





1056279

**For KCC Use ONLY**

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

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

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

Operator: \_\_\_\_\_

Lease: \_\_\_\_\_

Well Number: \_\_\_\_\_

Field: \_\_\_\_\_

Number of Acres attributable to well: \_\_\_\_\_

QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Location of Well: County: \_\_\_\_\_

\_\_\_\_\_ feet from  N /  S Line of Section

\_\_\_\_\_ feet from  E /  W Line of Section

Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W

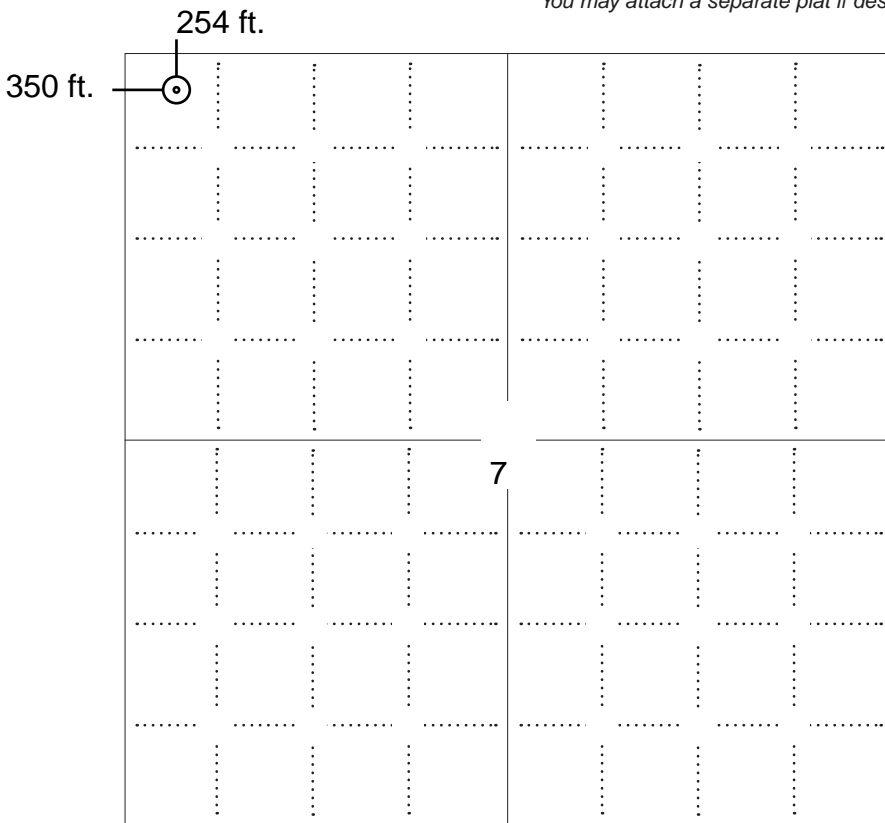
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

**PLAT**

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



**LEGEND**

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



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

**In plotting the proposed location of the well, you must show:**

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



KANSAS CORPORATION COMMISSION 1056279  
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

I

**For KCC Use ONLY**

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

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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

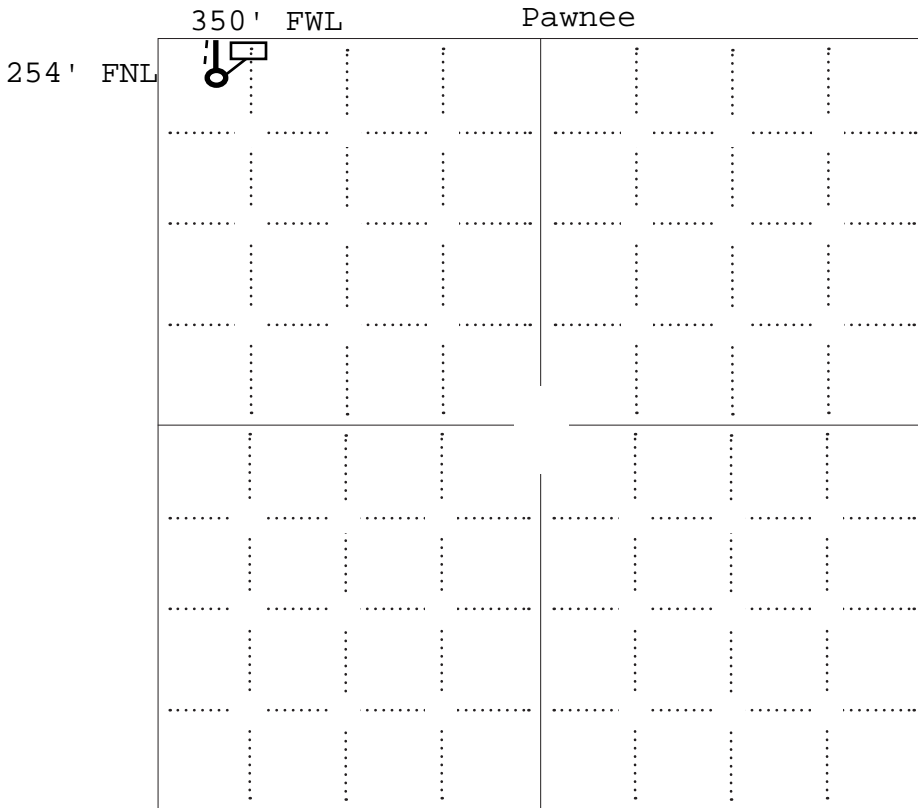
**If Section is Irregular, locate well from nearest corner boundary.**

Section corner used:  NE  NW  SE  SW

**PLAT**

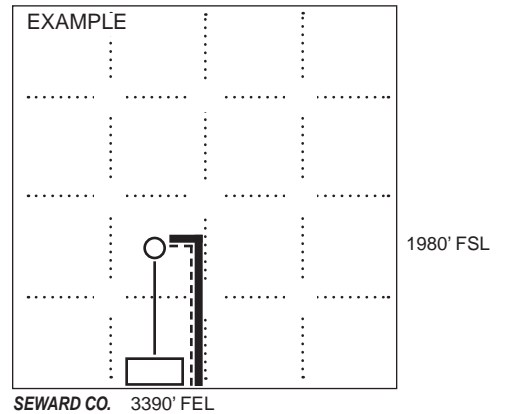
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You may attach a separate plat if desired.



**LEGEND**

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

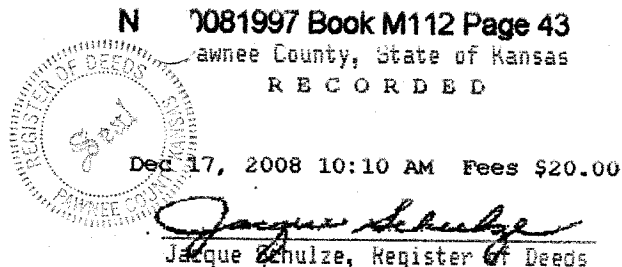


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Ver   
Num   
Scan   
Copy   
Ck



FORM 88 - (PRODUCERS SPECIAL)(PAID-UP W/OPT)  
63U (Rev. 2004 CRI)

## OIL & GAS LEASE

AGREEMENT, Made and entered into the 18th day of September, 2008, by and between **Lee F. Fischer and June R. Fischer, husband and wife, and Bryan Lee Fischer and Shannon E. Fischer, husband and wife**, whose mailing address is 1325 160<sup>th</sup> Avenue, Larned, KS 67550 hereinafter called Lessor (whether one or more), and **Captiva II, LLC**, 1658 Cole Boulevard, Suite 205, Lakewood, CO 80401, hereinafter called Lessee:

Lessor, in consideration of Ten and more Dollars (\$10.00) in hand paid, receipt of which is hereby acknowledged and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases and their respective constituent products, injecting gas, water, other fluids and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Pawnee, State of Kansas described as follows, to-wit:

### TOWNSHIP 22 SOUTH, RANGE 16 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN

**Section 6: That part of the SW/4 of said section lying South of the railroad right of way of the Jetmore Branch of the A.T. & S.F. Railroad.**

**SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF:**

containing 135.00 acres, more or less, and all accretions thereto.

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

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

- 1<sup>st</sup>. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one eighth (1/8th) part of all oil produced and saved from the leased premises.
- 2<sup>nd</sup>. To pay Lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8th), at the market price at the well, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8th) of the proceeds received by Lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

When requested by Lessor, Lessee shall bury Lessee's pipe lines below plow depth.

No well shall be drilled nearer than 300 feet to the house or barn or any other structure on said premises without written consent of Lessor.

Lessee shall pay for damages caused by Lessee's operations on said land.

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

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

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

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

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

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 160 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

In the event this lease is extended beyond the primary term solely by production from a well in a unit which comprises a portion of the lands covered hereby and other lands, Lessee agrees to release all lands not included in any such unit one (1) year subsequent to the end of the primary term.

It is further agreed by and between Lessor and Lessee, that in the event a unit well producing oil in commercial quantities is drilled under the provisions of this lease, then and in such event, the Lessee and Lessor agree that the oil unit established by Lessee shall be by pooling said lands in a unit in a square form around the well bore on the property covered by this lease and lands pooled therewith, unless otherwise agreed to in writing by Lessor.

It is further agreed by and between Lessor and Lessee, that in the event a well producing gas in commercial quantities is drilled under the provisions of this lease, then and in such event, the Lessee and Lessor agree that Lessee may establish a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square form on the contiguous real estate and eighty (80) acres in a square form on the real estate covered by this lease, said gas unit shall consist of one hundred sixty (160) contiguous acres in a square form, unless otherwise agreed to in writing by Lessor. The 160 acre gas unit that may be formed hereunder, shall not be unitized or pooled with any other lands if said gas well is drilled more than 660 feet from any boundary line of the lands covered by this lease.

Lessee, its successors and assigns, shall have the sole and exclusive options, but not the obligation, ending upon the expiration date of the primary or secondary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of \$15.00 per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas, upon its election to exercise the foregoing option.

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

X Lee F. Fischer  
Lee F. Fischer

X June R. Fischer  
June R. Fischer


X Bryan Lee Fischer  
Bryan Lee Fischer

X Shannon E. Fischer  
Shannon E. Fischer

STATE OF Kansas §.  
COUNTY OF Pawnee

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 6 day of Oct, 2008, personally appeared

**Lee F. Fischer and June R. Fischer, husband and wife**

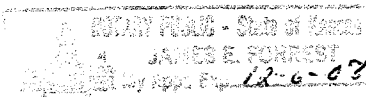
My Commission Expires: 12-6-08  


James E. Forrest  
Notary Public:  
Address:

STATE OF Kansas §.  
COUNTY OF Pawnee

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 6 day of Oct, 2008, personally appeared

**Bryan Lee Fischer and Shannon E. Fischer, husband and wife**

My Commission Expires: 12-6-08  


James E. Forrest  
Notary Public:  
Address:

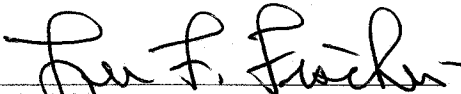
EXHIBIT 'A'


- 1) The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
- 2) The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
- 3) It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
- 4) Lessee agrees to return the land as nearly as possible to its present condition after any drilling operations.
- 5) Any tanks or gunbarrels shall be placed by mutual agreement of Lessor and Lessee.
- 6) Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
- 7) The Lessee shall not, notwithstanding the provisions of paragraph 1 of this Oil and gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
- 8) Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in paragraph 1 of this lease.
- 9) At the option of Lessors, surface pipe will be set below the fresh water formation.
- 10) In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have thirty (30) days after notification by Lessor of insufficient royalty to tender said deficiency or said lease shall terminate.
- 11) If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said sixty (60) day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
- 12) Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
- 13) Lessee shall haul trash to the landfill and shall dump no trash in any pits.
- 14) The Lessee shall not have the right to use fresh water produced from the above-described real estate for the purpose of secondary recovery by water flood, pressure maintenance or other similar operations.
- 15) Before commencing any drilling operations upon the portions of the above-described real estate, the Lessee shall pay the sum of one thousand dollars (\$1,000.00) to the Lessor as a deposit to be applied against damages to land and crops caused by the operations of the Lessee. If the described real estate, is damaged (physical and/or loss to crop production capability or loss to grazing rights) to an amount greater than the amount paid prior to drilling operations, then Lessee shall promptly pay Lessor such additional damages.
- 16) In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from the said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.
- 17) The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits shall be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.

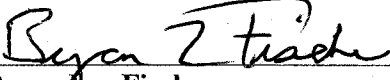


- 18) The Lessee agrees to comply with all rules and regulations of the United States Department of Agriculture, Natural Resources Conservation Services and appropriate Farm Service Agency with respect to any Conservation Reserve Program covering the above-described real estate. In particular, when drilling and operations have terminated, the Lessee shall restore the surface to its present condition, including the reseeded of grass acceptable to the Natural Resources Conservation Services and Farm Service Agency.
- 19) Lessee not enter or attempt to enter onto the lease land during muddy conditions, except as may be agreed by Lessor. In the event Lessee shall already be on and conducting drilling operations when muddy conditions develop, then Lessee shall use reasonable efforts to minimize damage to land, but Lessee shall not be required to stop operations due to muddy conditions.
- 20) The Lessee agrees that no geo-physical seismic testing shall be conducted on the described real estate, except by separate written agreement and for such consideration as shall be agreed to by Lessor.
- 21) Notwithstanding any other provision of this lease, the Lessor and Lessee agrees that this lease does not provide Lessee with a pipeline right of way and/or easement for carrying or transporting gas, oil, or other oil and gas related materials that are solely produced from locations not originating on the leased land or on land to which the leased land is unitized.
- 22) After twelve (12) months from the completion of a well, the Lessee upon request shall allow Lessor or Lessor's representative(s) to view copies of any logs in its possession or under its control relative to the geologic structure of the above-described real estate. Such information shall be kept strictly confidential by the Lessor.
- 23) Notwithstanding anything herein contained to the contrary, Lessee shall be responsible for restoring the surface as near as possible to its original condition within one hundred eighty (180) days after completion of a dry hole or within one hundred eighty (180) days after oil or gas ceases to be produced from a producing well. The obligation of Lessee to restore the surface shall continue even if this lease is assigned by Lessee to any other person or entities.
- 24) Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or question of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.
- 25) Lessor reserves the right to purchase gas for farm purposes, including but not limited to irrigation purposes from wells located on the above-described real estate or from any real estate unitized with the above-described real estate. Lessor shall make all connections for these purposes at their sole cost, expense and liability, and Lessor shall conform to the engineering specifications of Lessee's production department. Lessor shall pay Lessee for any gas purchased for irrigation purchases in the amount per MCF equal to the price then in effect under any contract under which Lessee is selling gas from the gas well on the above-described real estate or any unitized real estate to a third party. The amount of gas which the Lessor may purchase hereunder shall be limited to one-eighth (1/8) of the entire amount of gas produced from wells located upon the above-described real estate or from the real estate unitized therewith.
- 26) Any pumping units shall be lowered so as not to interfere with any center pivot irrigation system, now or hereafter installed upon the above-described real estate.
- 27) If the Lessee conducts any drilling operations upon any portion of the above-described real estate which is irrigated land, the Lessee shall either use tanks and shall permit no drilling mud to remain on said premises or, at the option of the Lessee, pits may be dug as soon as the pits are dry, all drilling mud will be removed and the pits closed as herein provided.
- 28) Lessee shall not go upon or conduct any operations upon the irrigated portion of the above-described real estate between April 15<sup>th</sup> and November 15<sup>th</sup> in any calendar year unless given written permission by the Lessor, which permission shall not be unreasonably withheld. Crop damages shall be paid upon the basis of average field yield times average price at maturity, plus any loss as result of lower crop yield due to operations of the Lessee which prevented timely irrigation of said crops.

**SIGNED FOR IDENTIFICATION ONLY:**

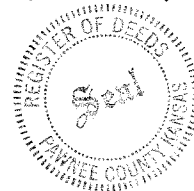
x   
 Lee F. Fischer

x   
 June R. Fischer

x   
 Bryan Lee Fischer

x   
 Shannon E. Fischer

Oct 29, 2008 3:28 PM Fees \$20.00


  
Jacques Mulize, Register of Deeds

 Ver DL  
 Num 1  
 Scan DL  
 Copy DL  
 OK DD

 FORM 88 - (PRODUCERS SPECIAL)(PAID-UP W/OPT)  
 63U (Rev. 2004 CRI)

## OIL & GAS LEASE

AGREEMENT, Made and entered into the 21st day of July, 2008, by and between **Jim E. Froetschner and Tammy R. Froetschner, husband and wife**, whose mailing address is 1239 M5 Road, Larned, KS 67529, hereinafter called Lessor (whether one or more), and **Captiva II, LLC**, 1658 Cole Boulevard, Suite 205, Lakewood, CO 80401, hereinafter called Lessee:

Lessor, in consideration of Ten and more Dollars (\$10.00) in hand paid, receipt of which is hereby acknowledged and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases and their respective constituent products, injecting gas, water, other fluids and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Pawnee, State of Kansas described as follows, to-wit:

### TOWNSHIP 22 SOUTH, RANGE 16 WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN

**Section 7: All of that portion of the N/2N/2 and the S/2NW/4 as lies North and West of the Atchison, Topeka, and Santa Fe Railroad Right of Way, EXCEPT that portion of said land previously deeded for Highway Purposes in Highway Deed recorded in the Office of Register of Deeds of Pawnee County, Kansas, in Book 33 at page 252.**

### **SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF:**

containing 120.00 acres, more or less, and all accretions thereto.

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

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

- 1<sup>st</sup>. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one eighth (1/8th) part of all oil produced and saved from the leased premises.
- 2<sup>nd</sup>. To pay Lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8th), at the market price at the well, (but, as to gas sold by Lessee, in no event more than one-eighth (1/8th) of the proceeds received by Lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

When requested by Lessor, Lessee shall bury Lessee's pipe lines below plow depth.

No well shall be drilled nearer than 300 feet to the house or barn or any other structure on said premises without written consent of Lessor.

Lessee shall pay for damages caused by Lessee's operations on said land.

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

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

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

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

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

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 160 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

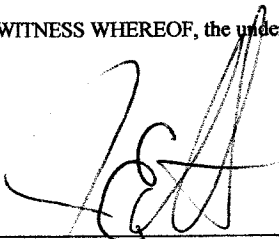
In the event this lease is extended beyond the primary term solely by production from a well in a unit which comprises a portion of the lands covered hereby and other lands, Lessee agrees to release all lands not included in any such unit one (1) year subsequent to the end of the primary term.


It is further agreed by and between Lessor and Lessee, that in the event a unit well producing oil in commercial quantities is drilled under the provisions of this lease, then and in such event, the Lessee and Lessor agree that the oil unit established by Lessee shall be by pooling said lands in a unit in a square form around the well bore on the property covered by this lease and lands pooled therewith, unless otherwise agreed to in writing by Lessor.

It is further agreed by and between Lessor and Lessee, that in the event a well producing gas in commercial quantities is drilled under the provisions of this lease, then and in such event, the Lessee and Lessor agree that Lessee may establish a gas unit of one hundred sixty (160) acres, consisting of eighty (80) acres in a square form on the contiguous real estate and eighty (80) acres in a square form on the real estate covered by this lease, said gas unit shall consist of one hundred sixty (160) contiguous acres in a square form, unless otherwise agreed to in writing by Lessor. The 160 acre gas unit that may be formed hereunder, shall not be unitized or pooled with any other lands if said gas well is drilled more than 660 feet from any boundary line of the lands covered by this lease.

Lessee, its successors and assigns, shall have the sole and exclusive options, but not the obligation, ending upon the expiration date of the primary or secondary term of this lease, to elect to extend the term of all or any part of said lease for a term of two (2) years by tendering to Lessor hereunder the sum of \$15.00 per net mineral acre owned by Lessor and selected by Lessee. Lessee shall file an Affidavit of Extension in the records of Pawnee County, Kansas, upon its election to exercise the foregoing option.

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

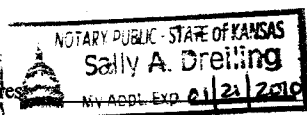
X   
\_\_\_\_\_  
**Jim E. Froetschner**


X   
\_\_\_\_\_  
**Tammy R. Froetschner**

STATE OF Kansas §.  
COUNTY OF Pawnee

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 12<sup>th</sup> day of August, 2008, personally appeared

**Jim E. Froetschner and Tammy R. Froetschner, husband and wife**

My Commission Expires 

  
Notary Public:  
Address: 111 East 8th Street  
PO Box 360  
LARNED, KS 67550

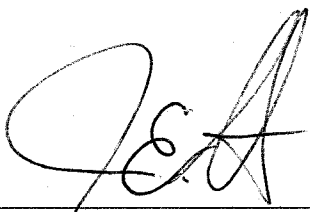
**EXHIBIT 'A'**

- 1) The provisions of this lease are hereby amended to include in the granting clause, helium and other extractions.
- 2) The royalty clause is hereby amended to include a royalty payment on helium and other extractions at the mouth of the well.
- 3) It is agreed that if the Lessee owns any interest in the pipeline to which is delivered the gas produced from this premises, the Lessor shall bear no costs of gas treatment, dehydration, compression, transportation or water hauling charged to this lease by Lessee in its operations thereon after the point of diversion. It is further agreed that Lessor shall receive their proportionate royalty share of all monies received by Lessee for oil and/or gas production attributable to this lease, including any premiums, rebates and refunds of any kind or nature paid to Lessee and any take or pay payments, production payments, contract buy outs or contract buy downs, which directly reduce the amount of royalty revenue Lessor would otherwise receive from oil and/or gas production from this lease.
- 4) Lessee agrees to return the land as nearly as possible to its present condition after any drilling operations.
- 5) Any tanks or gunbarrels shall be placed by mutual agreement of Lessor and Lessee.
- 6) Before building any roads, Lessee and Lessor shall mutually agree as to the site for the roads. No road ditches shall be constructed and roads shall not obstruct the natural or established flow of water.
- 7) The Lessee shall not, notwithstanding the provisions of paragraph 1 of this Oil and gas Lease, inject any gas, water or other fluid and air into any subsurface stratum which contains water suitable for irrigation purposes or for domestic consumption or livestock consumption.
- 8) Lessee shall not drill any salt water disposal well upon the above-described real estate without the express written consent of the Lessor being first obtained, provided Lessee shall have the right to drill a salt water disposal well for disposition of salt water from wells drilled on the real estate described in paragraph 1 of this lease.
- 9) At the option of Lessors, surface pipe will be set below the fresh water formation.
- 10) In the event of gas production hereunder in commercial quantities and said well is not shut-in, Lessor is to receive a minimum of five dollars (\$5.00) per net mineral acre per year royalty for entire acreage covered by this lease in order to perpetuate this lease. Lessee shall have thirty (30) days after notification by Lessor of insufficient royalty to tender said deficiency or said lease shall terminate.
- 11) If the primary term of this lease is perpetuated by production of oil or gas, notwithstanding anything to the contrary contained in this lease, it is expressly agreed that this lease shall terminate as of two (2) years after expiration of the primary term hereof, insofar, and only insofar, as to all of the formations lying below 100 feet below the total depth of the deepest test drilled by the lessee or its assigns on the above-described premises or on any lands unitized or pooled therewith. Upon written request of the Lessor the Lessee shall be obligated to file of record in the applicable office of the Register of Deeds a release of lower zones or formations within sixty (60) days after the expiration of the two-year period following the primary term hereof. If such release is not filed within said sixty (60) day period, Lessee shall be subject to damages and for any attorney's fees incurred by Lessors in obtaining such release.
- 12) Lessee shall bury all pipelines at least forty (40) inches below the surface of the above-described real estate.
- 13) Lessee shall haul trash to the landfill and shall dump no trash in any pits.
- 14) The Lessee shall not have the right to use fresh water produced from the above-described real estate for the purpose of secondary recovery by water flood, pressure maintenance or other similar operations.
- 15) Before commencing any drilling operations upon the portions of the above-described real estate, the Lessee shall pay the sum of one thousand dollars (\$1,000.00) to the Lessor as a deposit to be applied against damages to land and crops caused by the operations of the Lessee. If the described real estate, is damaged (physical and/or loss to crop production capability or loss to grazing rights) to an amount greater than the amount paid prior to drilling operations, then Lessee shall promptly pay Lessor such additional damages.

- 16) In the event of production of only gas in commercial quantities and in the further event said gas well is shut-in, the Lessee shall pay shut-in gas royalties of three hundred (\$320.00) per year for the three (3) year period after such gas well is completed and thereafter, the shut-in royalty payments shall be one thousand dollars (\$1,000.00) per year. If gas has not been sold from the said premises within six (6) years from completion of said gas well, this lease shall expire six (6) years from the date of completion of said gas well.
- 17) The Lessee agrees that in connection with its operations upon the above-described real estate, the shale and reserve pits shall be dug in such a manner as to remove and preserve the Lessor's topsoil and to segregate the topsoil from the subsoil and after use, said pits will be backfilled by Lessee pursuant to this lease at such time as the Lessor shall direct.
- 18) The Lessee agrees to comply with all rules and regulations of the United States Department of Agriculture, Natural Resources Conservation Services and appropriate Farm Service Agency with respect to any Conservation Reserve Program covering the above-described real estate. In particular, when drilling and operations have terminated, the Lessee shall restore the surface to its present condition, including the reseeded of grass acceptable to the Natural Resources Conservation Services and Farm Service Agency.
- 19) Lessee not enter or attempt to enter onto the lease land during muddy conditions, except as may be agreed by Lessor. In the event Lessee shall already be on and conducting drilling operations when muddy conditions develop, then Lessee shall use reasonable efforts to minimize damage to land, but Lessee shall not be required to stop operations due to muddy conditions.
- 20) The Lessee agrees that no geo-physical seismic testing shall be conducted on the described real estate, except by separate written agreement and for such consideration as shall be agreed to by Lessor.
- 21) Notwithstanding any other provision of this lease, the Lessor and Lessee agrees that this lease does not provide Lessee with a pipeline right of way and/or easement for carrying or transporting gas, oil, or other oil and gas related materials that are solely produced from locations not originating on the leased land or on land to which the leased land is unitized.
- 22) After twelve (12) months from the completion of a well, the Lessee upon request shall allow Lessor or Lessor's representative(s) to view copies of any logs in its possession or under its control relative to the geologic structure of the above-described real estate. Such information shall be kept strictly confidential by the Lessor.
- 23) Notwithstanding anything herein contained to the contrary, Lessee shall be responsible for restoring the surface as near as possible to its original condition within one hundred eighty (180) days after completion of a dry hole or within one hundred eighty (180) days after oil or gas ceases to be produced from a producing well. The obligation of Lessee to restore the surface shall continue even if this lease is assigned by Lessee to any other person or entities.
- 24) Lessor and Lessee have participated jointly in the negotiation and drafting of this lease. In the event an ambiguity or question of intent or interpretation arises, this lease shall be construed as if drafted jointly by both parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this lease.

**SIGNED FOR IDENTIFICATION ONLY:**

X

  
 \_\_\_\_\_  
**Jim E. Froetschner**

X

  
 \_\_\_\_\_  
**Tammy R. Froetschner**

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 10, 2011

Chris Gottschalk  
Shelby Resources LLC  
2717 Canal Blvd.  
Suite C  
HAYS, KS 67601

Re: Drilling Pit Application  
F - F Unit 1-7  
NW/4 Sec.07-22S-16W  
Pawnee County, Kansas

Dear Chris Gottschalk:

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 no deeper than 3'. The free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again within 96 hours after drilling operations have ceased.

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

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

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