For KCC Use:

Eff	e	ct	iv	е	Date

District	#	

SGA?	Yes	No

KANSAS CORPORATION COMMISSION **OIL & GAS CONSERVATION DIVISION**

March 2010 Form must be Typed Form must be Signed All blanks must be Filled

Form C-1

1055907

NOTICE (OF INTENT	TO DRILL
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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:	Spot Description:
month day year	
OPERATOR: License#	feet from N / S Line of Section
Name:	Feet from E / W Line of Section
Address 1:	Is SECTION: Regular Irregular?
Address 2:	(Note: Locate well on the Section Plat on reverse side)
City: State: Zip: +	County:
Contact Person:	Lease Name: Well #:
Phone:	Field Name:
CONTRACTOR: License#	Is this a Prorated / Spaced Field?
Name:	· · · ·
Well Drilled For: Well Class: Type Equipment: Oil Enh Rec Infield Mud Rotary Gas Storage Pool Ext. Air Rotary Disposal Wildcat Cable Seismic ; # of Holes Other Other:	Target Formation(s):
	Water Source for Drilling Operations:
Directional, Deviated or Horizontal wellbore?	Well Farm Pond Other:
If Yes, true vertical depth:	
Bottom Hole Location:	DWR Permit #:(Note: Apply for Permit with DWR)
KCC DKT #:	Will Cores be taken?
	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 E	Electronically
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For KCC Use ONLY	
API # 15	
Conductor pipe required	feet
Minimum surface pipe required	feet per ALT.
Approved by:	
This authorization expires:	
Spud date: Agent:	

Remember to:

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

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For KCC Use ONLY

API # 15 -_

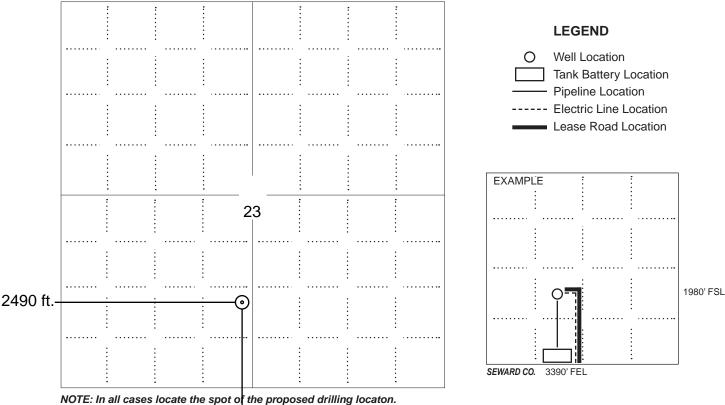
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	Sec Twp S. R E 📃 W
Number of Acres attributable to well: QTR/QTR/QTR/QTR of acreage:	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.



1170 ft. In plotting the proposed location of the well, you must show:

- 1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
- 2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
- 5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

Side Two



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION 1055907

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):
(31)	Artificial Liner?	(bbls) No No	
Depth from ground level to deepest point:			
Distance to nearest water well within one-mile of pit:		Source of inforr	
feet Depth of water wellfeet			kover and Haul-Off Pits ONLY:
Emergency, Settling and Burn Pits ONLY: 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?		Type of materia Number of work Abandonment p	ial utilized in drilling/workover:
Submitted Electronically			
	KCC	OFFICE USE OI	DNLY
Date Received: Permit Num	ber:	Permi	

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202



KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT Form KSONA-1 July 2010 Form Must Be Typed Form must be Signed All blanks must be Filled

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 #	Well Location:		
Name:			
Address 1:	County:		
Address 2:	Lease Name: Well #:		
City: Zip: Contact Person:	If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:		
Phone: () Fax: () Email Address:			
Surface Owner Information:			
Name:	When filing a Form T-1 involving multiple surface owners, attach an additional		
Address 1:	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		
Address 2:	county, and in the real estate property tax records of the county treasurer.		
City: State: Zip:+			

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

Select one of the following:

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

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

Submitted Electronically

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API # 15 -_

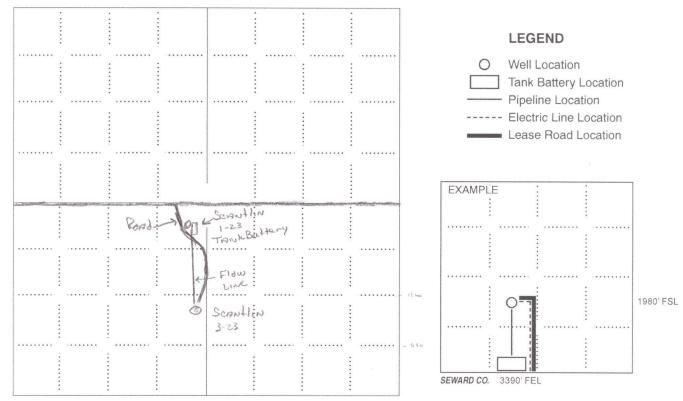
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: Raydon Exploration, Inc	Location of Well: County: Seward
Lease: Scantlin	1,170feet from N / X S Line of Section
Well Number: 3-23	2,490 feet from E / X U Line of Section
Field: Wildcat	Sec. 23 Twp. 32 S. R. 32 E 🛛 W
Number of Acres attributable to well: QTR/QTR/QTR/QTR of acreage: NENESESW	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.

Side Two

DESIGNATION OF CONSOLIDATION AND UNITIZATION

STATE OF KANSAS

COUNTY OF SEWARD

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WHEREAS, the undersigned is the owner of record of the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, each of said lease grants to the lessee therein, its heirs, administrators, trustees and assigns the right and privilege to combine all or any part of the oil leasehold estate and the lessor's oil royalty estates created by the leases and with the oil rights of any other lands, lease or leases so as to create by consolidation of said leases one or more consolidated oil leasehold estates not to exceed 80 acres each; and

WHEREAS, the undersigned, desires to exercise the consolidation and pooling rights granted to them under each of the leases hereinabove specifically described.

NOW THEREFORE, the undersigned, pursuant to the consolidation, unitization and pooling provisions of said oil and gas leases, does hereby designate and describe the following lands as a consolidated and pooled oil leasehold estate for the purpose of exploration, development and production of oil:

TOWNSHIP 32 SOUTH, RANGE 32 WEST Section 23: SE/4 SW/4 and SW/4 SE/4

Covering 80.00 acres more or less, all in accordance with the terms, provisions and conditions of said oil and gas leases.

EXECUTED THIS 14th day of June, 2011.

Raydon Exploration, Inc.

By: Tom R. Gray, Vice President

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA)

On this 14th day of June, 2011, before me, the undersigned, a Notary Public in and for said County and State, personally appeared **Tom R. Gray, Vice-President of Raydon Exploration, Inc.**, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its **Vice-President** and acknowledged to me that **he** executed the same as **his** free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes wherein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires:

April 20, 2013

Janet M. Muschinske, Notary Public



Exhibit "A"

Attached hereto and made a part hereof that certain Declaration of Consolidation and Unitization dated June 14, 2011 covering the SE/4 SW/4 and SW/4 SE/4 of Section 23-32S-32W, Seward County, KS.

LESSOR:	Melinda Roehr Scantlin
LESSEE:	Raydon Exploration, Inc.
DATED:	March 28, 2011
RECORDED:	Book 639, Page 181
DESCRIPTION:	SE/4 Section 23-32S-32W, Seward County, KS
LESSOR:	Melinda Roehr Scantlin
LESSEE:	Raydon Exploration, Inc.
DATED:	March 28, 2011
RECORDED:	Book 639, Page 187
DESCRIPTION:	SW/44 Section 23-32S-32W, Seward County, KS

OIL AND GAS LEASE (PAID UP)

AGREEMENT, Made and entered into this <u>28th</u> day of <u>March, 2011</u>, by and between: <u>Melinda</u> <u>Roehr Scantlin</u>, 14406 Briarwood Lane, Urbandale, IA 50323 Party of the first part, hereinafter called Lessor (whether one or more), and <u>Raydon Exploration, Inc.</u>, 1601 NW Expressway, Suite _{\$\$\empsilon\$} 1300, Oklahoma City, OK 73118, party of the second part, hereinafter called lessee.

WITNESSETH, That the said Lessor, for and in consideration of ONE OR MORE DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of <u>Seward</u>, State of <u>Kansas</u>, towit:

Southeast Quarter (SE/4), covering all depths not subject to that certain Oil and Gas Lease dated July 24, 2003, recorded in Book 556, Page 027, by and between Melinda Roehr Scantlin as Lessor and Raydon Exploration, Inc. as Lessee

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

of Section 23, Township 32 South, Range 32 West and containing <u>160.00</u> gross acres, more or less.

It is agreed that this lease shall remain in force for a term of $\underline{\text{two}}(2)$ years from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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

1st. To deliver to the credit of Lessor free of cost, in the pipe line to which it may connect its wells, the three-sixteenths (3/16th) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom, three-sixteenths (3/16th of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than three-sixteenths (3/16th) of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this leased of this leased of the entire lease.

3rd. To pay Lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, three-sixteenths (3/16th) of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had beencompleted within the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were

BOOK 639 PAGE 181

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RAYDON EIPLORATION

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covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

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

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of Lessor.

When requested by the Lessor, lessee shall bury his pipe lines below plow depth.

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.

Lessee shall pay for all damages caused by its operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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

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

This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

IN TESTIMONY WHEREOF, we sign this the _____ day of _____, 2011.

LESSOR:

Melinda Roehr Scantlir Santt

(Acknowledgment for Individual)

STATE OF IOWA

SS:

COUNTY OF POLK

This instrument was acknowledged before me on the _____day of ____, 2011, by Melinda Roehr Scantlin.

My commission expires				
Aug 03,2012		S	2	
		otary Public		
STALL OF TOWN	SAMANTHA LAMBERT Commission Number 759407 My Commission Expires August 03, 2012			
	BOOK	639 page	182	

Exhibit "A"

Attached hereto and made a part hereof that certain Oil and Gas Lease dated March 28, 2011 by and between Melinda Roehr Scantlin, as Lessor and Raydon Exploration, Inc. as Lessee.

- This lease is subject to that certain Oil and Gas lease dated June 6, 1990, by and between Mildred A. Roehr and Michael J. Bennett recorded in Book 414 at page 566, and Oil and Gas Lease dated June 26, 1990, by and between Melinda D. Roehr and Michael J. Bennett recorded in Book 416 at Page 638.
- 2. It is understood and agreed that this lease covers any reversionary rights of Lessor. In the event the title to any interest in said lands should revert to Lessor, or his heirs, or his or their grantee, this lease shall cover such reversion.
- 3. Lessee covenants that no thunder truck or similar earth vibrating equipment will be operated on the leased premises without the written permission of Lessor.
- 4. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary production equipment such as heater treaters and separators customarily used. Lessee agrees to install necessary production and/or metering equipment along the access road to any well and where the well or wells can be satisfactorily and safely produced, meter houses and other production equipment shall be located adjacent to any county or state road or highway adjoining the above described premises. It is understood, however, that the sale of gas at a meter installed along the lease or property line shall, for the purpose of this lease, be considered to be a wellhead sale.
- 5. Lessor reserves all right to grant, lease, mine and/or produce any minerals from said lands except interest in gas and oil and their constituent products herein leased to Lessee.
- 6. Lessor shall have the right to purchase from Lessee gas from any gas well on the leased premises or on any land pooled therewith for his or his tenant's use in farming, including fuel for pumping water wells for irrigation both on and off the land covered by this lease and grain drying, subject to the following:
 - Lessor shall have the right to purchase from any gas well up to Lessor's proportionate share of 3/16 royalty of the gas produced from such gas well;
 - b. Any gas so purchased by Lessor shall be purchased at a point to be designated by Lessee at or near the mouth of the well;
 - c. 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,
 - d. 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 flow line it utilizes.
 - e. 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.
 - f. 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.
 - g. Should a breach of Lessor's obligation occur under this Paragraph 6 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.

BOOK 639 PAGE 183

- h. In the event the well shall be shut=in and not producing Lessor shall, nevertheless, have the right to purchase such gas from the well as is normally used for Lessor's or his tenant's irrigation and drying as set forth above and Lessor shall not be limited by reason of the shut-in provision.
- 7. Lessee agrees, as a part of the consideration of this lease, that there shall be no monthly minimum charge by the Lessee to Lessor for use of irrigation gas as provided for in Paragraph 6 of this Addendum.
- 8. Lessee shall pay for all damages caused by its operations on said land. All power lines shall be buried below 48 inches in depth. Lessor reserves the right to designate all routes of ingress and egress. Prior to the construction of any new roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult and agree with the surface owner and/or the tenant as to the location and direction of same. Lessee covenants to pay Lessor, as damages, a minimum of \$10.00 per rod for any road, pipeline or power line crossing constructed by Lessee, whether connected to the well on the leased premises or not. All damages shall be due and payable on or before three (3) months after same occur. There shall be no oil road surfaces or hard surfacing on any access roads without the written consent of Lessor.
- 9. It is the intention of the parties hereto to cause as little interference with the farming operations on said land as possible, including but not specifically limited to the present operation of pivotal irrigation sprinkler systems, or any other irrigation method. In this connection, any equipment required for production of oil or gas will be placed on the land at such a level or with the height of such equipment at a level which will permit the current circular sprinkler systems to operate on said land. Lessee agrees that it will not interfere with the passage of the sprinkler system and will, at its expense, place the equipment in pits or other depressions below the normal surface or may erect earth ramps as necessary to assist in elevating and carrying the sprinkler system over and above the wellhead or other required equipment located on the premises. The drilling and reworking equipment are excepted during such operations. Tanks and other storage structures shall be placed where mutually agreed upon by the parties. Any mud or other pits will be excavated in such a manner and location that the wheels of the center pivot sprinkler will pass over any undisturbed earth, that is; all pits shall be between the areas used by the sprinkler wheels. In the event any excavation, other than the well hole, is made on flood type irrigated ground, then Lessee at the request of Lessor, covenants and agrees to water pack all such excavations. All pits will be outside the irrigated land.
- 10. In the event that there is not production in paying quantities found by any operations undertaken by Lessee and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease is executed. After the obligation to restore, as nearly as practicable as possible, wear and tear and damages by the elements excepted. It is expressly provided, that should Lessee fail to comply with the terms and conditions of abandonment and restoration of the surface location of any oil and gas well, as provided in this Paragraph, then the well and all equipment appurtenant thereto shall become the property of the Lessor.
- 11. It is understood and agreed that any shut-in royalties due and payable under the terms of this lease shall be computed and paid on the basis of \$5.00 per net mineral acre covered hereby.
- 12. Lessee agrees that no time during the life of this lease shall the royalty paid to the Lessor for a yearly period commencing with first production from the well be less than \$5.00 per net mineral acre covered hereby. Such deficiency, if any, shall be paid to Lessor by Lessee within thirty (30) days after written notice and demand thereof is made by Lessor to Lessee.
- 13. Lessee shall fence all slush pits and areas containing equipment, chemicals or other substances which may be harmful to livestock of Lessor and/or Lessor's surface tenant.
- 14. Notwithstanding anything to the contrary herein, it is agreed and understood that two (2) years after the end of the primary term of this lease, in the event no drilling operations are in progress, and this lease is being maintained solely by production, this lease shall thereupon terminate as to the oil and gas rights in all zones and formations of the leased premises from which Lessee is not then producing oil or gas in paying quantities. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of the lease covering such non-producing zones or formations within sixty (60) days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such release.

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- 15. Lessee hereby agrees to pay for any and all damages occasioned to the land by its operations hereunder, including grass, livestock, crops and improvements; Lessee shall pay Lessor a reasonable amount but not less than \$7,000.00 for each new drillsite location on the leased premises. Upon completion of Lessee's drilling operations on each well, Lessee agrees to restore the premises to as nearly as practical the same condition they were in prior to the commencement of operations hereunder. Topsoil will be stacked apart from other soil disturbed by drilling operations, and topsoil will be returned to the ground as topsoil. All trash and debris shall be removed before the surface of the premises is restored. No deadman or other anchors shall be left on the property after drilling whether completed as a producing well or dry hole.
- 16. Lessor, at his sole risk, shall have ingress and access to all of Lessee's gas meters and gauges owned or controlled by the Lessee at reasonable times for the sole purpose of checking proper and accurate operations. Lessor shall be accompanied by Lessee's representative.
- 17. The Lessee agrees with the Lessor that in connection with the operation and development of the above described leased premises, it will use its best effort and follow the general practiced customary within the industry to protect all fresh water strata and the surface from pollution by saltwater and other refuse.
- 18. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this lease shall be paid by the Lessee.
- 19. Notwithstanding anything to the contrary herein contained, Lessor and Lessee herein agree, acknowledge and understand that this lease shall at all times and all respects be subject to valid orders, rules and regulations of any duly constituted governmental or other authority having jurisdiction of the subject matter hereof.
- 20. Lessor is hereby given a conditional right to use any well drilled on the leased premises as a saltwater disposal well; it is however provided that this right is expressly subject to the following conditions:
 - a. Lessee shall not be permitted to use any well on the leased premises to dispose of salt water produced from any well(s) other than those wells located on the leased premises or on lands unitized or consolidated with land covered by this lease.
 - b. The installation of any saltwater disposal equipment by Lessee in the operation of the lease shall be subject to the approval of Lessor.
 - c. Should the wellsite location of any saltwater disposal well require the installation of any surface equipment in excess of the "wellhead" itself, Lessee hereby agrees to pay Lessor a yearly surface rental of not less than \$500.00 for the right to use the surface area for such purpose; it is provided that the initial surface rental payment shall be due and payable within ninety (90) days of the placement of such structures and all such subsequent surface rental payments made on an annual basis.
 - d. Lessor hereby further reserves the right from time to time, to require Lessee to justify to Lessor the need and continued use of any saltwater disposal well located on the leased premises, and if it is determined that such salt water disposal well is not required by Lessee's operations, then Lessee shall promptly remove all equipment, plug and abandon the well and restore the surface location. In this regard should Lessee fail to plug and abandon any such saltwater disposal well on or before nine (90) days after written request of Lessor to Lessee, Lessee agrees to pay Lessor a rental of \$10.00 per day, beginning on the 91st day after Lessor's written request, for each and every day Lessee fails to abide by this provision; such "rental" shall be paid monthly, and shall be due and payable on the 10th day of the month following that month's rental.
- 21. Upon the completion of any producing well and as long as such well is located on the leased premises, Lessee shall make every effort to keep the wellsite clean and free of litter and noxious weeds.
- 22. Notwithstanding anything to the contrary herein contained, Lessee shall not have the right under this lease to use fresh water from the leased premises for pressure maintenance or any type of secondary recovery operations.

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23. This Exhibit "A" is part of that certain Oil and Gas Lease identified above, to the same extent as if the provisions hereof had originally been written in the printed form of said lease. In the event of conflict between the lease provisions provided in the printed form of this lease and the provisions provided in this Exhibit "A", the provisions of this Exhibit shall prevail.

24. If a producing well is completed on the land described in this lease, Lessee will pay Lessor the sum of #50004500.00 annually as rental for the roadway, well location, and tank battery location, if any. This rental is in addition to the usual crop and location damages paid in connection with the location and drilling of the well.

IN WITNESS WHEREOF, this Addendum is executed simultaneously with and as part of the Lease to which this Addendum is attached.



FEE \$<u>/6=/12</u>2 SEWARD COUNT rument was filed for record . 20 11 1:15 .o'clock .M. and recorded in Vol. 639 181 at page. CYNTHIA L. SALLASKA, Register of Deeds

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OIL AND GAS LEASE (PAID UP)

AGREEMENT, Made and entered into this <u>28th</u> day of <u>March 2011</u>, by and between: <u>Melinda</u> <u>Roehr Scantlin</u>, 14406 Briarwood Lane, Urbandale, IA 50323 Party of the first part, hereinafter called Lessor (whether one or more), and <u>Raydon Exploration, Inc.</u>, 1601 NW Expressway, Suite 1300, Oklahoma City, OK 73118, party of the second part, hereinafter called lessee.

WITNESSETH, That the said Lessor, for and in consideration of ONE OR MORE DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipe lines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of <u>Seward</u>, State of <u>Kansas</u>, towit:

Southwest Quarter (SW/4), covering all depths not subject to that certain Oil and Gas Lease dated July 24, 2003, recorded in Book 556, Page 021, by and between Melinda Roehr Scantlin as Lessor and Raydon Exploration, Inc. as Lessee

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

of Section 23, Township 32 South, Range 32 West and containing <u>160.00</u> gross acres, more or less.

It is agreed that this lease shall remain in force for a term of \underline{two} (2) years from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

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

1st. To deliver to the credit of Lessor free of cost, in the pipe line to which it may connect its wells, the three-sixteenths (3/16th) part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises, or used in the manufacture of products therefrom, three-sixteenths (3/16th of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than three-sixteenths (3/16th) of the actual amount received by the lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this leased of this leased of this lease of this lease is made it will be considered that gas is being produced within the meaning of the entire lease.

3rd. To pay Lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, three-sixteenths (3/16th) of the gross proceeds, at the mouth of the well, received by lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had beencompleted within the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any pertion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were

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RAYDON EXPLORATION

covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

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

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of Lessor.

When requested by the Lessor, lessee shall bury his pipe lines below plow depth.

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.

Lessee shall pay for all damages caused by its operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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

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

This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

IN TESTIMONY WHEREOF, we sign this the	2	day of	april _	, 2011
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LESSOR:

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Melínda Roehr Scantlin

(Acknowledgment for Individual)

STATE OF IOWA

COUNTY OF POLK

ss:

This instrument was acknowledged before me on the _____ day of _____, 2011, by Melinda Roehr Scantlin.

Мy	commission	expires
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thug 03,2012

Notary Public

TOWA

SAMANTHA LAMBERT

Commission Number 759407 My Commission Expires August 03, 2012

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Exhibit "A"

Attached hereto and made a part hereof that certain Oil and Gas Lease dated March 28, 2011 by and between Melinda Roehr Scantlin, as Lessor and Raydon Exploration, Inc. as Lessee.

- This lease is subject to that certain Oil and Gas lease dated June 6, 1990, by and between Mildred A. Roehr and Michael J. Bennett recorded in Book 414 at page 566, and Oil and Gas Lease dated June 26, 1990, by and between Melinda D. Roehr and Michael J. Bennett recorded in Book 416 at Page 638.
- 2. It is understood and agreed that this lease covers any reversionary rights of Lessor. In the event the title to any interest in said lands should revert to Lessor, or his heirs, or his or their grantee, this lease shall cover such reversion.
- 3. Lessee covenants that no thunder truck or similar earth vibrating equipment will be operated on the leased premises without the written permission of Lessor.
- 4. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary production equipment such as heater treaters and separators customarily used. Lessee agrees to install necessary production and/or metering equipment along the access road to any well and where the well or wells can be satisfactorily and safely produced, meter houses and other production equipment shall be located adjacent to any county or state road or highway adjoining the above described premises. It is understood, however, that the sale of gas at a meter installed along the lease or property line shall, for the purpose of this lease, be considered to be a wellhead sale.
- 5. Lessor reserves all right to grant, lease, mine and/or produce any minerals from said lands except interest in gas and oil and their constituent products herein leased to Lessee.
- 6. Lessor shall have the right to purchase from Lessee gas from any gas well on the leased premises or on any land pooled therewith for his or his tenant's use in farming, including fuel for pumping water wells for irrigation both on and off the land covered by this lease and grain drying, subject to the following:
 - Lessor shall have the right to purchase from any gas well up to Lessor's proportionate share of 3/16 royalty of the gas produced from such gas well;
 - b. Any gas so purchased by Lessor shall be purchased at a point to be designated by Lessee at or near the mouth of the well;
 - c. 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,
 - d. 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 flow line it utilizes.
 - e. 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.
 - f. 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.
 - g. Should a breach of Lessor's obligation occur under this Paragraph 6 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.

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- h. In the event the well shall be shut=in and not producing Lessor shall, nevertheless, have the right to purchase such gas from the well as is normally used for Lessor's or his tenant's irrigation and drying as set forth above and Lessor shall not be limited by reason of the shut-in provision.
- 7. Lessee agrees, as a part of the consideration of this lease, that there shall be no monthly minimum charge by the Lessee to Lessor for use of irrigation gas as provided for in Paragraph 6 of this Addendum.
- 8. Lessee shall pay for all damages caused by its operations on said land. All power lines shall be buried below 48 inches in depth. Lessor reserves the right to designate all routes of ingress and egress. Prior to the construction of any new roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult and agree with the surface owner and/or the tenant as to the location and direction of same. Lessee covenants to pay Lessor, as damages, a minimum of \$10.00 per rod for any road, pipeline or power line crossing constructed by Lessee, whether connected to the well on the leased premises or not. All damages shall be due and payable on or before three (3) months after same occur. There shall be no oil road surfaces or hard surfacing on any access roads without the written consent of Lessor.
- 9. It is the intention of the parties hereto to cause as little interference with the farming operations on said land as possible, including but not specifically limited to the present operation of pivotal irrigation sprinkler systems, or any other irrigation method. In this connection, any equipment required for production of oil or gas will be placed on the land at such a level or with the height of such equipment at a level which will permit the current circular sprinkler systems to operate on said land. Lessee agrees that it will not interfere with the passage of the sprinkler system and will, at its expense, place the equipment in pits or other depressions below the normal surface or may erect earth ramps as necessary to assist in elevating and carrying the sprinkler system over and above the wellhead or other required equipment located on the premises. The drilling and reworking equipment are excepted during such operations. Tanks and other storage structures shall be placed where mutually agreed upon by the parties. Any mud or other pits will be excavated in such a manner and location that the wheels of the center pivot sprinkler will pass over any undisturbed earth, that is; all pits shall be between the areas used by the sprinkler wheels. In the event any excavation, other than the well hole, is made on flood type irrigated ground, then Lessee at the request of Lessor, covenants and agrees to water pack all such excavations. All pits will be outside the irrigated land.
- 10. In the event that there is not production in paying quantities found by any operations undertaken by Lessee and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease is executed. After the obligation to restore, as nearly as practicable as possible, wear and tear and damages by the elements excepted. It is expressly provided, that should Lessee fail to comply with the terms and conditions of abandonment and restoration of the surface location of any oil and gas well, as provided in this Paragraph, then the well and all equipment appurtenant thereto shall become the property of the Lessor.
- 11. It is understood and agreed that any shut-in royalties due and payable under the terms of this lease shall be computed and paid on the basis of \$5.00 per net mineral acre covered hereby.
- 12. Lessee agrees that no time during the life of this lease shall the royalty paid to the Lessor for a yearly period commencing with first production from the well be less than \$5.00 per net mineral acre covered hereby. Such deficiency, if any, shall be paid to Lessor by Lessee within thirty (30) days after written notice and demand thereof is made by Lessor to Lessee.
- 13. Lessee shall fence all slush pits and areas containing equipment, chemicals or other substances which may be harmful to livestock of Lessor and/or Lessor's surface tenant.
- 14. Notwithstanding anything to the contrary herein, it is agreed and understood that two (2) years after the end of the primary term of this lease, in the event no drilling operations are in progress, and this lease is being maintained solely by production, this lease shall thereupon terminate as to the oil and gas rights in all zones and formations of the leased premises from which Lessee is not then producing oil or gas in paying quantities. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of the lease covering such non-producing zones or formations within sixty (60) days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such release.

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- 15. Lessee hereby agrees to pay for any and all damages occasioned to the land by its operations hereunder, including grass, livestock, crops and improvements; Lessee shall pay Lessor a reasonable amount but not less than \$7,000.00 for each new drillsite location on the leased premises. Upon completion of Lessee's drilling operations on each well, Lessee agrees to restore the premises to as nearly as practical the same condition they were in prior to the commencement of operations hereunder. Topsoil will be stacked apart from other soil disturbed by drilling operations, and topsoil will be returned to the ground as topsoil. All trash and debris shall be removed before the surface of the premises is restored. No deadman or other anchors shall be left on the property after drilling whether completed as a producing well or dry hole.
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  - b. The installation of any saltwater disposal equipment by Lessee in the operation of the lease shall be subject to the approval of Lessor.
  - c. Should the wellsite location of any saltwater disposal well require the installation of any surface equipment in excess of the "wellhead" itself, Lessee hereby agrees to pay Lessor a yearly surface rental of not less than \$500.00 for the right to use the surface area for such purpose; it is provided that the initial surface rental payment shall be due and payable within ninety (90) days of the placement of such structures and all such subsequent surface rental payments made on an annual basis.
  - d. Lessor hereby further reserves the right from time to time, to require Lessee to justify to Lessor the need and continued use of any saltwater disposal well located on the leased premises, and if it is determined that such salt water disposal well is not required by Lessee's operations, then Lessee shall promptly remove all equipment, plug and abandon the well and restore the surface location. In this regard should Lessee fail to plug and abandon any such saltwater disposal well on or before nine (90) days after written request of Lessor to Lessee, Lessee agrees to pay Lessor a rental of \$10.00 per day, beginning on the 91<sup>st</sup> day after Lessor's written request, for each and every day Lessee fails to abide by this provision; such "rental" shall be paid monthly, and shall be due and payable on the 10<sup>th</sup> day of the month following that month's rental.
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IN WITNESS WHEREOF, this Addendum is executed simultaneously with and as part of the Lease to which this Addendum is attached.

STATE OF KANSA SEWARD COUNT FEE S This instrument was filed for record 20// o'clock 1:15 .M, and recorded in Vol. 639 \_at page\_ 187 CYNTHIA L. SALLASKA, Register of Deeds ha

# BOOK 639 PAGE 192

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/

Mark Sievers, Chairman Ward Loyd, Commissioner Thomas E. Wright, Commissioner Sam Brownback, Governor

June 14, 2011

David E. Rice Raydon Exploration, Inc. 1601 NW EXPRESSWAY, STE 1300 OKLAHOMA CITY, OK 73118-1462

Re: Drilling Pit Application Scantlin 3-23 SW/4 Sec.23-32S-32W Seward County, Kansas

#### Dear David E. Rice:

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 within 96 hours of completion of drilling operations. 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 (620) 225-8888 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

A copy of this letter should be posted in the doghouse along with the approved Intent to Drill. If you have any questions or concerns please feel free to contact the District Office at (620) 225-8888.