





1049497

**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

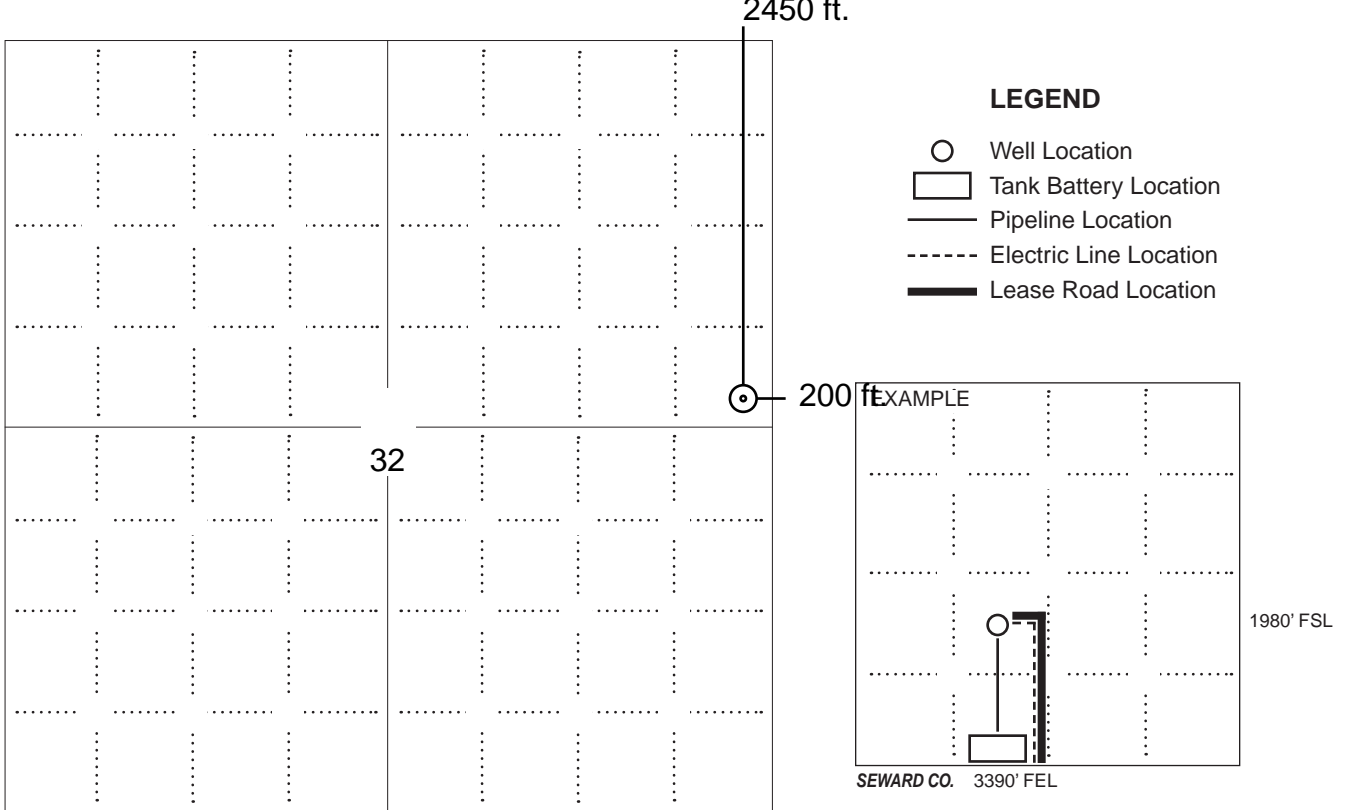
**If Section is Irregular, locate well from nearest corner boundary.**

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.



**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.



KANSAS CORPORATION COMMISSION 1049497  
OIL & GAS CONSERVATION DIVISION

Form CDP-1  
May 2010  
Form must be Typed

**APPLICATION FOR SURFACE PIT**

*Submit in Duplicate*

Operator Name: _____		License Number: _____	
Operator Address: _____			
Contact Person: _____		Phone Number: _____	
Lease Name & Well No.: _____		Pit Location (QQQQ): _____-_____-_____-_____	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used?		_____	
Pit dimensions (all but working pits):    _____ Length (feet)    _____ Width (feet) <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			

<b>KCC OFFICE USE ONLY</b>			
Date Received: _____		Permit Number: _____	
Permit Date: _____		Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Liner		<input type="checkbox"/> Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS	



### CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

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

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

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

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

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

**Surface Owner Information:**

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

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

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

**Select one of the following:**

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

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

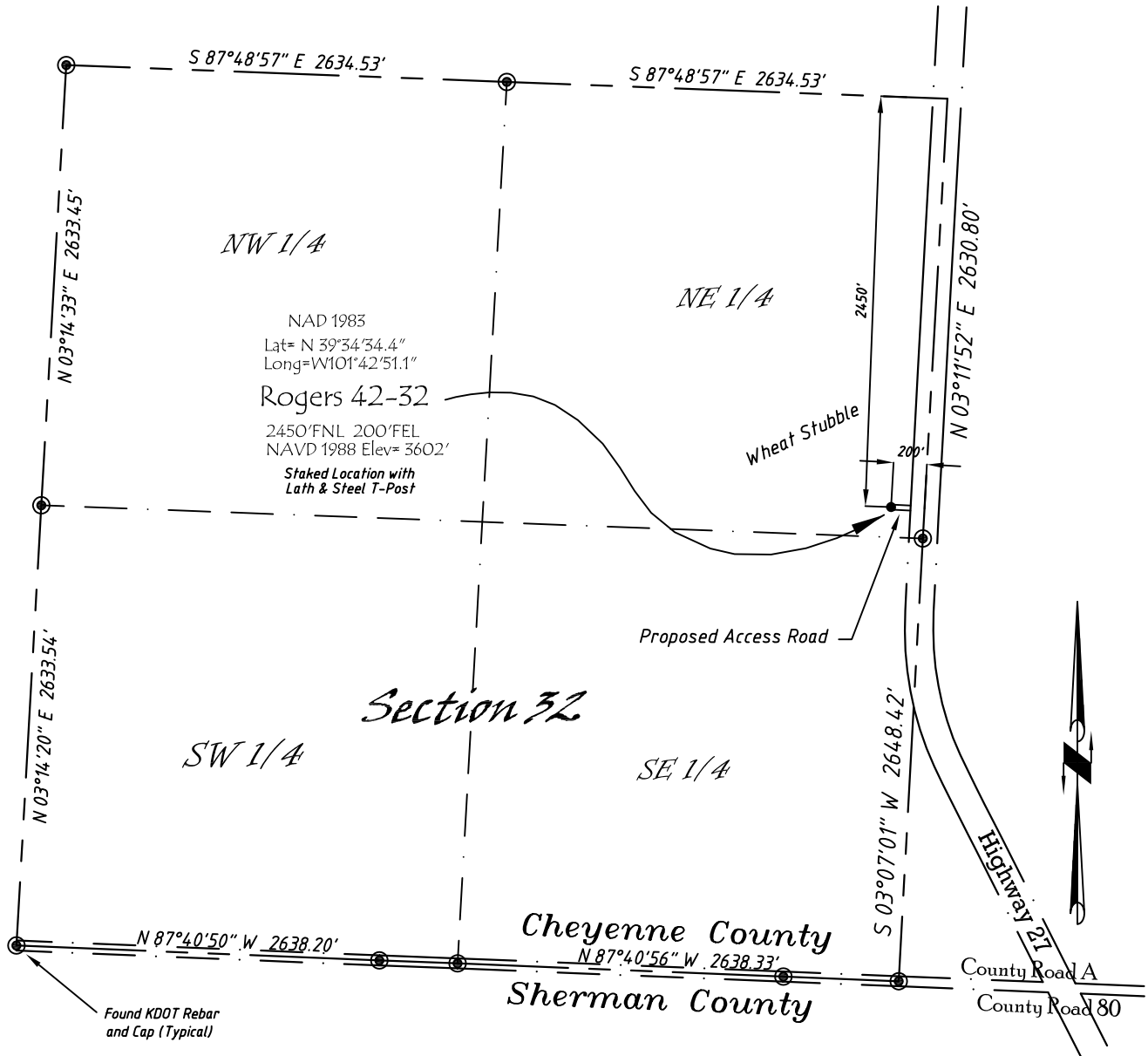
I Submitted Electronically

I

Well Location Map

# Rogers 42-32

SE 1/4, NE 1/4, Section 32, T5S, R39W, 6th P.M. Cheyenne County, Kansas  
 2450' FNL - 200' FEL Elev=3602'



Copyright © 2010

Directions:

From the Intersection of Hwy 27 & Hwy 36 @ Wheeler, KS, Go S on Hwy 27  
 Approximately 12.4 miles, then W 200' to Staked location.

*This Drawing is for Construction Purposes Only*

Noble Energy, Inc.		
<b>DRAWN</b> GP	<b>DATE</b> 12/17/10	Section 32
<b>FB</b> B73 P78	<b>EQ</b> HijPro	T5S, R39W, 6th P.M. Cheyenne County, KS
<b>SCALE</b> 1"=1000'	<b>SHEET</b> 1 of 1	<b>PROJECT NO.</b> 1570.181



402 Walnut  
 Kanorado, KS  
 785/399/2551

Ks/Neb/Colo  
Producers Form 88 - Paid Up

OIL AND GAS LEASE

This Oil and Gas Lease (the "Lease") is dated May 20, 2003 (the "Effective Date"). The parties to this Lease are

\*\*See Rider attached for Lessor and made a part hereto\*\*  
\*\*See Rider attached for Address\*\*  
as Lessor (whether one or more), whose address is  
J. Fred Hambright, Inc., and

Lessee, whose address is, 125 North Market, Suite 1415, Wichita, KS 67202

1. For the consideration of Ten and More (\$10.00 & more) Dollars, the receipt of which Lessor acknowledges, and Lessee's covenants and agreements in this Lease, Lessor grants, leases, and lets exclusively to Lessee, the lands described below (the "Lands"), with the right to unitize, pool, or combine all or part of this Lease with other lands or leases for the purpose of carrying on geological, geophysical, or other exploration work, core drilling and the drilling, mining, and operating for, producing, and saving oil, gas, and other hydrocarbons, and for constructing roads, laying pipelines, building tanks, storing oil, building power stations, telephone lines, and other structures necessary or convenient for the economical operation of the Lands alone, or with adjacent lands, and to produce, save, and take care of the oil and gas produced. The Lands are

located in Cheyenne County, Kansas, and are described as follows:

\*\*See Rider attached for Legal description and made a part hereto\*\*

STATE OF KANSAS, CHEYENNE COUNTY  
This instrument was filed for record on the  
13<sup>th</sup> day of November, 2003  
at 11:30 o'clock A. M. and recorded  
in Book 134 Page 702-704  
J. Fred Hambright  
Register of Deeds

The Lands are deemed to contain 1,360 acres for whether they contain more or less.

2. This Lease shall remain in force for a primary term of five (5) years (the "Primary Term") from the Effective Date and as long thereafter as oil, gas, or other hydrocarbons are, or can be produced from the Lands. On or before five (5) years from the Effective Date, if this Lease is not otherwise continued in force, Lessee, at its option may automatically renew this lease and extend the Primary Term for an additional five (5) year term if, on or before five (5) years from the Effective Date, Lessee tenders consideration to Lessor, in the amount equivalent to the initial bonus payment (per net mineral acre) as to the lands covered by this lease.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, one-eighth (1/8<sup>th</sup>) of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; Lessee may from time to time purchase any royalty oil said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of one-eighth (1/8<sup>th</sup>) of the product sold or used. On product sold at the well, the royalty shall be one-eighth (1/8<sup>th</sup>) of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at above post-production costs and expenses, if any. Where there is a gas well or wells on the Lands subject to this Lease or lands pooled with the Lands, whether before or after the Primary Term, and the well or wells are shut-in and there is no other production, drilling operations or other operations being conducted on the Lands capable of keeping this Lease in force under any of its terms or provisions, Lessee may pay as royalty to Lessor (and if within the Primary Term such payment shall be in lieu of delay rentals) the sum of \$1.00 per year per acre of the Lands then subject to this Lease (the shut-in royalty). Payments of shut-in royalty are to be made to the depository, named above or directly to Lessor as shown, on or before the anniversary date of this Lease following the expiration of 12 months from the date a well or the wells are shut-in, and if the wells remain shut-in following the anniversary date of this Lease during the period the wells are shut-in. Upon payments being made this Lease shall be deemed to be maintained in full force and effect.

4. If at any time prior to the discovery of oil or gas or other hydrocarbons on the Lands, and during the Primary Term, Lessee drills a dry hole or holes on the Lands, this Lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing Rental Paying Date, or Lessee begins or resumes the payment of Rentals.

5. If Lessor owns a lesser interest in the Lands than the entire and undivided fee simple estate in the minerals, any royalty and Rentals which may be due or payable shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. Lessee's failure to proportionately reduce Rentals shall have no effect on the right to reduce royalties to correspond with Lessor's actual interest in the mineral estate in the Lands.

6. Lessee is granted the right to use, free of cost, gas, oil, and water found on or under the Lands, for all of Lessee's operations, except water from Lessor's wells. When required by Lessor, Lessee will bury its pipelines crossing those portions of the Lands that are under cultivation below ordinary plow depth, and pay for damages caused by its operations to growing crops on the Lands. No well shall be drilled nearer than 200 feet to any house or barn located on the Lands on the Effective Date without the written consent of Lessor. Lessee has the right at any time during or after the expiration of this Lease, to remove all machinery, fixtures, buildings, and other structures placed on the Lands, including the right to draw and remove all casing.

7. If the estate of either party is assigned, the privilege of assigning in whole or in part being expressly allowed, the terms of this Lease shall extend to the party's heirs, devisees, executors, administrators, successors, and assigns. No change of ownership in the Lands, Rentals or royalties, or any sum due, or the depository address instrument or certified copy of the conveyance, a certified copy of the Will and probate proceedings of any deceased owner, or a certified copy of the proceedings showing the appointment of an administrator of the estate of any deceased owner, whichever is appropriate, together with all recorded instruments of conveyance or certified copies necessary to show a complete chain of title to the interest claimed. All advanced payment of Rentals made before the end of the 60-day period following Lessee's receipt of documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.

8. No change or division in the ownership of the Lands, Rentals, or royalties, however accomplished, shall enlarge the obligation or diminish the rights of the Lessee. In the event of an assignment in whole or in part by Lessee, the liability for breach of any obligation of this Lease shall rest exclusively on the owner of the portion of the Lease committing the breach. Lessee has no obligation to offset wells on separate tracts into which the Lands may be divided by sale, devise, descent or otherwise, or to furnish separate measuring devices or tanks. If this Lease is assigned as to a segregated part or parts of the Lands and the holders or owners of any part is in default in the payment of the proportionate part of the Rentals due, the default shall not operate to affect this Lease insofar as it covers a part of the Lands on which Lessee or any other assignee makes timely payment of Rentals. If six or more parties become entitled to royalty payments, Lessee may withhold payment until furnished with a recordable instrument executed by all the parties designating an agent to receive payment of royalties for all the parties.

9. Lessor warrants and agrees to defend title to the Lands and agrees Lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages or other liens existing, levied or assessed on or against the Lands. If Lessee exercises this option it shall be subrogated to the rights of any holder or holders of the liens or claims and may reimburse itself by applying to the amounts paid to discharge any mortgage, tax or other lien, any royalty, shut-in royalty, or Rentals accruing to the account of Lessor.

10. If Lessee commences operations for drilling at any time while this Lease is in force, this Lease shall remain in force and its terms shall continue so long as those operations are prosecuted. If production results from the operations, the Lease shall remain in effect as long as production continues.

11. If, during the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided operations for the drilling of a well are commenced before or on the next ensuing Rental Paying Date, or Lessee begins or resumes the payment of Rentals in the manner and amount provided in paragraph 5 above. If after the expiration of the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided Lessee resumes operations for drilling a well or commences reworking operations on a well within one hundred and eighty (180) days from the date of cessation of production. This Lease shall remain in force during the prosecution of the operations and, if production results or resumes, as long as production continues.

12. At any time Lessee may surrender this Lease in whole or in part by delivering or mailing a release to the Lessor, or by placing the release of record in the county where the Lands are located. If the Lease is surrendered on only a portion of the Lands, all payments and liabilities that accrue as to the released portion of the Lands shall cease and any subsequent Rentals that may be paid may be apportioned on an acreage basis. As to the portion of the Lands not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

KS1009B

13 All provisions of this Lease, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations of all governmental agencies administering them. This Lease shall not in any way be terminated in whole or in part, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions of this Lease if the failure results from any such laws, orders, rules or regulations. If Lessee is prevented from drilling a well during the last six months of the Primary Term by the order of any constituted authority having jurisdiction, or if Lessee is unable during that period to drill a well due to the unavailability of necessary equipment, the Primary Term of this Lease shall continue for six months after the order is suspended and/or the equipment is available. Lessee shall pay Rentals during this extended time.

14 Lessee, at its option, is granted the right and power to voluntarily pool, unitize, or combine all or any portion of the Lands as to oil and/or gas, with any other adjacent lands, or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the Lease, or to obtain the maximum production allowable for any well. Unless larger units are permitted, pooling may be in units not exceeding forty (40) acres for an oil well plus a tolerance of 10%, and 640 acres for a gas well plus a tolerance of 10%. Larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities. Lessee or Lessee's agent, shall record in the county where the Lands are located an instrument identifying the unit and describing the pooled acreage. All acreage pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this Lease. Drilling or reworking operations, production of oil, gas, or other hydrocarbons, or the completion of a well as a shut-in gas well shall be considered for all purposes, except the payment of royalties, as if the operations were on, the production from, or the completion were on the Lands, whether or not the well or wells are located on the Lands actually covered by this Lease. In lieu of the royalty provided in this Lease, including shut-in gas royalties, Lessor shall receive from a unit only that portion of the royalty provided for in this Lease, as that portion of the Lands placed in the unit, or bears to the total amount of acreage included in a Unit.

This Lease and all its terms, covenants, and conditions shall extend to and be binding on all successors grantees and assigns of Lessor and Lessee.

This Lease is executed by Lessor as of the date of the acknowledgment of Lessor's signature, but shall be deemed effective for all purposes as of the Effective Date stated above.

Michael L. Rogers  
Michael L. Rogers, Trustee of  
Michael L. Rogers Revocable Living Trust UID  
November 25, 1996

Lessor  
JoAnne Rogers  
JoAnne Rogers, Trustee of the  
JoAnne Rogers Revocable Living Trust UID  
November 25, 1996

Acknowledgment For Individual

STATE OF Kansas

COUNTY OF Cheyenne

Before me, the undersigned, a Notary Public, within and for said county and state, on this 20th day of Michael L. Rogers, Trustee and JoAnne Rogers, Trustee  
May, 20 03, personally appeared / and / to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

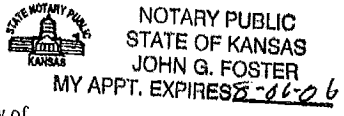
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires 8/06/06  
John G. Foster  
John G. Foster Notary Public

Acknowledgment For Corporation

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_



Be it remembered that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned, a Notary Public, duly commissioned, in and for the county of \_\_\_\_\_ and State of \_\_\_\_\_, came \_\_\_\_\_, \_\_\_\_\_ president of \_\_\_\_\_, a corporation of the State of \_\_\_\_\_, personally known to me to be such officer, and to be the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_  
\_\_\_\_\_  
Notary Public

"Rider"

Attached hereto and made apart hereof a certain Oil and Gas Lease dated May 20, 2003.

The parties to this lease are Michael L. Rogers, Trustee of Michael L. Rogers Revocable Living Trust UTD November 25, 1996 and JoAnne Rogers Trustee of the JoAnne Rogers Revocable Trust UTD November 25, 1996 whose address is S. F. 2 Box 119, St. Francis, Kansas 67756. as Lessor

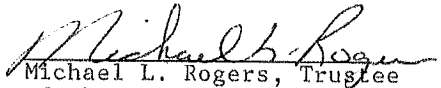
The lands are located in Cheyenne County, Kansas and are described as follows:

\*\*Each tract is treated as a separate Oil and Gas lease as set forth below\*\*

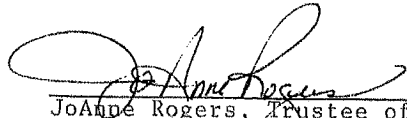
Township 5 South, Range 39 West

- ✓Section 1: Tract #1: NE/4 (160 acres)
- ✓Section 29: Tract #2: SW/4 (160 acres)
- Tract #3: SE/4 (160 acres)
- ✓Section 30: Tract #4: E/2SE/4 (80 acres)
- ✓Section 31: Tract #5: NE/4 (160 acres)
- Tract #6: SE/4 (160 acres)
- ✓Section 32: Tract #7: NW/4 (160 acres)
- Tract #8: SW/4 (160 acres)
- Tract #9: NE/4 (160 acres)

Notwithstanding any provisions of this lease, or any wording contained in this Lease such as "the Lands", "the Lease", "leasehold", or any similar terms, each of the separately designated Tracts to this Lease shall be treated for all purposes as a separate and distinct lease. All of the provisions contained in this lease shall be applicable to each separate and be construed as if a separate Lease Agreement had been made and executed covering separate Tract.



Michael L. Rogers, Trustee  
of the Michael L. Rogers Revocable  
Living Trust UTD November 25, 1996



JoAnne Rogers, Trustee of  
the JoAnne Rogers Revocable  
Living Trust  
UTD November 25, 1996



Receipt #: 3691  
Page Recorded: 6

Recording Fee: \$28.00

Date Recorded: 3/7/2011 11:30:00 AM



Mary M. Morrow by: M.M.M.

## OIL AND GAS LEASE

2880-A

THIS OIL AND GAS LEASE (this "Lease") is made and entered into effective as of the 15th day of February, 2011 (the "Effective Date"), and is by and between PEC Minerals LP, 14860 Montfort Drive, Suite 209, Dallas, Texas 75254, hereinafter called Lessor and Noble Energy, Inc., with an address at 1625 Broadway, Ste. 2200, Denver, Colorado 80202, hereinafter called Lessee.

1. Grant of Lease. Lessor, for and in consideration of \$ [REDACTED] and other good and valuable consideration, the receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby lease, let and demise unto Lessee, its successors and assigns, without representations, warranties or covenants of title of any kind or nature, or any other warranties or representations, the following:

a. Lands Leased. The lands described as follows (the "Lands") for the purposes and with the right of exploring, investigating, drilling for and operating for, producing, treating, storing and transporting oil and gas, subject to the further provisions of this paragraph 1; for the purposes of determining payments due hereunder, unless a survey made by Lessee should otherwise determine, the Lands shall be deemed to contain \* acres, whether actually containing more or less are located in the County of Cheyenne, State of Kansas, and described as follows, to wit:

Township 5 South, Range 39 West

✓ Section 32: SE 1/4

Containing 160 acres, more or less

b. Geological Surveys. To the extent that Lessor has the right to do so, the right to conduct geological and geophysical surveys, by seismograph, gravity or magnetic methods or any other method developed in the future; and

c. Easements and Other Rights. To the extent that Lessor has the right to do so, the right to lay pipelines, to construct roads, to dig canals, to build tanks, power stations and telephone lines, to the extent any of such activities are necessary or useful in Lessee's operations in exploring, investigating, drilling for, producing, treating, storing and transporting oil and gas produced from the land covered hereby, together with all easements, rights of ingress and egress and all other rights incidental or necessary for the full enjoyment of the estate herein granted.

2. Term. Subject to other provisions contained in this Lease, this Lease shall remain in force for a term commencing on the Effective Date and expiring at midnight local time one (1) year after the Effective Date (the "Expiration Date"), which term is referred to in this Lease as the "Primary Term", and for so long thereafter as oil and gas or either of them is being produced in paying quantities from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein and the royalties are paid thereon as herein provided.

3. Royalty Share. For the purposes of this Lease, the term "Royalty Share" shall mean a fraction equal to 3/16ths

4. Royalties. In respect of oil and gas which may be produced from the Lands or lands with which the Lands or any part thereof may be pooled or unitized as permitted herein, as royalty, Lessee covenants and agrees that Lessee shall comply with each of the following provisions:

a. Oil Royalty. In respect of oil (for the purposes of this Lease, the term "oil" shall also include other liquid hydrocarbons, other than as provided in Paragraph 4.c), Lessee shall deliver to the credit of Lessor, as royalty, in the pipeline to which Lessee may connect Lessee's wells, the Royalty Share of all oil produced and saved by Lessee from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein; the delivery of such oil shall be made free and clear of costs and expenses to the credit of Lessor into the storage tanks or the pipeline to which the well or wells on the Lands may be connected.

b. Gas Royalty. In respect of gas (for the purposes of this Lease, term "gas" shall mean and include natural gas, casinghead gas and all other gaseous or vaporous substances which are hydrocarbons as the same may exist at the surface under normal atmospheric pressures and at normal ambient temperatures) produced, saved and sold from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein, Lessee shall pay Lessor, a royalty equal to the Royalty Share of the amount realized by Lessee therefrom, computed at the mouth of the well, free of all costs (excluding applicable severance taxes), including, without limitation, costs incurred for transporting, dehydration, compressing, processing, treating or otherwise marketing the production or rendering the production capable of being marketed, but in no event less than the Royalty Share of the price prevailing for gas of similar quality in the field in which the Lands are located, or if there are no gas sales occurring in said field, then the prevailing price in the county in which such Lands are located. Except as provided in Paragraph 4.d, when any gas is produced and used off of the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Royalty Share of the "Market Value" (as hereinafter defined) of such gas. If any gas is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee, such gas shall be sold or otherwise disposed of at a price not less than the "Market Value" thereof, which for the purpose of this Lease shall mean a price equal to the average of the three highest

prices being paid for gas to any party in the county identified in the lands leased or, if there are no gas sales occurring in said county, then such price shall be equal to or greater than the average of the three highest prices being paid for gas in the counties in the State identified in the lands leased which are contiguous to said county.

c. Plant Products Royalty. If gas is produced from Lands and is thereafter processed in an absorption, extraction, casinghead, stripping or other plant or plants, whether such plants are listed in the foregoing list or not (a "processing plant"), then, in lieu of the royalties provided for in the immediately preceding Paragraph 4.b, Lessee shall pay, as royalty, and the Lessor shall receive, free and clear of all costs, the Royalty Share of the proceeds realized by Lessee from the sale of all plant products extracted, separated, absorbed or saved from such gas before the addition of treating or blending agents or substances not derived from such gas and, in addition, Lessor shall be paid, as royalty, the Royalty Share of the amount realized by Lessee from the sale of the residue gas remaining after the extraction of the plant products therefrom; provided, however, that if such residue gas is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee, the computation of the royalty thereon shall be based upon the Market Value thereof. No royalty shall be paid on Lessor's proportionate share of residue gas used, for no compensation to Lessee, for fuel in a processing plant where such residue gas is processed for the extraction or removal of liquid hydrocarbons, and Lessee may inject gas into any oil or gas producing formation underlying the Lands after such gas has been processed for the extraction or removal of the liquid hydrocarbons therein contained, and no royalty shall be paid on gas so injected; provided, however, that royalty shall be due on said gas if said gas is injected in any well off of the Lands. If any gas is produced from the Lands and is processed in a processing plant or plants owned by Lessee or any affiliate, subsidiary or parent of Lessee, the royalties due on such plant products and gas shall be based upon the Market Value of such gas and plant products.

d. Shut In Royalty. If at any time, whether before or after the Expiration Date, Lessee shall have completed a well or wells on the Lands (or on land with which the Lands or any part thereof may be pooled) which well or wells are capable of producing gas in paying quantities but are shut-in with the result that gas is not produced, sold or used for 30 days due to government restrictions, lack of market or similar reasons, Lessee shall first promptly notify Lessor of the date such well is shut in, and thereafter, Lessee may pay as shut-in royalty to Lessor for each such shut-in well, on or before the later of (i) the Expiration Date or (ii) the 60th day after the date such gas ceases to be sold or used, an amount equal to the greater of: (A) the product of [REDACTED] times the total acreage (reducing the same by reason of any proportionate reduction as contemplated in paragraph 12) then covered by this Lease or (B) [REDACTED], and upon the making of the greater payment specified in this Paragraph 4.d, it will be considered that each such well or wells are producing gas in paying quantities within the meaning of this Lease for a period of one year after such well is shut-in. In like manner and upon like payments being made annually on or before the expiration of the last preceding year for which such shut-in royalty payment has been made, it will be considered that said well or wells are producing gas in paying quantities for successive periods of one year; provided, however, that the proper payment of shut-in royalties under this Paragraph 4.d shall not perpetuate this Lease (i) for more than a total period of five years in the aggregate, or (ii) for a continuous shut-in period in excess of two (2) years. Shut in payments and notices shall be mailed to Lessor at the address set forth in the first paragraph of the lease.

If gas production is begun or resumed during the year following the payment of a shut-in royalty and the well is subsequently shut-in with the result that gas is not then being produced, the second annual shut-in payment shall be due and payable on the first annual anniversary date of the first payment (the "First Anniversary Date"). If there is production on the First Anniversary Date and the well is subsequently shut-in with the result that gas is not then being produced, then the second shut-in payment shall be made on or before 60 days after such new shut-in date or the Lease shall terminate. Such second shut-in royalty payment shall perpetuate this Lease only until the second annual anniversary date of the first shut-in royalty payment. The Lease shall likewise terminate prior to one year after the payment of a shut-in payment if the Lessee fails to timely pay shut-in royalty payments on each additional well which is shut-in. Should any shut-in royalty payment not be made in a timely manner as this Paragraph 4.d provides, then, in that event, it shall be considered for all purposes that there is no production from any such well or wells and except to the extent that this Lease is then being perpetuated under other provisions of this Lease, this Lease shall terminate at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all of Lessee's interest in and to this Lease.

e. Place and Time of Payment of Production Royalties.

(1) Except as specifically provided above, all royalties due under the provisions of Paragraphs 4.a, 4.b or 4.c shall be paid to Lessor free and clear of all costs and expenses of making such oil or gas merchantable or otherwise treating the same, shall indicate the mineral number applicable thereto (the mineral number is located on the upper right hand corner of page 1 of this lease), and shall be paid at the address specified below:

PEC Minerals LP  
14860 Montfort Drive, Suite 209  
Dallas, Texas 75254

Any notices or correspondence mailed to Lessor shall be mailed to the address as set forth in the first paragraph of this Lease.

(2) Lessee shall tender first royalty payments to Lessor on or before 120 days after the month of first sale of production. Thereafter Lessee shall tender royalty payments to Lessor within 60 days of the date oil is produced and sold within 90 days of the date gas is produced and sold. It is expressly agreed that if Lessee fails to pay royalties within the aforementioned timeframe, Lessor may thereafter notify Lessee in writing of such failure and Lessee shall then have 30 days from receipt of such notice to make such payments, and if Lessee then fails to pay such royalties, Lessor may terminate this Lease at any time thereafter and evidence such termination by a written instrument filed for record in the official records in the county and state referred to hereinabove. Lessee will also be required to pay interest at a rate 2% above the rate charged on loans to depository institutions by the New York Federal Reserve Bank on royalty payments not paid within the above time frames. In the event any dispute or question arises concerning the title to Lessor's interest, Lessee may withhold royalty payment accruing to the interest or interests affected, without consequence to the hereinabove stated termination penalty, until such dispute or question of title has been corrected.

f. Division Orders. The execution of a division order shall not be required as a condition or prerequisite for royalty payments to be due and payable under this Lease.

g. In-Kind Royalty Option. Lessor, at any time and from time to time as long as this Lease remains in effect, upon not less than thirty (30) days advance written notice delivered to Lessee, at Lessor's sole option may elect to take in kind or separately dispose of Lessor's share of the oil and/or gas produced and saved from the leased premises. All facilities and equipment necessary to separately measure and to take, store and dispose of Lessor's share of the oil and/or gas will be installed and maintained at the sole risk, cost and expense of Lessor. Lessee will cooperate with Lessor in order to facilitate and will take no action to hinder or obstruct Lessor in marketing or taking its royalty oil and/or gas in kind. Lessor will indemnify Lessee from and against all claims, actions, suits, costs and expenses which arise out of Lessor's marketing or taking its royalty oil and/or gas in kind. Until the time that Lessor commences taking or separately disposing of its royalty oil and/or gas, Lessor's royalty oil and/or gas will be sold by Lessee and Lessee will make royalty payments therefore as provided elsewhere in this Lease. During the period or periods that Lessor is taking its royalty oil and/or gas in kind, the obligations of Lessee under this Lease to otherwise make monetary royalty payments to Lessor for such royalty oil and/or gas will be superseded and suspended. At any time or times after having elected to take its royalty oil and/or gas in kind, upon not less than thirty (30) days advance written notice delivered to Lessee, Lessor at its sole option may elect to discontinue the taking in kind of its royalty oil and/or gas in which event the obligations of Lessee under this Lease to make monetary royalty payments to Lessor for the royalty share of oil and/or gas produced and saved from the leased premises automatically will be reinstated.

5. Pooling and Unitization. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this Lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said leased premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres for oil, and not exceeding three hundred twenty (320) acres, plus an acreage tolerance of ten percent (10%) of three hundred twenty (320) acres for gas or for any horizontal completion. Larger units may, however, be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this Lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall execute in writing and place of record in the county wherein the above described lands are located, an instrument or instruments identifying and describing the pooled acreage, a copy of which shall be provided to Lessor.

The entire acreage so pooled into a unit shall be treated, for all purposes except the payment of royalties, as if it were included in this Lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereof of a well as a shut-in gas well, shall be considered, for all purposes except the payment of royalties, as if such operations were on or such production were from or such completion were on lands covered by this Lease, whether or not the well or wells shall be located on the premises covered by this Lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed only such portion of the royalty stipulated herein as the amount of this acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved.

Should any unit as originally created hereunder contain less than the maximum number of acres herein above specified, Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. In the event an existing unit is so enlarged, Lessee shall execute and place of record, and provide Lessor a copy of, a supplemental declaration of unitization identifying and describing the land added

to the existing unit, provided that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month following the filing thereof. In the absence of production, Lessee shall terminate any unitized area by filing a notice of termination of record in the county wherein the above described lands are located. A copy of such notice shall be provided to Lessor.

Notwithstanding any other provision contained in this lease to the contrary, operations on or production from lands pooled or unitized shall only maintain this lease in effect with respect to that portion of the Lands included within the geographical boundaries of such pooled acreage or unit. The portion of the Lands located outside the boundaries thereof may be maintained as otherwise provided in this Lease.

6. Protection From Adjacent Units. In the event a well or wells producing oil or gas in paying quantities should be drilled on adjacent land and should such well or wells be draining the leased premises, Lessee agrees to drill such offset wells as a reasonable and prudent operator would drill under the same or similar circumstances. If oil and/or gas are discovered on the land covered by this Lease or on lands pooled therewith, Lessee agrees to further develop said land covered by this Lease as a reasonable and prudent operator would under the same or similar circumstances.

7. No Delay Rentals. This Lease is a "paid-up" lease, and no delay rentals shall be required to be paid by Lessee.

8. Option to Release. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this Lease as to any part or all of the Lands or of any horizon thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this Lease is released as to a portion of the Lands, any payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this Lease immediately prior to such release.

9. Operations. If oil or gas is not being produced in paying quantities from the Lands on or before the Expiration Date and the Lessee is not then conducting Operations on the Lands, this Lease shall immediately terminate. If oil or gas is not being produced in paying quantities from the Lands on or before the Expiration Date, but Lessee is then conducting Operations on the Lands, this Lease shall remain in force and effect as to the Lands so long, and only so long, as Lessee shall conduct Continuous Drilling Operations on the Lands. For the purposes of this Lease the term "Operations" shall mean operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or actual production of oil or gas. For the purposes of this Lease, the term "Continuous Drilling Operations" shall mean that not more than 60 days shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum allowable production. For the purposes of this lease, the commencement of "Actual Drilling Operation" shall mean that the first operation conducted after the conductor casing has been driven, spudding operations have been completed and the kelly has been raised and the first joint of drill pipe has been secured on the drill stem. If Lessee commences Actual Drilling Operations on a well within 60 days after the date of completion or abandonment of the previous well, the difference shall NOT be credited towards the next period of time for the commencement of the next well nor carried forward or cumulated in any manner.

If Lessee fails to conduct Continuous Drilling Operations on the Lands at any time after the Expiration Date, this Lease shall thereupon terminate as to all lands and depths covered by this Lease **SAVE AND EXCEPT:**

(i) the portion of the Lands chosen by Lessor such that every well completed on the Lands or lands pooled or unitized therewith will receive its full allowable under existing laws and regulations, but in no case less than 40 acres per well drilled. In the event a larger number of acres are spaced or allocated to such well by the regulatory body having jurisdiction, the acreage limitations set forth in the preceding sentence shall be increased to encompass the acreage spaced or allocated to such well by such regulatory body;

(ii) the rights from the surface to 100 feet below the base of the deepest horizon then producing in any well(s) drilled on the Lands or land pooled therewith in accordance with this Lease;

(iii) such rights-of-way and easements across the remainder to the Lands for such pipelines, roads and facilities as deemed necessary for production and operations on the Lands.

If at any time after the Expiration Date, production ceases from the deepest horizon then producing on the Lands or lands pooled therewith (a "Formerly Producing Depth"), but continues from a lesser depth (the "Producing Depth"), this Lease shall terminate as to all depths below the base of the Producing Depth on the 60th day after the cessation of production from the Formerly Producing Depth, unless on or before such date Lessee either restores production from the Formerly Producing Depth or commences Operations are continued with reasonable diligence until production is restored from such Formerly Producing Depth.

Lessee agrees to furnish Lessor, no later than thirty (30) days after the expiration of the primary term (or any other time at which there has been a termination of the rights under this Lease, whether partial or complete), a copy of the instrument evidencing the release of the leased premises resulting from the terms of this paragraph. If Lessee is then engaged in drilling or reworking operations on the above lands, or

lands pooled therewith, then Lessee shall have the right to either drill such well to total depth or complete its reworking operations with reasonable diligence and dispatch, and the provisions of this paragraph shall become effective at completion of said operations. A well upon which shut-in royalty payments are being paid as provided in Paragraph 4.d shall be deemed as producing gas in paying quantities.

10. Removal of Equipment. Lessee shall have the right at any time while this lease is in force and effect or within one hundred eighty (180) days after the termination hereof to remove all machinery and fixtures placed on the Lands by Lessee, including the right to draw and remove casing.

11. Assignments. The rights and estate of Lessee hereunder may not be assigned without the prior written consent of Lessor, which shall not be unreasonably withheld.

12. Proportionate Reduction. If this Lease covers an interest in the oil or gas in all or any part of the Lands less than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), then the royalties to be paid to Lessor hereunder as to the Lands provided for in Paragraph 4.a shall be paid only in the proportion which the interest therein, if any, covered by this Lease, bears to the whole and undivided fee simple estate therein. The provisions of this Paragraph 12 shall not apply to the consideration given Lessor for the granting of this Lease.

13. Substances Covered. This Lease covers oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons in either a liquid or gaseous phase or state and such minerals as may be produced in association with the production of oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons; provided, however, that nothing in this Lease shall be deemed to authorize the gasification or in situ combustion of uranium, coal or lignite, and this Lease shall not be deemed to cover either uranium, coal or lignite. The classification of a well as either a gas well or oil well by the Agency shall be conclusive in respect of its classification under the terms of this Lease.

14. Information Required. Lessee agrees to furnish, free of cost to Lessor, transmitted by the U.S. Mail to PEC Minerals LP, 14860 Montfort Drive, Suite 209, Dallas, Texas 75254, the following materials as soon as the well information is available to Lessee but in no event later than thirty (30) days from completion:

- (a) Notice of intent to drill.
- (b) one Field print and Final print of all electrical and other surveys run, including a copy of all daily drilling reports, for any and all wells drilled on the Lands or lands pooled or unitized therewith;
- (c) All logging surveys, wireline tests, drillstem test charts, core analyses or other third party information as may be run or prepared in the drilling of such wells;
- (d) a copy of all state completion and plugging reports filed;
- (e) Any title information Lessee obtains with respect to the Lands; and
- (f) upon receipt of a request from Lessor, all other information on any wells drilled on the above described acreage or acreage pooled therewith.

In the event the above well information is not provided to Lessor, Lessor will send a written request by certified mail to Lessee. Failure to provide the requested well information within 30 days from receipt of said written request will, at Lessor's option, result in the cancellation of this Lease.

15. Force Majeure. Lessee shall not be liable for any delays in Lessee's performance of any covenant or condition hereunder, express or implied, or for total or partial non-performance thereof, for so long as, and only so long as, Lessee is prevented from performing the same due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition wholly beyond the control of Lessee, including acts of God and actions of the elements, acts of the public enemy, strikes, lockouts, accidents, laws, acts, rules, regulations and order of federal, state or municipal government, or officers of agents thereof. If Lessee is required to cease drilling or reworking or producing operations on the Lands (or lands properly pooled under the provisions of this Lease) by force majeure, then until such time as such force majeure is terminated, and for a period of 90 days after such termination, each and every provision of this Lease that might operate to terminate it shall be suspended, and this Lease shall continue in full force and effect during such suspension period. If any period of suspension occurs before the Expiration Date, the term thereof shall be added to such Primary Term. The provision of this Paragraph 15 shall not be applicable in respect of any payments required to be made under any provision of this Lease, it being expressly understood and agreed that the provisions of this paragraph 15 shall not override or modify any requirement of such payments.

16. Notice. All communications, notices and information required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, telegraph or telecopy to the addresses set forth on the signature page hereto.

17. Implied Covenants. None of the covenants contained in this Lease shall negate or in any way limit or serve in lieu of any implied covenant available to Lessor, including, without limitation, the implied covenants to further develop, to market and to protect against drainage.

18. Compliance with Laws. Lessee shall comply with all applicable laws, and regulations of governmental authorities in the conduct of all drilling and producing operations on the Lands, including, without limitation, those applicable to the protection of health and/or the environment. Lessee agrees that (i) no toxic or hazardous chemicals or wastes regulations shall be stored or disposed of on the Lands and (ii) all wells which may be located on the Lands which are no longer capable of producing in paying quantities shall be plugged and abandoned in accordance with all applicable laws and regulations of governmental authorities. Lessee shall indemnify and hold Lessor harmless from any loss or damage Lessor may suffer as a result of any environmental damage or pollution resulting from the operations conducted by Lessee or otherwise resulting from or relating to a breach by Lessee of the covenants contained in this paragraph 18 or otherwise contained in this Lease.

19. Indemnification. Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims resulting from or arising out of or in connection with operations of or for Lessee hereunder, and from and against all costs and expenses incurred by Lessor from and against any and all claims. Each assignee claiming hereunder agrees to indemnify and hold harmless Lessor from and against any and all claims resulting from or arising out of or in connection with operations of or for such assignee hereunder, and from and against all costs and expenses incurred by Lessor by reason of such claim or claims.

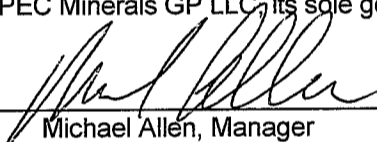
20. Additional Consideration Prior to such Commencement. If at any time prior to the commencement of initial drilling operations on the Lands, Lessee pays a third party a greater consideration for an Oil and Gas Lease containing an equal royalty provision, on a per acre basis, covering land located within the Lands or in any contiguous tract to the Lands, then Lessee agrees to pay Lessor the difference between the consideration paid Lessor, per net mineral acre, and the consideration paid to a third party.

21. Lessor executes this lease without warranty of title, expressed and implied.

IN WITNESS WHEREOF, this Lease is executed on the date of the acknowledgments attached hereto but shall be effective as of the Effective Date recited above.

**PEC MINERALS, LP,**

By: PEC Minerals GP LLC, its sole general partner

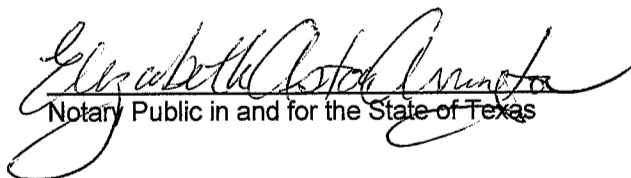
By:  \_\_\_\_\_  
Michael Allen, Manager

STATE OF TEXAS §

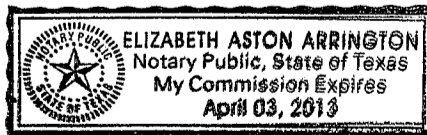
COUNTY OF DALLAS §

On February 15, 2011, before me, Elizabeth Aston Arrington a Notary Public, personally appeared MICHAEL ALLEN personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entities upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

  
Notary Public in and for the State of Texas

PEC Minerals LP  
14860 Montfort Drive, Suite 209  
Dallas, TX 75254  
214.522.9131  
972.934.2310 (FAX)



Ks/New/Colo  
Producers Form 88 - Paid Up

OIL AND GAS LEASE

This Oil and Gas Lease (the "Lease") is dated May 19, 2003 (the "Effective Date") The parties to this Lease are

See "Lessor" on attached Rider

Route 2, Box 41, St. Francis, KS 67756 and J. Fred Hambricht, Inc. as Lessor (whether one or more), whose address is

Lessee, whose address is 125 North Market, Suite 1415, Wichita, KS 67202

1. For the consideration of Ten and More (\$10.00 & more) Dollars, the receipt of which Lessor acknowledges, and Lessee's covenants and agreements in this Lease, Lessor grants, leases, and lets exclusively to Lessee, the lands described below (the "Lands"), with the right to unitize, pool, or combine all or part of this Lease with other lands or leases for the purpose of carrying on geological, geophysical, or other exploration work, core drilling and the drilling, mining, and operating for, producing, and saving oil, gas, and other hydrocarbons, and for constructing roads, laying pipelines, building tanks, storing oil, building power stations, telephone lines, and other structures necessary or convenient for the economical operation of the Lands alone, or with adjacent lands, and to produce, save, and take care of the oil and gas produced. The Lands are

located in Cheyenne County, Kansas, and are described as follows:

\*\*Each tract is treated as a separate Oil and Gas Lease as set forth on attached Rider\*\*

"See attached Description on Rider"

STATE OF KANSAS, CHEYENNE COUNTY

This instrument was filed for record on the

6<sup>th</sup> day of November, 2003

at 11:30 o'clock A. M. and recorded

in Book 134 Page 532-534

Wichita Register of Deeds



The Lands are deemed to contain 950.00 acres for whether they contain more or less.

2. This Lease shall remain in force for a primary term of five (5) years (the "Primary Term") from the Effective Date and as long thereafter as oil, gas, or other hydrocarbons are, or can be produced from the Lands. On or before five (5) years from the Effective Date, if this Lease is not otherwise continued in force, Lessee, at its option may automatically renew this Lease and extend the Primary Term for an additional five (5) year term if, on or before five (5) years from the Effective Date, Lessee tenders consideration to Lessor, in the amount equivalent to the initial bonus payment (per net mineral acre) as to the lands covered by this lease.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, one-eighth (1/8<sup>th</sup>) of that produced and saved from said land, the sum to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of one-eighth (1/8<sup>th</sup>) of the product sold or used. On product sold at the well, the royalty shall be one-eighth (1/8<sup>th</sup>) of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be one-eighth (1/8<sup>th</sup>) of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any. Where there is a gas well or wells on the Lands subject to this Lease or lands pooled with the Lands, whether before or after the Primary Term, and the well or wells are shut-in and there is no other production, drilling operations or other operations being conducted on the Lands capable of keeping this Lease in force under any of its terms or provisions, Lessee may pay as royalty to Lessor (and if within the Primary Term such payment shall be in lieu of delay rentals) the sum of \$1.00 per acre of the Lands then subject to this Lease (the shut-in royalty). Payments of shut-in royalty are to be made to the depository, named above or directly to Lessor as shown, on or before the anniversary date of this Lease following the expiration of 12 months from the date a well or the wells are shut-in, and if the wells remain shut-in following the anniversary date of this Lease during the period the wells are shut-in. Upon payments being made this Lease shall be deemed to be maintained in full force and effect.

4. If at any time prior to the discovery of oil or gas or other hydrocarbons on the Lands, and during the Primary Term, Lessee drills a dry hole or holes on the Lands, this Lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing Rental Paying Date, or Lessee begins or resumes the payment of Rentals.

5. If Lessor owns a lesser interest in the Lands than the entire and undivided fee simple estate in the minerals, any royalty and Rentals which may be due or payable shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. Lessee's failure to proportionately reduce Rentals shall have no effect on the right to reduce royalties to correspond with Lessor's actual interest in the mineral estate in the Lands.

6. Lessee is granted the right to use, free of cost, gas, oil, and water found on or under the Lands, for all of Lessee's operations, except water from Lessor's wells. When required by Lessor, Lessee will bury its pipelines crossing those portions of the Lands that are under cultivation below ordinary plow depth, and pay for damages caused by its operations to growing crops on the Lands. No well shall be drilled nearer than 200 feet to any house or barn located on the Lands on the Effective Date without the written consent of Lessor. Lessee has the right at any time during or after the expiration of this Lease, to remove all machinery, fixtures, buildings, and other structures placed on the Lands, including the right to draw and remove all casing.

7. If the estate of either party is assigned, the privilege of assigning in whole or in part being expressly allowed, the terms of this Lease shall extend to the party's heirs, devisees, executors, administrators, successors, and assigns. No change of ownership in the Lands, Rentals or royalties, or any sum due, or the depository address of Lessor, under this Lease shall be binding on the Lessee until 60 days after it has been furnished with written notice of the change accompanied by the original recorded instrument or certified copy of the conveyance, a certified copy of the Will and probate proceedings of any deceased owner, or a certified copy of the proceedings showing the appointment of an administrator of the estate of any deceased owner, whichever is appropriate, together with all recorded instruments of conveyance or certified copies necessary to show a complete chain of title to the interest claimed. All advanced payment of Rentals made before the end of the 60-day period following Lessee's receipt of documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of Lessor.

8. No change or division in the ownership of the Lands, Rentals, or royalties, however accomplished, shall enlarge the obligation or diminish the rights of the Lessee. In the event of an assignment in whole or in part by Lessee, the liability for breach of any obligation of this Lease shall rest exclusively on the owner of the portion of the Lease committing the breach. Lessee has no obligation to offset wells on separate tracts into which the Lands may be divided by sale, devise, descent or otherwise, or to furnish separate measuring devices or tanks. If this Lease is assigned as to a segregated part or parts of the Lands and the holders or owners of any part is in default in the payment of the proportionate part of the Rentals due, the default shall not operate to affect this Lease insofar as it covers a part of the Lands on which Lessee or any other assignee makes timely payment of Rentals. If six or more parties become entitled to royalty payments, Lessee may withhold payment until furnished with a recordable instrument executed by all the parties designating an agent to receive payment of royalties for all the parties.

9. Lessor warrants and agrees to defend title to the Lands and agrees Lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages claims and may reimburse itself by applying to the amounts paid to discharge any mortgage, tax or other lien, any royalty, shut-in royalty, or Rentals accruing to the account of Lessor.

10. If Lessee commences operations for drilling at any time while this Lease is in force, this Lease shall remain in force and its terms shall continue so long as these operations are prosecuted. If production results from the operations, the Lease shall remain in effect as long as production continues.

11. If, during the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided operations for the drilling of a well are commenced before or on the next ensuing Rental Paying Date; or, Lessee begins or resumes the payment of Rentals in the manner and amount provided in paragraph 5 above. If after the expiration of the Primary Term, production on the Lands ceases from any cause, this Lease shall not terminate provided Lessee resumes operations for drilling a well or commences reworking operations on a well within one hundred and eighty (180) days from the date of cessation of production. This Lease shall remain in force during the prosecution of the operations and, if production results or resumes, as long as production continues.

12. At any time Lessee may surrender this Lease in whole or in part by delivering or mailing a release to the Lessor, or by placing the release of record in the county where the Lands are located. If the Lease is surrendered on only a portion of the Lands, all payments and liabilities that accrue as to the released portion of the Lands shall cease and any subsequent Rentals that may be paid may be apportioned on an acreage basis. As to the portion of the Lands not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

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13. All provisions of this Lease, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations of all governmental agencies administering them. This Lease shall not in any way be terminated in whole or in part, nor shall Lessee be liable in damages for failure to comply with any of the express or implied provisions of this Lease if the failure results from any such laws, orders, rules or regulations. If Lessee is prevented from drilling a well during the last six months of the Primary Term by the order of any constituted authority having jurisdiction, or if Lessee is unable during that period to drill a well due to the unavailability of necessary equipment, the Primary Term of this Lease shall continue for six months after the order is suspended and/or the equipment is available. Lessee shall pay Rentals during this extended time.

14. Lessee, at its option, is granted the right and power to voluntarily pool, unitize, or combine all or any portion of the Lands as to oil and/or gas, with any other adjacent lands, or leases, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate the Lease, or to obtain the maximum production allowable for any well. Unless larger units are permitted, pooling may be in units not exceeding forty (40) acres for an oil well plus a tolerance of 10%, and 640 acres for a gas well plus a tolerance of 10%. Larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities. Lessee or Lessee's agent, shall record in the county where the Lands are located an instrument identifying the unit and describing the pooled acreage. All acreage pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this Lease. Drilling or reworking operations, production of oil, gas, or other hydrocarbons, or the completion of a well as a shut-in gas well shall be considered for all purposes, except the payment of royalties, as if the operations were on, the production from, or the completion were on the Lands, whether or not the well or wells are located on the Lands actually covered by this Lease. In lieu of the royalty provided in this Lease, including shut-in gas royalties, Lessor shall receive from a unit only that portion of the royalty provided for in this Lease, as that portion of the Lands placed in the unit, or bears to the total amount of acreage included in a Unit

This Lease and all its terms, covenants, and conditions shall extend to and be binding on all successors grantees and assigns of Lessor and Lessee.

This Lease is executed by Lessor as of the date of the acknowledgment of Lessor's signature, but shall be deemed effective for all purposes as of the Effective Date stated above

Lessor

*Grace E. Zwegardt Trust*  
Grace E. Zwegardt, Trustee  
Grace E. Zwegardt Trust



Tax ID #

Acknowledgment For Individual

STATE OF Kansas

COUNTY OF Cheyenne

Before me, the undersigned, a Notary Public, within and for said county and state, on this 19th day of May, 20 03, personally appeared Grace E. Zwegardt, Trustee of the Grace E. Zwegardt Trust 12-28-95 and \_\_\_\_\_ to me personally known to be the identical person(s)

who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires 8-06-06

*John G. Foster*  
Notary Public



NOTARY PUBLIC  
STATE OF KANSAS  
JOHN G. FOSTER  
MY APPT. EXPIRES 8-06-06

Acknowledgment For Corporation

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Be it remembered that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned, a Notary Public, duly commissioned, in and for the county of \_\_\_\_\_ and State of \_\_\_\_\_,

\_\_\_\_\_ came \_\_\_\_\_, \_\_\_\_\_ president of \_\_\_\_\_,

\_\_\_\_\_ a corporation of the State of \_\_\_\_\_, personally known to me to be such officer, and to be the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public



Rider

Attached and made a part of a certain Oil & Gas lease between Grace E. Zweggardt, Trustee of the Grace E. Zweggardt Trust dated December 28, 1999 as Lessor and J. Fred Hambricht, Inc., as Lessee, dated May 19, 2003.

## "Description of Lands Leased"

Lessor: Grace E. Zweggardt, Trustee of the Grace E. Zweggardt Trust dated December 28, 1999

TOWNSHIP 5 SOUTH, RANGE 39 WEST

- ✓ Tract #1 Section 5: SW/4
- ✓ Tract #2 Section 32: SE/4

TOWNSHIP 5 SOUTH, RANGE 40 WEST

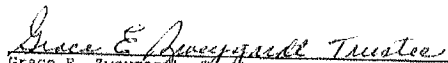
- ✓ Tract #1 Section 11: N/2
- ✓ Tract #2 Section 17: NE/4
- ✓ Tract #3 Section 27: NE/4

If the lands covered hereby are irrigated by the use of a self-propelled overhead sprinkler system, presently in operation or installed hereafter, the Lessee, prior to conducting operations hereon, shall consult with the Lessor in regard to said drilling operations. Said operations shall be conducted in such a manner as will least disturb or interfere with Lessor's irrigation system or the surface contours of the leased premises. Should any alterations to the surface contours be caused by its operations, Lessee, or his assigns, shall restore said surface contours to their former condition as nearly as is practicable. In the event of production and continued use of the surface, Lessee, or his assigns, will restore or prepare the surface and situate and install all equipment needed in connection therewith, so that Lessee's use will not interfere with the passage of said overhead sprinkler irrigation system. Lessee shall consult with Lessor in regard to the route of ingress and egress on said premises for the purpose of drilling and production.

Lessor shall have the right to take, in kind, lieu of money royalty, gas produced from any gas well drilled on the land herein described or on any land which is unitized, solely for use as fuel to pump water for irrigation of crops grown on the land herein described or on other lands farmed by Lessor; which right shall be subject to the following terms and conditions:

- (1) The quantity of gas taken shall not exceed the fraction of gas produced each month which Lessor is entitled to receive as royalty from gas produced from such well, and a corresponding reduction shall be made in gas royalty payments under the terms of this lease. The value of said gas based upon wellhead price.
- (2) Any gas so purchased by Lessor shall be purchased at a point designated by Lessee at or near the mouth of the well.
- (3) The Lessee shall install, operate and maintain at or near said designated point all connections, regulators and meters necessary to control and measure such gas, at the sole cost of Lessor.
- (4) All such meters and appurtenant equipment shall remain the property of Lessee. Lessor, at his own risk and expense and at locations that will not interfere with Lessee's lease operations, shall install, operate and maintain the line necessary to service engine operating the pumping equipment.
- (5) The equipment and facilities used in the purchase measurement and transportation of such gas and utilization and operation thereof shall at all times be in compliance with all reasonable current requirements of Lessee. Lessor will at all times hold Lessee harmless from all claims and liabilities arising from the taking, transportation and use of such gas.
- (6) Nothing herein contained shall operate by implication to enlarge or increase the obligations which Lessee would have in the absence of this section as to the operation of said well or impair any right it would otherwise have to determine the quantity of gas it shall produce at any particular time; and the purchase, transportation and use of such gas shall be without interference with or danger to Lessee's property or its rights and operations under the lease.
- (7) Should a breach of Lessor's obligation occur under this paragraph, Lessee shall notify Lessor in writing of such breach and Lessor shall remedy same within thirty (30) days, or Lessor's privilege, hereunder, to purchase such gas shall be revoked.
- (8) The wellhead price hereunder shall be the price per Mmbtu, including all escalations, adjustments and allowances, received by Lessee for the sale of its gas produced from leased premises.
- (9) It is understood that the gas supplied to Lessor is raw gas as produced at the well, and Lessee shall have no obligation to odorize the same; that the gas may contain water, natural gasoline or other liquids; that the pressure at the delivery point may fluctuate, and Lessor assumes the risk thereof.

The leased premises is now under flood irrigation. At such time as Lessee desires to commence drilling operations thereon, Lessee shall consult with Lessor in regard to and shall conduct its operations in such a manner as will least disturb, interfere with, or damage Lessor's irrigation system or the surface contours of the leased premises. Lessee shall promptly restore any damage caused by it to said irrigation system and/or surface contours to their former condition as nearly as possible. In the event of production and continued use of the surface, Lessee will restore or prepare the surface so that Lessee's use thereof will not prohibit use of remaining ground. Lessee shall consult with Lessor in regard to the route of ingress and egress on said premises for the purpose of drilling and production as to use of the surface for such ingress and egress.

  
 Grace E. Zweggardt, Trustee  
 Grace E. Zweggardt Trust



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

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed upon operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut-in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut-in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described land as to one or more of the formations thereunder with other land in the same general area by entering into a cooperative or unit plan of development or operations approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement. If the lease is committed to such a cooperative or unit plan of development or operation, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that lands described above, or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation where the production therefrom is allocated to different portions of the land covered by said plan, the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be a condition precedent to the bringing of any action by Lessor on this lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of said notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform its obligations hereunder. This lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and Lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

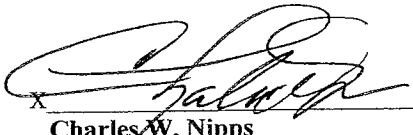
14. All express and implied covenants of this lease shall be subject to all federal, state, county or municipal laws, executive orders, rules and regulations, and Lessee's obligations and covenants hereunder, whether express or implied, shall be suspended at the time or from time to time as compliance with such obligations and covenants is prevented or hindered by or is in conflict with federal, state, county or municipal laws, rules, regulations or executive orders asserted as official by or under public authority claiming jurisdiction, an Act of God, adverse field, weather or market conditions, inability to obtain materials in the open market or transportation thereof, wars, strikes, lockouts, riots, or other conditions or circumstances not wholly controlled by Lessee, and this lease shall not be terminated in whole or in part, nor Lessee held liable in damages for failure to comply with any such obligations or covenants if compliance therewith is prevented or hindered by or is in conflict with any of the foregoing eventualities. The time during which Lessee shall be prevented from conducting drilling or reworking operations during the primary term of this lease, under the contingencies above stated, shall be added to the primary term of the lease.

15. Lessor hereby warrants and agrees to defend the title to the land 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 land, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof. The undersigned, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described therein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made.

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

17. Lessor hereby grants Lessee the exclusive option and right to renew all or any portion this lease for an additional five (5) year period any time prior to the expiration of the primary term, or if operations are being conducted on the leased premises at the expiration of the primary term in such a manner as to maintain this lease in effect, within thirty days of cessation of such operations. Said option will be exercised by notifying Lessor in writing of Lessee's election and by paying Lessor, as consideration, the original bonus amount per net acre tendered at the inception of this lease, said payment to be made to the Lessor or their successor, if any. In the event Lessee exercises its option to extend the primary term as provided herein, all other terms and conditions of this Lease shall remain unchanged.

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

  
Charles W. Nipps

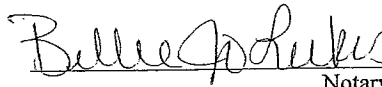
**INDIVIDUAL ACKNOWLEDGEMENT**

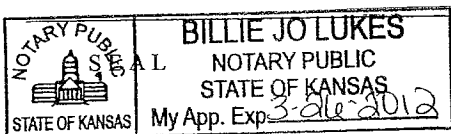
STATE OF Kansas SS.  
COUNTY OF Cheyenne

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, this 12<sup>th</sup> day of November, 2008, appeared Charles W. Nipps, a single man, personally to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS HEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires:

  
Notary Public



When recorded please return to:  
c/o Kurt Linhof  
Interzone Energy, Inc.  
5401 E. Dakota Ave., Unit 12  
Denver, CO 80220