



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

KANSAS CORPORATION COMMISSION 1054404  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 March 2010

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

**NOTICE OF INTENT TO DRILL**

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

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:
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
<input type="checkbox"/> Other: _____		<input type="checkbox"/> Air Rotary
		<input type="checkbox"/> Cable

If OWWO: old well information as follows:

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

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

Spot Description: \_\_\_\_\_  
 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W  
(Q/Q/Q/Q)  
 \_\_\_\_\_ 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**

<p><b>For KCC Use ONLY</b></p> <p>API # 15 - _____</p> <p>Conductor pipe required _____ feet</p> <p>Minimum surface pipe required _____ feet per ALT. <input type="checkbox"/> I <input type="checkbox"/> II</p> <p>Approved by: _____</p> <p><b>This authorization expires:</b> _____  <small>(This authorization void if drilling not started within 12 months of approval date.)</small></p> <p>Spud date: _____ Agent: _____</p>
--

**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



1054404

**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

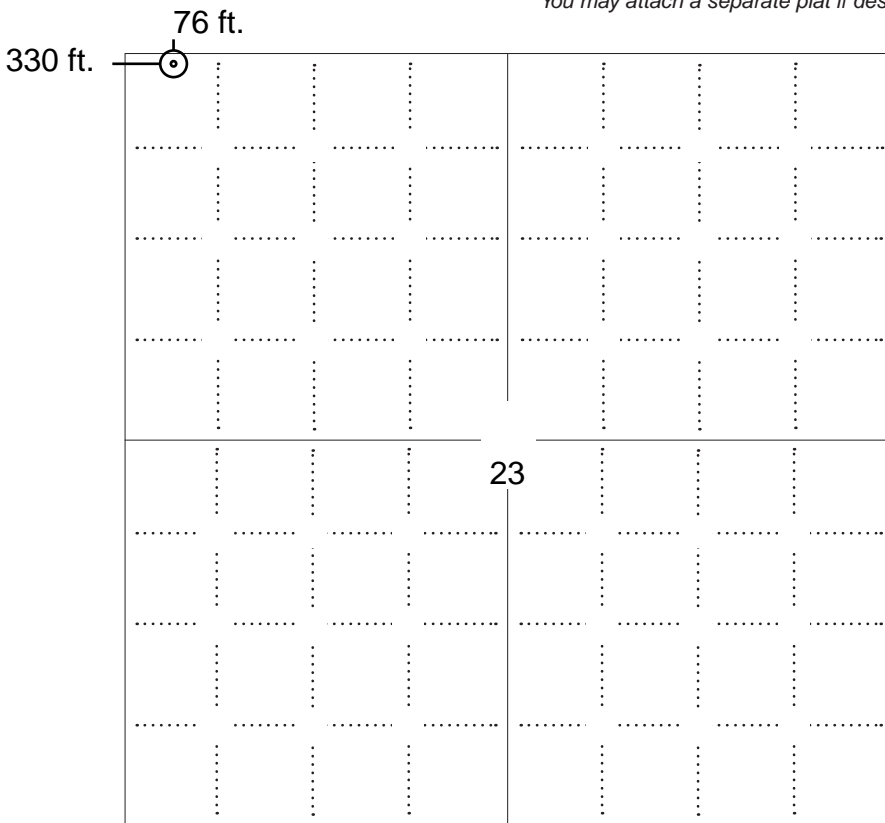
Is Section:  Regular or  Irregular

**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:

- 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.
- The distance of the proposed drilling location from the south / north and east / west outside section lines.
- The distance to the nearest lease or unit boundary line (in footage).
- 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).
- The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



KANSAS CORPORATION COMMISSION 1054404  
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.	
<p><b>Submitted Electronically</b></p>			

**KCC OFFICE USE ONLY**

Liner     Steel Pit     RFAC     RFAS

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



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

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

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

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

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

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

**Surface Owner Information:**

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

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

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

**Select one of the following:**

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

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

I Submitted Electronically

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this 10 day of November, 2010, by and MAX O. HEIM A/K/A MAX OTTO HEIM OR MARY R. HEIM, TRUSTEES OF THE MAX O. HEIM TRUST, DATED MAY 10, 1996, Parties of the first part, hereinafter called Lessors; and PROSPECT OIL AND GAS, INC., Party of the second party, hereinafter called Lessee.

WITNESSETH, that the said Lessors, for and in consideration of One Dollar (\$1.00) per acre, cash and in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, have granted, demised, leased and by these presents do grant, demise, lease and let unto said Lessee, for the sole and only purpose of mining and operating for oil and gas, and laying and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Russell, State of Kansas, described as follows, to-wit:

The South Half of the Southwest Quarter (S/2 SW/4) of Section Fourteen  
(14), Township Fourteen (14) South, Range Thirteen  
(13) West, Russell County, Kansas.

It is agreed that this lease shall remain in full force for two (2) years, and as long as thereafter as oil or gas, or either of them, is produced from said land by the Lessee. In consideration of the premises, said Lessee covenants and agrees:

1. To deliver to the credit of Lessors, free of cost, in the pipe line to which Lessee may connect its wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
2. To pay Lessors for gas from each well where gas only is found the equal one-eighth (1/8) of the gross proceeds at the prevailing market rate, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8) of the proceeds received by Lessee from such sale), for all gas used off the premises, said payments to be made quarterly.
3. If said Lessors own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the Lessors only in the proportion which his interest bears to the whole and undivided fee, and the signing of this agreement shall be binding on each of the above named parties who sign, regardless of whether it is signed by any of the other parties.
4. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessors.
5. When requested by Lessors, Lessee shall bury his pipe line below plow depth.
6. Lessee shall pay for damages caused by his operations to growing crops on said land.

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

8. 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.

9. 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 the like effect as if such well had been completed within the term of years herein first mentioned.

10. If the estate of either party hereto is assigned, and the privileges of assigning in whole or in part is expressly allowed, the covenants here shall extend to their heirs, executors, administrators, successors and 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; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall default in the payment of the proportionate part of the rents due from him or them such default shall not operate to defeat or affect this lease in so far as it covers a part of said lands upon which said Lessee or any assignee thereof shall make due payments of said rentals.

11. Lessors hereby warrant and agree to defend the title to the lands herein described, and agree that the Lessee shall have the right at any time to redeem for Lessors by payments, and mortgages, taxes or other liens on the above described lands, in the event of default of payments by Lessors, and be subrogated to the rights of the holder thereof.

12. In the event of production, Lessee and/or assigns agree to maintain the appearance of the lease within standards of the area, maintain and keep equipment painted, place necessary cattle guards, fence the well sites and the tank battery and/or batteries, and if no serious attempt is made to produce oil or gas for one year period of time, Lessee agrees to return property back to its original state as nearly as practicable within 120 days after that one year period. In the event of a dry hole and/or abandonment of a well on this lease, Lessee and/or Assigns agree to close and level pits, clean up and remove debris and put land back, as near as practicable to what it was before such operations, at Lessee's and or Lessee's assigns expense.

13. The washing down, re-opening, re-working, or re-activation and producing of oil from any plugged or abandoned well located upon the above described land shall be and is considered the drilling of a new well on the above described real estate under the terms and/or provisions of this lease and shall extend the term of this lease as fully as though a new well had been drilled.

14. Lessee, at its option, is hereby given the right and power to pool or combine into one or more units the land covered by this lease, or any portion thereof, with other land covered by another lease, or leases when, in lessee's judgment, it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of

such minerals in and under said land, such pooling to be in a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the even of a gas and/or condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Government Survey quarter sections. Lessee shall execute in writing and file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units shall be treated for all purposes, except the payments of royalties on production from the pooled unit, as if it were included in this lease. If production is found or any part of the pooled acreage it shall be treated as if production is had from this lease whether any well is located on the land covered by this lease or not. Any well drilled on any such unit shall be and constitute a well hereunder. In lieu of the royalties elsewhere herein specified Lessors shall receive on production from the unit so pooled only such portion of the royalty stipulated herein as the amount of his net royalty interest therein on an acreage basis bears to the total mineral acreage so pooled in the particular unit involved.

Whereof, witness our hands as of the day and year first above written.

Max O. Heim  
Max O. Heim

Mary R. Heim  
Mary R. Heim

STATE OF KANSAS, RUSSELL COUNTY SS:

BE IT REMEMBERED that on this 10 day of November, 2010, before me, the undersigned, a Notary Public, within and for said county, personally appeared Max O. Heim a/k/a Max Otto Heim and Mary R. Heim. Trustees of the Max O. Heim Trust, dated May 10, 1996, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purpose therein set forth, and further that he has the authority under the terms of said trust to so lease said real estate.

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

**Gayle Gfeller**  
Notary Public - State of Kansas  
Russell County  
My Commission Expires 9.8.2012

Gayle Gfeller  
Notary Public

My Commission Expires: \_\_\_\_\_

Computer   
Numerical \_\_\_\_\_  
Misc. \_\_\_\_\_



State of Kansas, Russell County, ss  
This instrument filed for record  
December 1, 2010

3:15 P M. Recorded in  
Book 214 Page 447-449

Dee Ann Matheson  
Register of Deeds

\$16.00

OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this 14<sup>th</sup> day of December, 2010, by and JIMMY L. STRACHAN, A SINGLE PERSON, Party of the first part, hereinafter called Lessor; and PROSPECT OIL AND GAS INC., Party of the second party, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars (\$10.00) and other valuable consideration, cash and in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, have granted, demised, leased and by these presents do grant, demise, lease and let unto said Lessee, for the sole and only purpose of mining and operating for oil and gas, and laying and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Russell, State of Kansas, described as follows, to-wit:

The Northwest Quarter (NW/4) of Section Twenty-three  
(23), Township Fourteen (14) South, Range Thirteen  
(13) West, Russell County, Kansas.

It is agreed that this lease shall remain in full force for two (2) years, and as long as thereafter as oil or gas, or either of them, is produced from said land by the Lessee, and that Lessee pays to the Lessor after the expiration of each year, a sum equal to that paid to Lessor upon the execution of this lease.

In consideration of the premises, said Lessee covenants and agrees:

1. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect its wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
2. To pay Lessor for gas from each well where gas only is found the equal one-eighth (1/8) of the gross proceeds at the prevailing market rate, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8) of the proceeds received by Lessee from such sale), for all gas used off the premises, said payments to be made quarterly.
3. If said Lessor own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee, and the signing of this agreement shall be binding on each of the above named parties who sign, regardless of whether it is signed by any of the other parties.
4. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.
5. When requested by Lessor, Lessee shall bury his pipe line below plow depth.



6. Lessee shall pay for damages caused by his operations to growing crops on said land.
7. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessor.
8. 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.
9. 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 the like effect as if such well had been completed within the term of years herein first mentioned.
10. If the estate of either party hereto is assigned, and the privileges of assigning in whole or in part is expressly allowed, the covenants here shall extend to their heirs, executors, administrators, successors and 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; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall default in the payment of the proportionate part of the rents due from him or them such default shall not operate to defeat or affect this lease in so far as it covers a part of said lands upon which said Lessee or any assignee thereof shall make due payments of said rentals.
11. Lessor hereby warrant and agree to defend the title to the lands herein described, and agree that the Lessee shall have the right at any time to redeem for Lessors by payments, and mortgages, taxes or other liens on the above described lands, in the event of default of payments by Lessor, and be subrogated to the rights of the holder thereof.
12. In the event of production, Lessee and/or assigns agree to maintain the appearance of the lease within standards of the area, maintain and keep equipment painted, place necessary cattle guards, fence the well sites and the tank battery and/or batteries, and if no serious attempt is made to produce oil or gas for one year period of time, Lessee agrees to return property back to its original state as nearly as practicable within 120 days after that one year period. In the event of a dry hole and/or abandonment of a well on this lease, Lessee and/or Assigns agree to close and level pits, clean up and remove debris and put land back, as near as practicable to what it was before such operations, at Lessee's and or Lessee's assigns expense.
13. The washing down, re-opening, re-working, or re-activation and producing of oil from any plugged or abandoned well located upon the above described land shall be and is considered the drilling of a new well on the above described real estate under the terms and/or provisions of this lease and shall extend the term of this lease as fully as though a new well had been drilled.
14. Lessee, at its option, is hereby given the right and power to pool or combine into one or more units the land covered by this lease, or any portion thereof, with other land covered

by another lease, or leases when, in lessee's judgment, it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of such minerals in and under said land, such pooling to be in a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the even of a gas and/or condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Government Survey quarter sections. Lessee shall execute in writing and file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units shall be treated for all purposes, except the payments of royalties on production from the pooled unit, as if it were included in this lease. If production is found on any part of the pooled acreage it shall be treated as if production is had from this lease whether any well is located on the land covered by this lease or not. Any well drilled on any such unit shall be and constitute a well hereunder. In lieu of the royalties elsewhere herein specified Lessor shall receive on production from the unit so pooled only such portion of the royalty stipulated herein as the amount of his net royalty interest therein on an acreage basis bears to the total mineral acreage so pooled in the particular unit involved.

Whereof, witness our hands as of the day and year first above written.

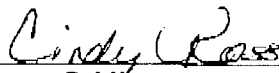
  
 Jimmy L. Strachan

STATE OF KANSAS, RUSSELL COUNTY SS:

BE IT REMEMBERED that on this 14th day of December, 2010, before me, the undersigned, a Notary Public, within and for said county, personally appeared Jimmy L. Strachan, a single person, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purpose therein set forth.

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



  
 Notary Public

My Commission Expires: June 1, 2012

Computer   
 Numerical \_\_\_\_\_  
 Elec. \_\_\_\_\_



State of Kansas, Russell County, ss  
 This instrument filed for record  
 April 5, 2011  
 3:55 P M. Recorded in  
 Book 214 Page 976-978  
 De Ann Matheson  
 Registrar of Deeds  
 \$16.00

BOOK 214 PAGE 0978

### OIL AND GAS LEASE

THIS AGREEMENT, Made and entered into this 17<sup>th</sup> day of December, 2010, by and between JOHN W. STRACHAN AND KAREN STRACHAN, HUSBAND AND WIFE; KENNETH G. STRACHAN, A SINGLE PERSON; AND VERLINDA S. STRACHAN, A SINGLE PERSON, Parties of the first part, hereinafter called Lessors; and PROSPECT OIL AND GAS INC., Party of the second party, hereinafter called Lessee.

WITNESSETH, that the said Lessors, for and in consideration of Ten Dollars (\$10.00) and other valuable consideration, cash and in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, have granted, demised, leased and by these presents do grant, demise, lease and let unto said Lessee, for the sole and only purpose of mining and operating for oil and gas, and laying and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Russell, State of Kansas, described as follows, to-wit:

The Northwest Quarter (NW/4) of Section Twenty-three  
(23), Township Fourteen (14) South, Range Thirteen  
(13) West, Russell County, Kansas.

It is agreed that this lease shall remain in full force for two (2) years, and as long as thereafter as oil or gas, or either of them, is produced from said land by the Lessee, and that Lessee pays to the Lessors after the expiration of each year, a sum equal to that paid to Lessors upon the execution of this lease.

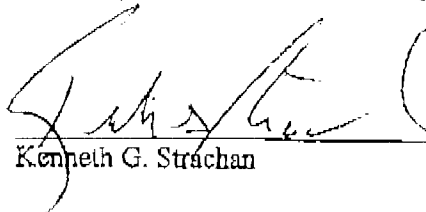
In consideration of the premises, said Lessee covenants and agrees:

1. To deliver to the credit of Lessors, free of cost, in the pipe line to which Lessee may connect its wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.
2. To pay Lessors for gas from each well where gas only is found the equal one-eighth (1/8) of the gross proceeds at the prevailing market rate, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8) of the proceeds received by Lessee from such sale), for all gas used off the premises, said payments to be made quarterly.
3. If said Lessors own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the Lessors only in the proportion which his interest bears to the whole and undivided fee, and the signing of this agreement shall be binding on each of the above named parties who sign, regardless of whether it is signed by any of the other parties.
4. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessors.

5. When requested by Lessors, Lessee shall bury his pipe line below plow depth.
6. Lessee shall pay for damages caused by his operations to growing crops on said land.
7. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessors.
8. 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.
9. 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 the like effect as if such well had been completed within the term of years herein first mentioned.
10. If the estate of either party hereto is assigned, and the privileges of assigning in whole or in part is expressly allowed, the covenants here shall extend to their heirs, executors, administrators, successors and 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; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall default in the payment of the proportionate part of the rents due from him or them such default shall not operate to defeat or affect this lease in so far as it covers a part of said lands upon which said Lessee or any assignee thereof shall make due payments of said rentals.
11. Lessors hereby warrant and agree to defend the title to the lands herein described, and agree that the Lessee shall have the right at any time to redeem for Lessors by payments, and mortgages, taxes or other liens on the above described lands, in the event of default of payments by Lessors, and be subrogated to the rights of the holder thereof.
12. In the event of production, Lessee and/or assigns agree to maintain the appearance of the lease within standards of the area, maintain and keep equipment painted, place necessary cattle guards, fence the well sites and the tank battery and/or batteries, and if no serious attempt is made to produce oil or gas for one year period of time, Lessee agrees to return property back to its original state as nearly as practicable within 120 days after that one year period. In the event of a dry hole and/or abandonment of a well on this lease, Lessee and/or Assigns agree to close and level pits, clean up and remove debris and put land back, as near as practicable to what it was before such operations, at Lessee's and or Lessee's assigns expense.
13. The washing down, re-opening, re-working, or re-activation and producing of oil from any plugged or abandoned well located upon the above described land shall be and is considered the drilling of a new well on the above described real estate under the terms and/or provisions of this lease and shall extend the term of this lease as fully as though a new well had been drilled.

14. Lessee, at its option, is hereby given the right and power to pool or combine into one or more units the land covered by this lease, or any portion thereof, with other land covered by another lease, or leases when, in lessee's judgment, it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of such minerals in and under said land, such pooling to be in a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas and/or condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Government Survey quarter sections. Lessee shall execute in writing and file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units shall be treated for all purposes, except the payments of royalties on production from the pooled unit, as if it were included in this lease. If production is found on any part of the pooled acreage it shall be treated as if production is had from this lease whether any well is located on the land covered by this lease or not. Any well drilled on any such unit shall be and constitute a well hereunder. In lieu of the royalties elsewhere herein specified Lessors shall receive on production from the unit so pooled only such portion of the royalty stipulated herein as the amount of his net royalty interest therein on an acreage basis bears to the total mineral acreage so pooled in the particular unit involved.

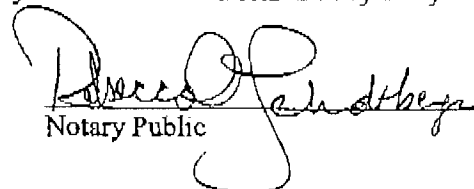
Whereof, witness our hands as of the day and year first above written.

  
 \_\_\_\_\_  
 Kenneth G. Strachan

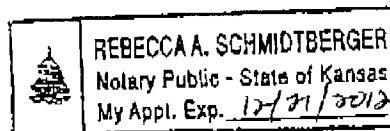
STATE OF KANSAS, RUSSELL COUNTY SS:

BE IT REMEMBERED that on this 17<sup>th</sup> day of December, 2010, before me, the undersigned, a Notary Public, within and for said county, personally appeared Kenneth G. Strachan, a single person, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purpose therein set forth.

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

  
 Notary Public

My Commission Expires: 12/31/2012



Verlinda S. Strachan  
Verlinda S. Strachan

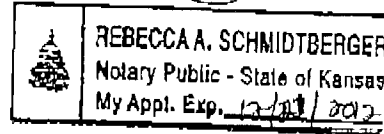
STATE OF KANSAS, RUSSELL COUNTY SS:

BE IT REMEMBERED that on this 17<sup>th</sup> day of December, 2010, before me, the undersigned, a Notary Public, within and for said county, personally appeared Verlinda S. Strachan, a single person, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purpose therein set forth.

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

Rebecca A. Schmidtberger  
Notary Public

Commission Expires: 12/31/2012



John W. Strachan  
John W. Strachan

Karen Strachan  
Karen Strachan

STATE OF KANSAS, RUSSELL COUNTY SS:

BE IT REMEMBERED that on this 31<sup>st</sup> day of December, 2010, before me, the undersigned, a Notary Public, within and for said county, personally appeared John W. Strachan and Karen Strachan, husband and wife, to me personally known to be the identical persons 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 purpose therein set forth.

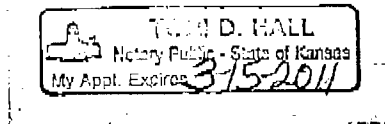
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

Tom D. Hall  
Notary Public

My Commission Expires: March 15, 2011



State of Kansas, Russell County, ss  
This instrument filed for record  
April 5, 2011  
3:55 P M. Recorded in  
Book 214 Page 979-983  
Den Ann Matheson  
Register of Deeds  
\$24.00



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: Prospect Oil & Gas Corp.  
 Lease: Strachan/Heim Unit  
 Well Number: 1  
 Field: Hall-Gurney Northeast

Location of Well: County: Russell  
 76 feet from  N /  S Line of Section  
 330 feet from  E /  W Line of Section  
 Sec. 23 Twp. 14 S. R. 13  E  W

Number of Acres attributable to well:  
 QTR/QTR/QTR/QTR of acreage: N/2 - NW - NW - NW

Is Section:  Regular or  Irregular

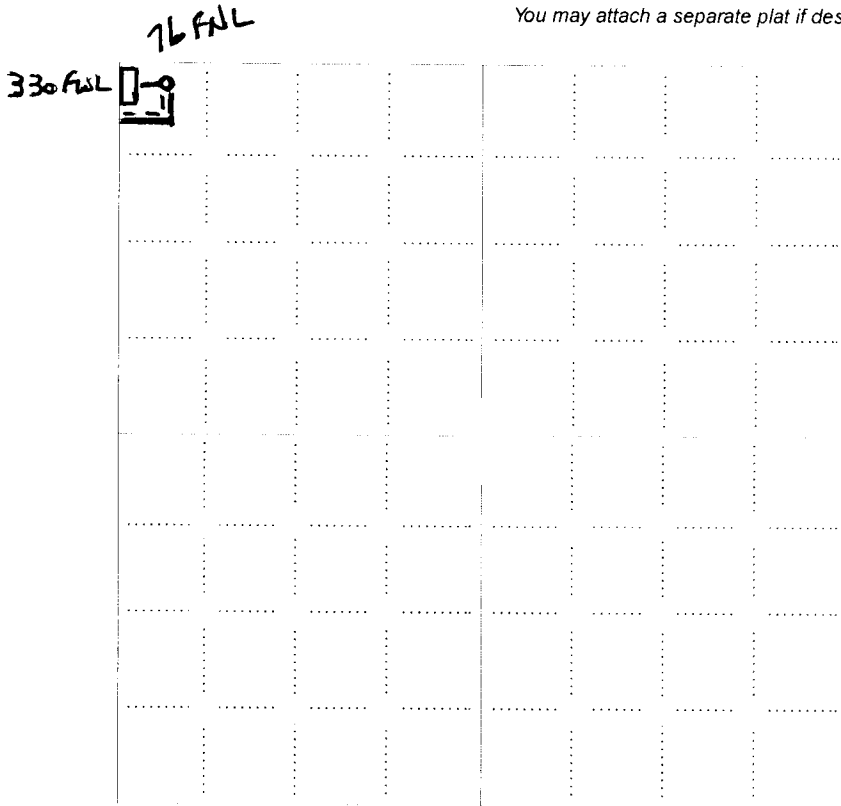
**If Section is Irregular, locate well from nearest corner boundary.**

Section corner used:  NE  NW  SE  SW

**PLAT**

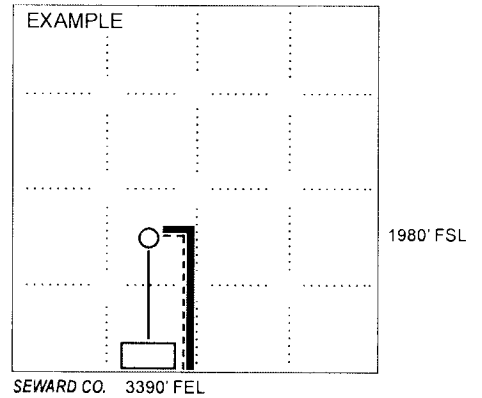
Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

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.



Conservation Division  
Finney State Office Building  
130 S. Market, Rm. 2078  
Wichita, KS 67202-3802



phone: 316-337-6200  
fax: 316-337-6211  
<http://kcc.ks.gov/>

Thomas E. Wright, Chairman  
Ward Loyd, Commissioner

Corporation Commission

Sam Brownback, Governor

April 21, 2011

Brad Hutchinson  
Prospect Oil & Gas Corp  
PO BOX 837  
RUSSELL, KS 67665-0837

Re: Drilling Pit Application  
Strachan/Heim Unit 1  
NW/4 Sec.23-14S-13W  
Russell County, Kansas

Dear Brad Hutchinson:

District staff has inspected the above referenced location and has determined that the reserve pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as practical after drilling operations have ceased. Keep pits away from draw/drainage.

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

The fluids should be taken to an authorized disposal well. Please call the District Office at (785) 625-0550 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.** If you have any questions or concerns please feel free to contact the District Office at (785) 625-0550.