_\_\_\_

Comments:

No. 20090032 Book M112 Page 210

Pawnee County, State of Kansas  
RECORDED

Jan 9, 2009 10:40 AM Fees \$24.00

Jacqueline Schmitz  
Jacqueline Schmitz, Register of Deeds





## SCHEDULE "A"

1. The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
2. The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
3. It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
4. Lessor reserves the right to purchase gas for farm purposes, including but not limited to irrigation purposes from wells located on the above-described real estate or from any real estate unitized with the above-described real estate. Lessor shall make all connections for these purposes at their sole cost, expense and liability, and Lessor shall conform to the engineering specifications of Lessee's production department. Lessor shall pay Lessee for any gas purchased for farm purposes in the amount per MCF equal to the price then in effect under any contract under which Lessee is selling gas from the gas well on the above-described real estate or any unitized real estate to a third party. The amount of gas which the Lessor may purchase hereunder shall be limited to one-eighth (1/8) of the entire amount of gas produced from wells located upon the above-described real estate or from the real estate unitized therewith.
5. Lessee agrees to return the land as nearly as possible to its present condition after any drilling operations.
6. Any tanks or gun barrels shall be placed by mutual agreement of Lessor and Lessee.
7. Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
8. The Lessee shall not, notwithstanding any other provisions of this Oil and Gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
9. Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in this lease.
10. At the option of Lessors, surface pipe will be set below the fresh water formation, per Kansas Corporation Commission regulations.
11. In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have ninety (90) days after written notification by certified mail by Lessor of insufficient royalty to tender said deficiency or this lease shall terminate.
12. If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the Lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon the written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of such lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said 60-day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
13. Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
14. Lessee shall haul trash to the landfill and shall dump no trash in any pits.
15. The Lessee shall not have the right to use fresh water produced from the above-described real estate for the purpose of secondary recovery by water flood, pressure maintenance or other similar operations.
16. Before commencing any drilling operations upon portions of the above-described real estate, the Lessee shall pay the sum of one thousand dollars (\$1,000.00) to the Lessor as a deposit to be applied against damages to land and crops caused by the operations of the Lessee. If the described real estate, is damaged (physical and/or loss to crop production capability or loss to grazing rights) to an amount greater than the amount paid prior to drilling operations, then Lessee shall promptly pay Lessor such additional damages.
17. In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred twenty dollars (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.



18. Notwithstanding anything to the contrary contained in this Lease, if during the three (3) year primary term hereof, a well is drilled and oil is produced therefrom in commercial quantities, Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within four (4) years from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well. If no well is drilled producing oil in commercial quantities during the three (3) year primary term of this Lease and pursuant to Paragraph 34 of this Lease, the primary term is extended for an additional two (2) year period, if a well is drilled and oil is produced in commercial quantities during said extended two (2) year period, the Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within seventy-two (72) months from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well.
19. Lessee shall use plastic lined pits on water pits but shall not be required to use plastic lined working and reserve pits. Within ninety (90) days after the pits are dry, Lessee shall then close the pit and restore the premises. All free fluids will be removed and the pits closed in such fashion as to protect from standing water and ponding, and pursuant to the Kansas Corporation Commission regulations. Notwithstanding anything herein contained to the contrary, the Lessee or any assignee of the Lessee shall be responsible for restoring the surface, as near as practicable, to its original condition within ninety (90) days after pits are dry following the drilling of a dry hole or within ninety (90) days after the pits are dry and following termination of production from a producing well. The obligation to restore the surface shall not apply to the Lessee in the event the Lessee shall no longer be the operator of the Lease and the Lessee shall have assigned its interest in this Lease to other parties. In the event of an assignment by the Lessee, the Assignee shall be obligated to fulfil the obligations created by this paragraph.
20. The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits will be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.
21. The Lessee agrees to comply with all rules and regulations of the United States Department of Agriculture, Natural Resources Conservation Services and appropriate Farm Service Agency with respect to any conservation Reserve Program covering the above-described real estate. In particular, when drilling and operations have terminated, the Lessee shall restore the surface to its present condition, including the reseeded of grass acceptable to the Natural Resources Conservation Services and Farm Service Agency.
22. Lessee shall not enter or attempt to enter onto the leased land during muddy conditions, except as may be agreed by Lessor. In the event Lessee shall already be on and conducting seismic or drilling operations when muddy conditions develop, then Lessee shall use reasonable efforts to minimize damage to land, but Lessee shall not be required to stop operations due to muddy conditions.
23. Notwithstanding any other provision of this lease, the Lessor and Lessee agrees that this lease does not provide Lessee with a pipeline right of way and/or easement for carrying or transporting gas, oil, or other oil and gas related materials that are solely produced from locations not originating on the leased land or on land to which the leased land is unitized.
24. The Lessee upon request shall allow Lessor or Lessor's representative(s) to view copies of any logs in its possession or under its control relative to the geologic structure of the above-described real estate. Such information shall be kept strictly confidential by the Lessor.
25. Notwithstanding anything herein contained to the contrary, no well shall be drilled nearer than three hundred feet (300') to the house, barn or any other structure on said premises without the written consent of the Lessor.
26. Notwithstanding the provisions of this lease to the contrary, if the Lessee determines that the appropriate drill site for a well on either a contiguous tract or on the real estate covered by this lease is closer than three hundred thirty feet (330') to the property line between the two (2) real estate tracts, the Lessee is hereby authorized to drill such well within three hundred thirty feet (330') of the property line between the two (2) real estate tracts.
27. In the event a well producing oil in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that an oil unit of forty (40) acres may be established by pooling twenty (20) acres in a square form around the well bore on the property covered by this lease and twenty (20) acres contiguous property. The unit shall consist of twenty (20) acres from this lease and twenty (20) acres from the contiguous property.
28. In the event a well producing gas in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square or rectangular form on the contiguous real estate and eighty (80) acres in a square or rectangular form on the real estate covered by this lease. Said gas unit shall consist of one hundred sixty (160) contiguous acres in a square or rectangular form.
29. Any pumping units shall be lowered so as not to interfere with any center pivot irrigation system, now or hereafter installed upon the above-described real estate.
30. If the Lessee conducts any drilling operations upon any portion of the above-described real estate which is irrigated land, the Lessee shall either use tanks and shall permit no free fluids to remain on said premises or, at the option of the Lessee, pits may be dug but as soon as the pits are dry, all free fluids will be removed and the pits closed as herein provided.



31. Lessee shall make all reasonable efforts not to go upon or conduct operations upon the irrigated portion of the above described real estate during unusually wet conditions and shall further take all reasonable and necessary steps to restore the premises, following such operations, to its original condition. Crop damages shall be based upon the average crop yield for the field upon which such damages occur at the price of such crops at the time of harvest, including any resulting loss of profits as a result of Lessee's operations to the extent that they prevent timely irrigation of crops on the damaged property.
32. Lessee shall pay to Lessor or to Lessor's agricultural tenant, whenever it is appropriate, an additional \$5.00 per acre for 3-D seismic exploration activities on the property. If crop damages resulting from said 3-D seismic exploration exceed \$800.00 for the quarter section covered by this Lease, the Lessee shall pay such additional amount of crop damages which exceeds \$800.00.
33. Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or questions of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.
34. Lessee, its successors and assigns, shall have sole and exclusive options, but not the obligation, ending upon the expiration date of the primary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of fifteen dollars (\$15.00) per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas upon its election to exercise the foregoing option.

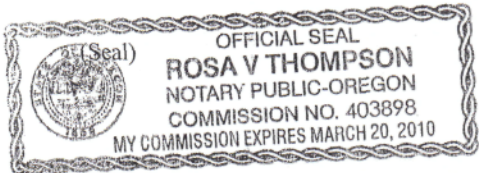
**THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82**

By: Sheldon E. Saxton, Trustee  
Sheldon E. Saxton, Trustee

By: Katherine A. Saxton Trustee  
Katherine A. Saxton, Trustee

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Oregon, COUNTY OF Malheur, SS: 8<sup>th</sup> day of December, 2008, by **SHELDON E. SAXTON and KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82.**



Rosa V. Thompson  
Notary Public Rosa V. Thompson

Ver JS  
 Num TC  
 Scan TC  
 Copy TC  
 Ck \_\_\_\_\_

**OIL AND GAS LEASE**

AGREEMENT, Made and entered into the 8th day of December, 2008, by and between **SHIRLEY R. SAXTON**, a single person, hereinafter called Lessor, and **DOWNING-NELSON OIL CO., INC.**, hereinafter called Lessee.

Lessor, in consideration of **One Dollar and other valuable consideration (\$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, storing oil, building tanks, power stations, telephone lines and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after acquired interest, therein situated in **County of Pawnee, State of Kansas** described as follow, to-wit:

**Northeast Quarter (NE/4)**

in **Section Nineteen (19), Township Twenty (20) South, Range Twenty (20) West**, and containing **One Hundred Sixty (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 **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:

1<sup>st</sup>. 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.

2<sup>nd</sup>. 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 per Schedule "A" 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 this 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 300 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 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, and upon termination of this lease, Lessee shall remove all machinery and fixtures.

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

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

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

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

**SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HERETO FOR ADDITIONAL TERMS AND PROVISIONS.**

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

No. 20081942 Book M111 Page 251  
 Pawnee County, State of Kansas  
**RECORDED**

Shirley R. Saxton  
**SHIRLEY R. SAXTON**  
**LESSOR**



Dec 12, 2008 10:10 AM Fees \$24.00

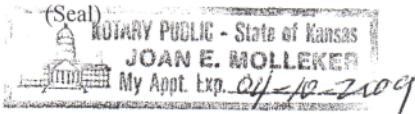
Jacqueline Schulze  
 Jacqueline Schulze, Register of Deeds



ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF Pawnee, SS:

The foregoing instrument was acknowledged before me this 8th day of December, 2008, by SHIRLEY R. SAXTON, a single person.



Joan E. Molleker  
Notary Public  
Joan E. Molleker

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

OIL AND GAS LEASE

No. \_\_\_\_\_  
FROM \_\_\_\_\_  
TO \_\_\_\_\_  
Date \_\_\_\_\_  
State of \_\_\_\_\_ County of \_\_\_\_\_  
Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_  
Number of Acres \_\_\_\_\_ Term \_\_\_\_\_  
Comments:

Reserved for Register of Deeds

Empty box for Register of Deeds.

## SCHEDULE "A"

1. The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
2. The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
3. It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
4. Lessor reserves the right to purchase gas for farm purposes, including but not limited to irrigation purposes from wells located on the above-described real estate or from any real estate unitized with the above-described real estate. Lessor shall make all connections for these purposes at their sole cost, expense and liability, and Lessor shall conform to the engineering specifications of Lessee's production department. Lessor shall pay Lessee for any gas purchased for farm purposes in the amount per MCF equal to the price then in effect under any contract under which Lessee is selling gas from the gas well on the above-described real estate or any unitized real estate to a third party. The amount of gas which the Lessor may purchase hereunder shall be limited to one-eighth (1/8) of the entire amount of gas produced from wells located upon the above-described real estate or from the real estate unitized therewith.
5. Lessee agrees to return the land as nearly as possible to its present condition after any drilling operations.
6. Any tanks or gun barrels shall be placed by mutual agreement of Lessor and Lessee.
7. Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
8. The Lessee shall not, notwithstanding any other provisions of this Oil and Gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
9. Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in this lease.
10. At the option of Lessors, surface pipe will be set below the fresh water formation, per Kansas Corporation Commission regulations.
11. In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have ninety (90) days after written notification by certified mail by Lessor of insufficient royalty to tender said deficiency or this lease shall terminate.
12. If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the Lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon the written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of such lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said 60-day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
13. Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
14. Lessee shall haul trash to the landfill and shall dump no trash in any pits.
15. The Lessee shall not have the right to use fresh water produced from the above-described real estate for the purpose of secondary recovery, by water flood, pressure maintenance or other similar operations.
16. Before commencing any drilling operations upon portions of the above-described real estate, the Lessee shall pay the sum of one thousand dollars (\$1,000.00) to the Lessor as a deposit to be applied against damages to land and crops caused by the operations of the Lessee. If the described real estate, is damaged (physical and/or loss to crop production capability or loss to grazing rights) to an amount greater than the amount paid prior to drilling operations, then Lessee shall promptly pay Lessor such additional damages.
17. In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred twenty dollars (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.



18. Notwithstanding anything to the contrary contained in this Lease, if during the three (3) year primary term hereof, a well is drilled and oil is produced therefrom in commercial quantities, Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within four (4) years from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well. If no well is drilled producing oil in commercial quantities during the three (3) year primary term of this Lease and pursuant to Paragraph 34 of this Lease, the primary term is extended for an additional two (2) year period, if a well is drilled and oil is produced in commercial quantities during said extended two (2) year period, the Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within seventy-two (72) months from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well.
19. Lessee shall use plastic lined pits on water pits but shall not be required to use plastic lined working and reserve pits. Within ninety (90) days after the pits are dry, Lessee shall then close the pit and restore the premises. All free fluids will be removed and the pits closed in such fashion as to protect from standing water and ponding, and pursuant to the Kansas Corporation Commission regulations. Notwithstanding anything herein contained to the contrary, the Lessee or any assignee of the Lessee shall be responsible for restoring the surface, as near as practicable, to its original condition within ninety (90) days after pits are dry following the drilling of a dry hole or within ninety (90) days after the pits are dry and following termination of production from a producing well. The obligation to restore the surface shall not apply to the Lessee in the event the Lessee shall no longer be the operator of the Lease and the Lessee shall have assigned its interest in this Lease to other parties. In the event of an assignment by the Lessee, the Assignee shall be obligated to fulfil the obligations created by this paragraph.
20. The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits will be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.
21. The Lessee agrees to comply with all rules and regulations of the United States Department of Agriculture, Natural Resources Conservation Services and appropriate Farm Service Agency with respect to any conservation Reserve Program covering the above-described real estate. In particular, when drilling and operations have terminated, the Lessee shall restore the surface to its present condition, including the reseeded of grass acceptable to the Natural Resources Conservation Services and Farm Service Agency.
22. Lessee shall not enter or attempt to enter onto the leased land during muddy conditions, except as may be agreed by Lessor. In the event Lessee shall already be on and conducting seismic or drilling operations when muddy conditions develop, then Lessee shall use reasonable efforts to minimize damage to land, but Lessee shall not be required to stop operations due to muddy conditions.
23. Notwithstanding any other provision of this lease, the Lessor and Lessee agrees that this lease does not provide Lessee with a pipeline right of way and/or easement for carrying or transporting gas, oil, or other oil and gas related materials that are solely produced from locations not originating on the leased land or on land to which the leased land is unitized.
24. The Lessee upon request shall allow Lessor or Lessor's representative(s) to view copies of any logs in its possession or under its control relative to the geologic structure of the above-described real estate. Such information shall be kept strictly confidential by the Lessor.
25. Notwithstanding anything herein contained to the contrary, no well shall be drilled nearer than three hundred feet (300') to the house, barn or any other structure on said premises without the written consent of the Lessor.
26. Notwithstanding the provisions of this lease to the contrary, if the Lessee determines that the appropriate drill site for a well on either a contiguous tract or on the real estate covered by this lease is closer than three hundred thirty feet (330') to the property line between the two (2) real estate tracts, the Lessee is hereby authorized to drill such well within three hundred thirty feet (330') of the property line between the two (2) real estate tracts.
27. In the event a well producing oil in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that an oil unit of forty (40) acres may be established by pooling twenty (20) acres in a square form around the well bore on the property covered by this lease and twenty (20) acres contiguous property. The unit shall consist of twenty (20) acres from this lease and twenty (20) acres from the contiguous property.
28. In the event a well producing gas in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square or rectangular form on the contiguous real estate and eighty (80) acres in a square or rectangular form on the real estate covered by this lease. Said gas unit shall consist of one hundred sixty (160) contiguous acres in a square or rectangular form.
29. Any pumping units shall be lowered so as not to interfere with any center pivot irrigation system, now or hereafter installed upon the above-described real estate.
30. If the Lessee conducts any drilling operations upon any portion of the above-described real estate which is irrigated land, the Lessee shall either use tanks and shall permit no free fluids to remain on said premises or, at the option of the Lessee, pits may be dug but as soon as the pits are dry, all free fluids will be removed and the pits closed as herein provided.



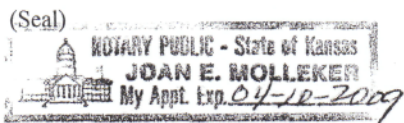
- 31. Lessee shall make all reasonable efforts not to go upon or conduct operations upon the irrigated portion of the above described real estate during unusually wet conditions and shall further take all reasonable and necessary steps to restore the premises, following such operations, to its original condition. Crop damages shall be based upon the average crop yield for the field upon which such damages occur at the price of such crops at the time of harvest, including any resulting loss of profits as a result of Lessee's operations to the extent that they prevent timely irrigation of crops on the damaged property.
- 32. Lessee shall pay to Lessor or to Lessor's agricultural tenant, whenever it is appropriate, an additional \$5.00 per acre for 3-D seismic exploration activities on the property. If crop damages resulting from said 3-D seismic exploration exceed \$800.00 for the quarter section covered by this Lease, the Lessee shall pay such additional amount of crop damages which exceeds \$800.00.
- 33. Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or questions of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.
- 34. Lessee, its successors and assigns, shall have sole and exclusive options, but not the obligation, ending upon the expiration date of the primary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of fifteen dollars (\$15.00) per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas upon its election to exercise the foregoing option.

*Shirley R. Saxton*  
 \_\_\_\_\_  
 SHIRLEY R. SAXTON

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF Pawnee, SS:

The foregoing instrument was acknowledged before me this 8th day of December, 2008, by SHIRLEY R. SAXTON, a single person.



*Joan E. Mollenker*  
 \_\_\_\_\_  
 Notary Public Joan E. Mollenker

Ver	_____
Num	<u>TC</u>
Scan	<u>✓</u>
Copy	<u>✓</u>
Ck	<u>✓</u>

**OIL AND GAS LEASE**

AGREEMENT, Made and entered into the 8 day of December, 2008, by and between **SHELDON E. SAXTON and KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT U/A/D 3-24-82**, hereinafter called Lessors, and **DOWNING-NELSON OIL CO., INC.**, hereinafter called Lessee.

Lessor, in consideration of **One Dollar and other valuable consideration (\$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, storing oil, building tanks, power stations, telephone lines and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after acquired interest, therein situated in **County of Pawnee, State of Kansas** described as follow, to-wit:

**Northeast Quarter (NE/4)**

in **Section Nineteen (19), Township Twenty (20) South, Range Twenty (20) West**, and containing **One Hundred Sixty (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 **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:

1<sup>st</sup>. 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.

2<sup>nd</sup>. 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 per Schedule "A" 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 this 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 300 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 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, and upon termination of this lease, Lessee shall remove all machinery and fixtures.

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

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

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

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

**SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART HERETO FOR ADDITIONAL TERMS AND PROVISIONS.**

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

**THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82**

By: Sheldon E. Saxton, Trustee  
Sheldon E. Saxton, Trustee

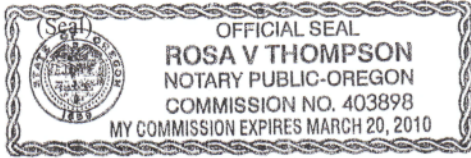
By: Katherine A. Saxton, Trustee  
Katherine A. Saxton, Trustee  
LESSORS



ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Oregon, COUNTY OF Malheur, SS:

The foregoing instrument was acknowledged before me this 8<sup>th</sup> day of December, 2008, by **SHELDON E. SAXTON AND KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82.**



Rosa V. Thompson  
Notary Public Rosa V. Thompson

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF KANSAS, COUNTY OF \_\_\_\_\_, SS:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by \_\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

OIL AND GAS LEASE

No. \_\_\_\_\_

FROM \_\_\_\_\_

TO \_\_\_\_\_

Date \_\_\_\_\_

State of \_\_\_\_\_ County of \_\_\_\_\_

Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_

Number of Acres \_\_\_\_\_ Term \_\_\_\_\_

Comments:

No. 20090032 Book M112 Page 210

Pawnee County, State of Kansas  
RECORDED

Jan 9, 2009 10:40 AM Fees \$24.00

Jacqueline Schmitz  
Jacqueline Schmitz, Register of Deeds



## SCHEDULE "A"

1. The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
2. The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
3. It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
4. Lessor reserves the right to purchase gas for farm purposes, including but not limited to irrigation purposes from wells located on the above-described real estate or from any real estate unitized with the above-described real estate. Lessor shall make all connections for these purposes at their sole cost, expense and liability, and Lessor shall conform to the engineering specifications of Lessee's production department. Lessor shall pay Lessee for any gas purchased for farm purposes in the amount per MCF equal to the price then in effect under any contract under which Lessee is selling gas from the gas well on the above-described real estate or any unitized real estate to a third party. The amount of gas which the Lessor may purchase hereunder shall be limited to one-eighth (1/8) of the entire amount of gas produced from wells located upon the above-described real estate or from the real estate unitized therewith.
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7. Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
8. The Lessee shall not, notwithstanding any other provisions of this Oil and Gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
9. Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in this lease.
10. At the option of Lessors, surface pipe will be set below the fresh water formation, per Kansas Corporation Commission regulations.
11. In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have ninety (90) days after written notification by certified mail by Lessor of insufficient royalty to tender said deficiency or this lease shall terminate.
12. If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the Lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon the written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of such lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said 60-day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
13. Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
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17. In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred twenty dollars (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.



18. Notwithstanding anything to the contrary contained in this Lease, if during the three (3) year primary term hereof, a well is drilled and oil is produced therefrom in commercial quantities, Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within four (4) years from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well. If no well is drilled producing oil in commercial quantities during the three (3) year primary term of this Lease and pursuant to Paragraph 34 of this Lease, the primary term is extended for an additional two (2) year period, if a well is drilled and oil is produced in commercial quantities during said extended two (2) year period, the Lessee agrees either to commence drilling operations for an additional oil well and complete said operations within seventy-two (72) months from the date of this Lease or release all acreage in said Lease except the forty (40) acres immediately surrounding the first producing well.
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20. The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits will be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.
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27. In the event a well producing oil in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that an oil unit of forty (40) acres may be established by pooling twenty (20) acres in a square form around the well bore on the property covered by this lease and twenty (20) acres contiguous property. The unit shall consist of twenty (20) acres from this lease and twenty (20) acres from the contiguous property.
28. In the event a well producing gas in commercial quantities is drilled under the provisions of Paragraph 26 of this lease, then and in such event, the Lessors agree that a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square or rectangular form on the contiguous real estate and eighty (80) acres in a square or rectangular form on the real estate covered by this lease. Said gas unit shall consist of one hundred sixty (160) contiguous acres in a square or rectangular form.
29. Any pumping units shall be lowered so as not to interfere with any center pivot irrigation system, now or hereafter installed upon the above-described real estate.
30. If the Lessee conducts any drilling operations upon any portion of the above-described real estate which is irrigated land, the Lessee shall either use tanks and shall permit no free fluids to remain on said premises or, at the option of the Lessee, pits may be dug but as soon as the pits are dry, all free fluids will be removed and the pits closed as herein provided.



31. Lessee shall make all reasonable efforts not to go upon or conduct operations upon the irrigated portion of the above described real estate during unusually wet conditions and shall further take all reasonable and necessary steps to restore the premises, following such operations, to its original condition. Crop damages shall be based upon the average crop yield for the field upon which such damages occur at the price of such crops at the time of harvest, including any resulting loss of profits as a result of Lessee's operations to the extent that they prevent timely irrigation of crops on the damaged property.
32. Lessee shall pay to Lessor or to Lessor's agricultural tenant, whenever it is appropriate, an additional \$5.00 per acre for 3-D seismic exploration activities on the property. If crop damages resulting from said 3-D seismic exploration exceed \$800.00 for the quarter section covered by this Lease, the Lessee shall pay such additional amount of crop damages which exceeds \$800.00.
33. Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or questions of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.
34. Lessee, its successors and assigns, shall have sole and exclusive options, but not the obligation, ending upon the expiration date of the primary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of fifteen dollars (\$15.00) per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas upon its election to exercise the foregoing option.

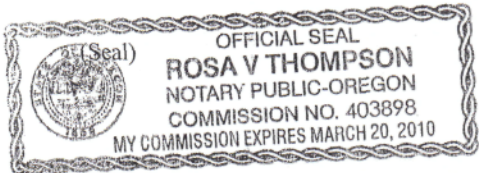
**THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82**

By: Sheldon E. Saxton, Trustee  
Sheldon E. Saxton, Trustee

By: Katherine A. Saxton Trustee  
Katherine A. Saxton, Trustee

ACKNOWLEDGMENT FOR INDIVIDUAL

STATE OF Oregon, COUNTY OF Malheur, SS: 8<sup>th</sup> day of December, 2008, by **SHELDON E. SAXTON and KATHERINE A. SAXTON, TRUSTEES OF THE SAXTON TRUST AGREEMENT, U/A/D 3-24-82.**



Rosa V. Thompson  
Notary Public Rosa V. Thompson

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: Downing Nelson Oil Co., Inc.  
 Lease: Frantz-Saxton Unit  
 Well Number: 1-19  
 Field: Wildcat  
 Number of Acres attributable to well: 10  
 QTR/QTR/QTR/QTR of acreage: N2 - S2 - S2 - N2

Location of Well: County: Pawnee  
2,210 feet from  N /  S Line of Section  
2,640 feet from  E /  W Line of Section  
 Sec. 19 Twp. 20 S. R. 20  E  W

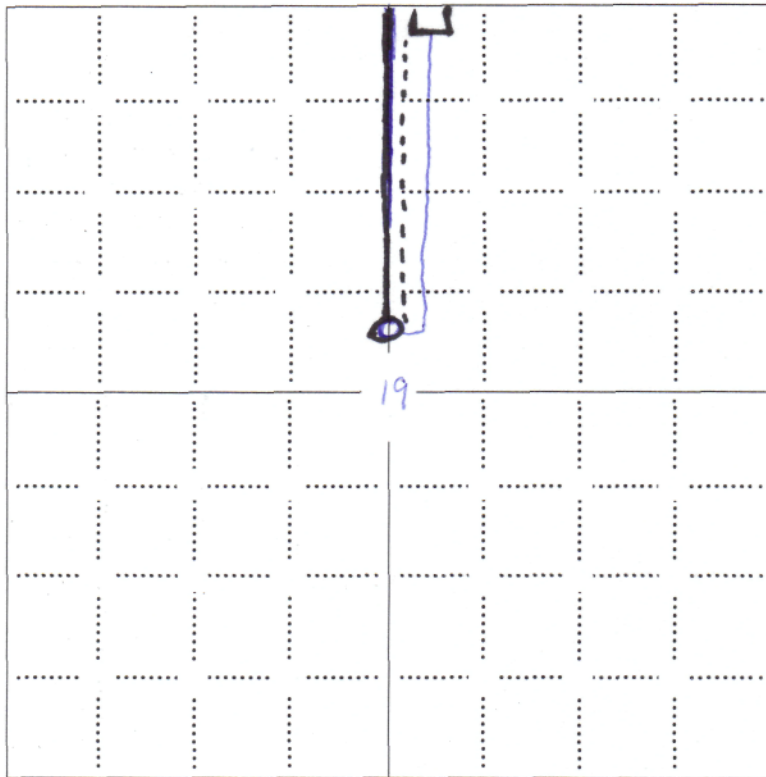
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

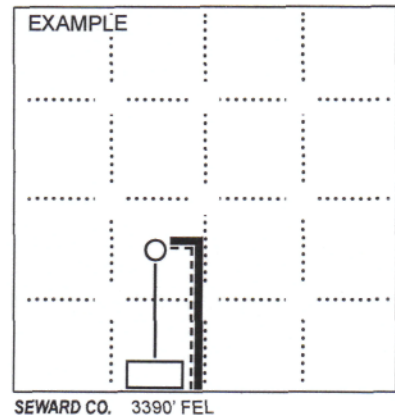
**PLAT**

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 location.**

**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.





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

October 11, 2010

Ron Nelson  
Downing-Nelson Oil Co Inc  
PO BOX 372  
HAYS, KS 67601-0372

Re: Drilling Pit Application  
API 15-145-21618-00-00  
Frantz - Saxton Unit 1-19  
N/2 Sec.19-20S-20W  
Pawnee County, Kansas

Dear Ron Nelson:

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 the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again as soon as practical 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 (620) 225-8888 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 (620) 225-8888.

## Summary of Changes

Lease Name and Number: Frantz - Saxton Unit 1-19

API/Permit #: 15-145-21618-00-00

Doc ID: 1045300

Correction Number: 1

Approved By: Rick Hestermann 10/07/2010

Field Name	Previous Value	New Value
ElevationPDF	2179 Estimated	2180 Estimated
Feet to Nearest Water Well Within One-Mile of Pit	2951	3003
Ground Surface Elevation	2179	2180
Is Footage Measured from the East or the West Section Line	West	East
Is Footage Measured from the East or the West Section Line KCC Only - Date Received	West 09/17/2010	East 10/08/2010
KCC Only - Production Comment		Oil & Gas leases w/pooling clauses attached.
KCC Only - Regular Section Quarter Calls	SE SE NW	N2 S2 S2 N2
Lease Name	Frantz Trust	Frantz - Saxton Unit
LocationInfoLink	<a href="https://solar.kgs.ku.edu/kcc/detail/locationInformation.cfm?section=19&amp;t">https://solar.kgs.ku.edu/kcc/detail/locationInformation.cfm?section=19&amp;t</a>	<a href="https://solar.kgs.ku.edu/kcc/detail/locationInformation.cfm?section=19&amp;t">https://solar.kgs.ku.edu/kcc/detail/locationInformation.cfm?section=19&amp;t</a>

Summary of changes for correction 1 continued

Field Name	Previous Value	New Value
Number of Feet East or West From Section Line	2310	2640
Number of Feet East or West From Section Line	2310	2640
Number of Feet North or South From Section Line	2310	2210
Number of Feet North or South From Section Line	2310	2210
Quarter Call 1 - Largest	NW	N2
Quarter Call 1 - Largest	NW	N2
Quarter Call 2	SE	S2
Quarter Call 2	SE	S2
Quarter Call 3	SE	S2
Quarter Call 3	SE	S2
Quarter Call 4 - Smallest		N2
Quarter Call 4 - Smallest		N2
Save Link	../../../../kcc/detail/operatorEditDetail.cfm?docID=1044492	../../../../kcc/detail/operatorEditDetail.cfm?docID=1045300

## Summary of Attachments

Lease Name and Number: Frantz - Saxton Unit 1-19

API: 15-145-21618-00-00

Doc ID: 1045300

Correction Number: 1

Approved By: Rick Hestermann 10/07/2010

Attachment Name

Frantz Lease

M Saxton Lease 2

R Saxton Lease

Saxton lease

Plot

Fluids