

Well will not be drilled or Permit Expired Date: _

Signature of Operator or Agent:

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

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 March 2010 Form must be Typed Form must be Signed All blanks must be Filled

NOTICE OF INTENT TO DRILL

Expected Spud Date:	Spot Description:
month day year	Sec Twp S. R TE V
OPERATOR: License#	(Q/Q/Q/Q)
Name:	feet from E / W Line of Section
Address 1:	Is SECTION: Regular Irregular?
ddress 2:	(Note: Locate well on the Section Plat on reverse side)
Dity:	,
Contact Person:	County: Well #:
Phone:	
CONTRACTOR: License#	Field Name: - Is this a Prorated / Spaced Field? Yes N
Vame:	
	Target Formation(s):
Well Drilled For: Well Class: Type Equipment:	Ground Surface Elevation:feet MS
Oil Enh Rec Infield Mud Rotary	
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile: Yes N
Disposal Wildcat Cable	Public water supply well within one mile: Yes Yes N
Seismic ; # of Holes Other	Depth to bottom of fresh water:
Other:	Depth to bottom of usable water:
If OWWO: old well information as follows:	Surface Pipe by Alternate: II II
in ovvvo. Old well information as follows.	Length of Surface Pipe Planned to be set:
Operator:	
Well Name:	_ Projected Total Depth:
Original Completion Date: Original Total Depth:	
Directional, Deviated or Horizontal wellbore?	Water Source for Drilling Operations:
Directional, Deviated or Horizontal wellbore? Yes No f Yes, true vertical depth:	vven Tarri i ond Strict.
Bottom Hole Location:	DWR Permit #:
KCC DKT #:	(Note: Apply for Permit with DWR)
	viii cores be taken:
	If Yes, proposed zone:
Al	FFIDAVIT
The undersigned hereby affirms that the drilling, completion and eventual ${f p}$	lugging of this well will comply with K.S.A. 55 et. seq.
t is agreed that the following minimum requirements will be met:	
1. Notify the appropriate district office <i>prior</i> to spudding of well;	
2. A copy of the approved notice of intent to drill shall be posted on ea	ch drilling rig;
	et 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 first state of th	
 If the well is dry note, an agreement between the operator and the district office will be notified before well is either plute. 	strict office on plug length and placement is necessary <i>prior to plugging</i> ;
• • •	ted from below any usable water to surface within 120 DAYS of spud date.
	#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 l	be plugged. <i>In all cases, NOTIFY district office</i> prior to any cementing.
	pe plugged. <i>In all cases, NOTIFY district office</i> prior to any cementing.
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must be completed within 30 days of the spud date or the well shall ubmitted Electronically For KCC Use ONLY API # 15 Conductor pipe required feet	Remember to: - File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
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must be completed within 30 days of the spud date or the well shall ubmitted Electronically For KCC Use ONLY API # 15 Conductor pipe required feet Minimum surface pipe required feet per ALT I II	 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);
must be completed within 30 days of the spud date or the well shall ubmitted Electronically For KCC Use ONLY API # 15	 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;

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

Spud date: _

Side Two



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:				SecTwp S. R 🔲 E 🔲 W		
					Is Section:	Regular or Irregular
QTR/QTR/QT	R/QTR of acre	eage:				
						s Irregular, locate well from nearest corner boundary.
					Section corn	ner used: NE NW SE SW
				PL	AT	
			-			ndary line. Show the predicted locations of
lea	ase roads, tan	k batteries, pip			-	nsas Surface Owner Notice Act (House Bill 2032).
			You n	nay attach a se	parate plat if des	esired.
	:	: :		: :	:	
						LECEND
	;	: :		: :	:	LEGEND
	:	: :		: : :	:	O Well Location
	:					Tank Battery Location
	· · · · · · · · · · · · · · · · · · ·			•	• • • • • • • • • • • • • • • • • • • •	Pipeline Location
	:	: :		: :	:	Electric Line Location
						Lease Road Location
				· ·		
			ı			EXAMPLE : :
	:	: :		: :	:	7
	•		29			
	: 			:		
	:	: :		: :	:	
					:	
						1980' FSL
					:	
		••				-
1359 ft.—					•	SEWARD CO. 3390' FEL

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

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

- 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 OIL & GAS CONSERVATION DIVISION

1070120

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:	Pit is:			
Emergency Pit Burn Pit	Proposed	Existing	SecTwpR	
Settling Pit Drilling Pit			Feet from North / South Line of Section	
Workover Pit Haul-Off Pit	Pit capacity:		Feet from East / West Line of Section	
(If WP Supply API No. or Year Drilled)		(bbls)	County	
Is the pit located in a Sensitive Ground Water A	rea? Yes	No	Chloride concentration: mg/l	
To the processing in a content of country training			(For Emergency Pits and Settling Pits only)	
Is the bottom below ground level? Yes No	Artificial Liner? Yes N	No	How is the pit lined if a plastic liner is not used?	
			NAC data (force)	
Pit dimensions (all but working pits):	Length (feet)	,	Width (feet) N/A: Steel Pits No Pit	
If the pit is lined give a brief description of the li			dures for periodic maintenance and determining	
material, thickness and installation procedure.			cluding any special monitoring.	
Distance to nearest water well within one-mile	of pit:	Depth to shallo Source of inforr	west fresh water feet. nation:	
feet Depth of water wellfeet		measured	well owner electric log KDWR	
Emergency, Settling and Burn Pits ONLY:		Drilling, Work	ver and Haul-Off Pits ONLY:	
Producing Formation:		Type of materia	l utilized in drilling/workover:	
Number of producing wells on lease:		Number of working pits to be utilized:		
Barrels of fluid produced daily:		Abandonment p	procedure:	
Does the slope from the tank battery allow all spilled fluids to		Drill nite must h	e closed within 365 days of spud date.	
flow into the pit? Yes No				
Submitted Electronically				
KCC OFFICE USE ONLY				
Liner Steel Pit RFAC RFAS				
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No	



Kansas Corporation Commission Oil & Gas Conservation Division

1070120

Form KSONA-1
July 2010
Form Must Be Typed
Form must be Signed
All blanks must be Filled

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 (CB-1)	Cathodic Protection Borehole Intent)		
OPERATOR: License #	Well Location:		
Name:	SecTwpS. R		
Address 1:	County:		
Address 2:	Lease Name: Well #:		
City: State: Zip:+	If filing a Form T-1 for multiple wells on a lease, enter the legal description of		
Contact Person:	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:+			
the KCC with a plat showing the predicted locations of lease roads, tank are preliminary non-binding estimates. The locations may be entered or	dic Protection Borehole Intent), you must supply the surface owners and k batteries, pipelines, and electrical lines. The locations shown on the plat n the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.		
owner(s) of the land upon which the subject well is or will be lo CP-1 that I am filing in connection with this form; 2) if the form I form; and 3) my operator name, address, phone number, fax, a I have not provided this information to the surface owner(s). I a KCC will be required to send this information to the surface owner.	Act (House Bill 2032), I have provided the following to the surface ocated: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form being filed is a Form C-1 or Form CB-1, the plat(s) required by this and email address. Acknowledge that, because I have not provided this information, the wher(s). To mitigate the additional cost of the KCC performing this I fee, payable to the KCC, which is enclosed with this form.		
If choosing the second option, submit payment of the \$30.00 handling form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-	fee with this form. If the fee is not received with this form, the KSONA-1 will be returned.		
Submitted Electronically			



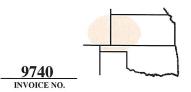
Pro-Stake LLC

Oil Field & Construction Site Staking

P.O. Box 2324

Garden City, Kansas 67846 Office/Fax: (620) 276-6159

Cell: (620) 272-1499



Palomino Petroleum

Scott County, KS

COUNTY

OPERATOR

r120711-k

29 20s 34w Sec. Twp. Rng. #1 James-Crist

98' FSL – 1359' FWL

LOCATION SPOT

GR. ELEVATION: 3097.9°

 SCALE:
 1" = 1000'

 DATE STAKED:
 Dec. 7th, 2011

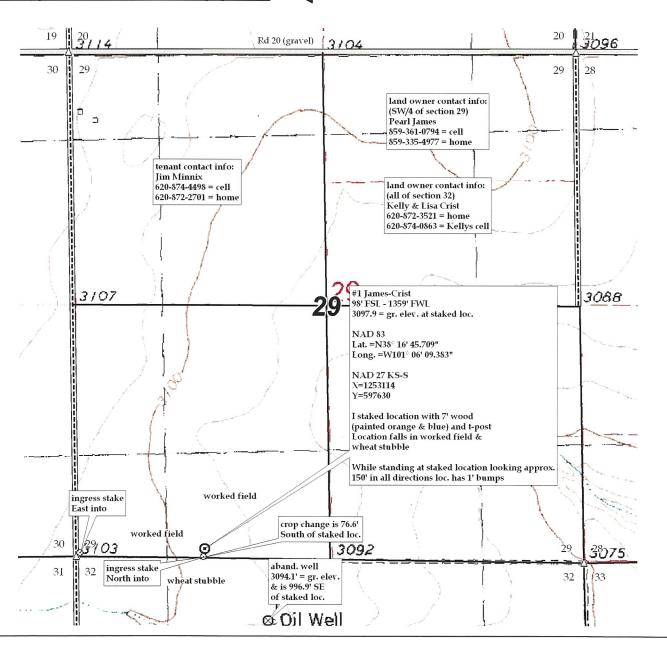
 MEASURED BY:
 Ben R.

 DRAWN BY:
 Luke R.

 AUTHORIZED BY:
 Klee W.

This drawing does not constitute a monumented survey or a land survey plat. This drawing is for construction purposes only.

Directions: From approx. 1 mile East of Friend, Ks at the intersection Hwy 83 & E Finney Scott Rd - Now go 11.6 miles West on Finney Scott Rd to ingress stake North into – Now go 1 mile North on trail to the SW corner of section 29-20s-34w & ingress stake East into – Now go 1359' East through worked field to ingress stake North into – Now go 77' North through worked field into staked location. **Final ingress must be verified with land owner or Operator.**



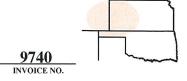
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#1 James-Crist Palomino Petroleum OPERATOR LEASE NAME 98' FSL - 1359' FWL Scott County, KS 20sLOCATION SPOT COUNTY Twp. Rng. 3097.9 GR. ELEVATION: 1" =1000' SCALE:_ From approx. 1 mile East of Friend, Ks at the Dec. 7th, 2011 intersection Hwy 83 & E Finney Scott Rd - Now go 11.6 miles West DATE STAKED:_ Ben R. MEASURED BY: Luke R. DRAWN BY:

r120711-k

PLAT NO.

MEASURED BY: Ben R.

DRAWN BY: Luke R.

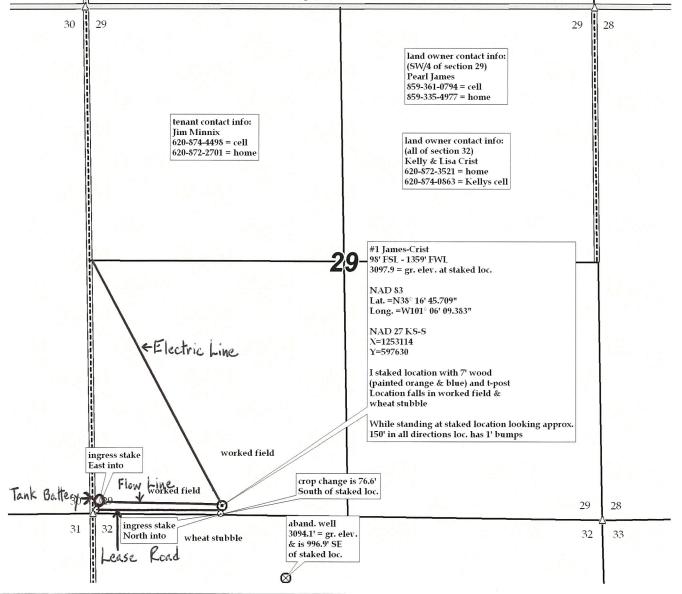
AUTHORIZED BY: Klee W.

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Final ingress must be verified with land owner or Operator.

20 21 29 29 29 29 29 29 29 29 29 29 29 28



63U (Rev. 1993)

OIL AND GAS LEASE



ACDERMENT MALL 1		ovember	
AGREEMENT, Made and entered into Jennifer Pearl James	s and Leon Sachs, her hus	sband	
u detween			
	10/ 10500		
857 Tremont Avenue	Lexington, KY 40502		
Polomina Potroloum, Inc.		hereinaft.	er called Lessor (whether one or more),
Palomino Petroleum, Inc.			, hereinafter caller Lessee:
. One and	d More	- Dollars (\$_One (\$1.00)) - b - d - id second of which
vestigating, exploring by geophysical and tituent products, injecting gas, water, other	d other means, prospecting drilling er fluids, and air into subsurface stra	of the lessee herein contained, hereby grants, leases and lets of mining and operating for and producing oil, liquid hydrocat, laying pipe lines, storing oil, building tanks, power stations and transport said oil, liquid hydrocarbons, gases and their resoyees, the following described land, together with any reversic State of Kansas	exclusively unto lessee for the purpose arbons, all gases, and their respective s, telephone lines, and other structures reactive to constituent products and other
, -	Township 2 Section 29:	20 South, Range 34 West : SW/4	
		160	
ection, Township		and containing	acres, more or less, and all
	ined, this lease shall remain in forcective constituent products, or any o	ce for a term of $\frac{3 \text{ (three)}}{3}$ years from this date (called of them, is produced from said land or land with which said land	'primary term"). and as long thereafter nd is pooled.
- 11 11 C11	aid lesses sovenents and agrees.	ich lessee may connect wells on said land, the equal one-eight	
the leased premises.			any products therefrom one-eighth (%).
e market price at the well, (but, as to ga ises, or in the manufacture of products t yalty One Dollar (\$1.00) per year per no	therefrom, said payments to be made therefrom, said payments to be made t mineral acre retained hereunder,	de monthly. Where gas from a well producing gas only is not c, and if such payment or tender is made it will be considered	sold or used, lessee may pay or tender I that gas is being produced within the
is lease or any extension thereof, the les	see shall have the right to drill suc	t further payment or drilling operations. If the lessee shall co ch well to completion with reasonable diligence and dispatch ect as if such well had been completed within the term of year	s first mentioned.
If said lessor owns a less interest in			
		e entire and undivided fee simple estate therein, then the roy	ance nerem provides
aid lessor only in the proportion which is Lessee shall have the right to use, fre When requested by lessor, lessee shall	essor s interest bears to the whole a se of cost, gas, oil and water produce ll bury lessee's pipe lines below plow	ie entire and undivided fee simple estate therein, then the roy and undivided fee. ed on said land for lessee's operation thereon, except water fro w depth.	ance nerem provides
aid lessor only in the proportion which is Lessee shall have the right to use, fre When requested by lessor, lessee shal No well shall be drilled nearer than 2	easor's interest bears to the whole a se of cost, gas, oil and water produce Il bury lessee's pipe lines below plow 200 feet to the house or barn now on	e entire and undivided lee simple estate therein, their the log and undivided fee. ed on said land for lessee's operation thereon, except water fro w depth. n said premises without written consent of lessor.	ance nerem provides
aid leasor only in the proportion which is Lessee shall have the right to use, fre When requested by lessor, lessee shall No well shall be drilled nearer than 2 Lessee shall pay for damages caused Lessee shall have the right at any lift if the estate of either party hereto is utors, administrators, successors or assis- when here for the prinched with a written tran-	easor's interest uses of the whose es of cost, gas, oil and water produce il bury lessee's pipe lines below plow 200 feet to the house or barn now on by lessee's operations to growing or me to remove all machinery and fixt is assigned, and the privilege of a igns, but no change in the owner.	ee entire and undivided fee simple estate intering their life to and undivided fee. ed on asid land for lessee's operation thereon, except water from which we have been asid premises without written consent of lessor. trops on said land. trop placed on said premises, including the right to draw and saigning in whole or in part, is expressly allowed, the coven ship of the land or assignment of rentals or royalties shall thereof. In case lessee assigns this lesse, in whole or in part, in the for in part, in the coven can be coven the co	om the wells of lessor. Temove casing. Temove casing the lesses until after the
aid leasor only in the proportion which is Lessee shall have the right to use, fre When requested by lessor, lessee shall No well shall be drilled nearer than 2 Lessee shall pay for damages caused Lessee shall have the right at any it. If the estate of either party hereto is utors, administrators, successors or assis e has been furnished with a written trat respect to the assigned portion or portion	easor's interest users to the windsets produce to the house or barn now on by leasee's pipe lines below plow 200 feet to the house or barn now on by leasee's operations to growing or me to remove all machinery and fixt is assigned, and the privilege of a igns, but no change in the owners mafer or assignment or a true copy in a arising subsequent to the date of Adviser to Resource place of record	the entire and undivided fee simple estate therein, then the toy and undivided fee. and undivided fee. and undivided fee. a depth. a said premises without written consent of lessor. crops on said land. turce placed on said premises, including the right to draw and sasigning in whole or in part is expressly allowed, the coven ship of the land or assignment of rentals or royalties shall thereof. In case lessee assigns this lease, in whole or in part, if assignment. a release or releases covering any portion or portions of the	om the wells of lessor. I remove casing. ants hereof shall extend to their heirs be binding on the lessee until after the lessee shall be relieved of all obligation.
Lessee shall have the right to use, fre When requested by lessor, lessee shall No well shall be drilled nearer than 2 Lessee shall pay for damages caused Lessee shall pay for damages caused Lessee shall have the right as uny tie if the estate of either party hereto i utors, administrators, successors or assis te has been furnished with a written trat respect to the assigned portion or portion Lessee may at any time execute and ender this lesse as to such portion or port All express or implied covenants of the hole or in part, nor lessee held liable in hole or in part, nor lessee held liable in	easor's interest users to the windsets produce at the bury lessee's pipe lines below plow 200 feet to the house or barn now on the by lessee's operations to growing or one to remove all machinery and fixt is assigned, and the privilege of a ligna, but no change in the owners nafer or assignment or a true copy in a arising subsequent to the date of deliver to lessor or place of record tions and be relieved of all obligation this lease shall be subject to all Fee damages, for failure to comply then	the entire and undivided fee sample estate therein, their the toy and undivided fee. The don said land for lessee's operation thereon, except water from a said premises without written consent of lessor. The said premises without written consent of lessor. The said land. The said land is said land. The said premises, including the right to draw and saigning in whole or in part is expressly allowed, the cover ship of the land or assignment of rentals or royalties shall thereof. In case lessee assigns this lease, in whole or in part, if assignment. The said results are said to the said of the sa	remove casing. ants hereof shall extend to their heirs be binding on the lessee until after the essee shall be relieved of all obligations e above described premises and thereby to and this lesse shall not be terminated to result of, any such Law, Order, Rule o
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Leasee shall have the right to use, fre When requested by lessor, lessee shall No well shall be drilled nearer than 2 Lessee shall pay for damages caused Leasee shall pay for damages caused Leasee shall pay for damages caused Leasee shall have the right at any tid If the estate of either party hereto jutora, administrators, successors or assie has been furnished with a written trat respect to the assigned portion or portion. Lessee may at any time execute and ender this lesse as to such portion or port hole or in part, nor lessee held liable in alston. Lessor hereby warrants and agrees to make the state of the service of the se	seasor's interest users to the windseasor's interest uses of cost, gas, oil and water produce ill bury lessee's pipe lines below plow 200 feet to the house or barn now on by lessee's operations to growing or me to remove all machinery and find is assigned, and the privilege of a gings, but no change in the owners nafer or assignment or a true copy in arising subsequent to the date of it deliver to lessor or place of record tions and be relieved of all obligation this lease shall be subject to all Fee damages, for failure to comply the blove described lands, in the event rs, successors and assigns, hereby the tright and power to pool or con a judgment it is necessary or and under and that may be producerent of an oil well, or into a unit unty in which the land heron less for all purposes except, the paymen col as if purposes except, the paymen cal si production is had from this	the entire and undivided fee simple estate interin, then the toy and undivided fee. and undivided fee. and undivided fee. a depth. tops on asid land. three placed on said premises, including the right to draw and assigning in whole or in part is expressly allowed, the coven ship of the land or assignment of rentals or royalties shall thereof. In case lessee assigns this lease, in whole or in part, if assignment, of a release or releases covering any portion or portions of the nos as to the acreage surrendered. deral and State Laws, Executive Orders, Rules or Regulations are with, if compliance is prevented by, or if such failure is the of default of payment by lessor, and be subrogated to the rig surrender and release all right of dower and homestead in thich this leass is made, as recited herein. Thick the lease is made, as recited herein. This the compliance is prevented by the subrogated to the rig surrender and release all right of dower and homestead in thich this leass is made, as recited herein. The provided is a continuation of the c	remove casing. ants hereof shall extend to their heira be binding on the lessee until after the lesses shall be relieved of all obligation is above described premises and thereby, and this lesse shall not be terminated result of, any such Law, Order, Rule on the lesses of the holder thereof, and the under the premises described herein, in so far for the holder thereof, and the under the premises described herein, in so far with the lesse premises on as to promote thous to one another and to be into a unful. Lessee shall execute in writing an e pooled acreage. The entire acreage as e included in the lesse. If production is
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OIL AND GAS LEASE

This Agreement, made and entered into the 25th day of January, 2007, by and between, Beefmakers, Inc., whose mailing address is 5130 Jenny Barker Road, Garden City, Kansas 67846, hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc., 4924 SE 84th St., Newton, KS 67114-8827, hereinafter called Lessee:

Lessor, in consideration of <u>Ten and more</u> Dollars (\$10.00 & more) in hand paid, receipt of which is here by acknowledged and 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, 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, the following described land, together with any reversionary rights and after-acquired interest, therein situated in the County of <u>SCOTT</u>, State of <u>KANSAS</u>, described as follows, to-wit:

Township 20 South, Range 34 West Section 32: NW¹/₄

containing 160 acres, more or less, and all accretions thereto.

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

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

1st. To deliver to the credit of lessor, free of cost, in the pipe line which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee 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 Five Dollars (\$5.00) 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 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations 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 he 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, 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 agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgage, taxes or other liens on the above described lands, in the event of default of payment by the lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessor, 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 of units not exceeding 640 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.

SEE ADDENDUM ATTACHED HERETO AND INCORPORATED HEREIN, CONSISTING OF FOUR (4) PAGES

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

BEEFMAKERS, INC.

Doris J. Crist, President

ACKNOWLEDGMENT FOR CORPORATON

STATE OF KANSAS)
COUNTY OF FINNEY))

Before me, the undersigned, a Notary Public, within and for said County and State on this the 25th day of January, 2007, personally appeared **Doris J. Crist, as President of Beefmakers, Inc.**, personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

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

above written.

My Commission Expires:

Notary Public

Michelle A. Hawkins

NOTARY PUBLIC - State of Kansas

P:\WP51\MCD\Beefmakers.Inc\Palomino.Lease.doc

Seal +

STATE OF KANSAS, SCOTT COUNTY, SS

This instrument was filed for record on the 30 day of January A.D. 2007

O'clock M., and duly recorded in book

s 32.00 Register of Deeds

COMPUTER OF NUMERICAL

Beefmakers/Palomino
Oil & Gas Lease Addendum
Scott County, Kansas

ADDENDUM To Oil and Gas Lease, dated January 25, 2007, by and between

Beefmakers, Inc.

hereinafter referred to as Lessor and

Palomino Petroleum, Inc.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the property described in paragraph 1 below, located in **SCOTT COUNTY**, **KANSAS**, and containing **160** acres, more or less; to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

- 1. <u>Legal Description</u>. Township 20 South, Range 34 West Section 32: NW1/4
- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. 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 heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
- 3. Access Roads and Pipelines. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
- 4. <u>RESERVATION OF MINERALS.</u> Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- 5. <u>TERMINATION.</u> Upon termination of this lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- 6. <u>PROTECTION AGAINST POLLUTION.</u> The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.

- 7. <u>SALT WATER DISPOSAL</u>. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- 8. WARRANTY OF TITLE AND ABSTRACT CHARGES. Lessor does not warrant title with respect to the minerals leased herein. Lessee shall be responsible for examining title to this property in order to determine the extent of Lessor's mineral interest and the status of prior leases of record. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.

9. DAMAGES.

- Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and (a) caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. In this regard, in the event Lessor or Lessor's tenant pastures livestock on the leased premises, Lessee shall, weather permitting, upon thirty (30) days prior notice, construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. The first time cattle are moved onto the leased premises following the drilling of a well, Lessor or Lessor's tenant shall provide Lessee with thirty (30) days prior notice, in order to allow Lessee sufficient time to construct fencing. Thereafter, no notice shall be required from Lessor or Lessor's tenant with regard to the placement of cattle on the leased premises. All pits shall be filled and leveled in accordance with the rules and regulations as set forth by the Kansas Corporation Commission, in any event, within six (6) months following well completion or abandonment. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of \$2,000 per acre. Lessee further agrees to pay the sum of Fifteen dollars (\$15) per rod for installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of \$20 per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
- 10. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee, on the leased premises:
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

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- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).
- (e) Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.
- 11. <u>LIMITATION ON SHUT-IN ROYALTY.</u> If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessors a shut-in royalty at the rate of Five Dollars (\$5.00) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 12. <u>Seismograph Testing and Compensation</u>. Lessor acknowledges that, under the terms of the Lease, Lessee has the authority to conduct geophysical explorations (including seismograph testing) or to authorize third parties (as Lessee's agent) to conduct such testing upon the leased premises. Notwithstanding the grant of such authority, Lessee acknowledges that it may not proceed with the initial seismograph testing contemplated by the parties until Lessor and Lessee (or Lessee's agent) have entered into a mutually agreeable seismic survey permit and damage settlement agreement. The parties further agree that Lessor shall be reasonably compensated for any seismograph testing conducted by Lessee during the term of the Lease, based upon comparable rates being paid by the industry within the local geographic area at that time. Notwithstanding the Lessor's subsequent execution of a seismograph permit or similar instrument provided by an agent of Lessee, the Lessee shall remain obligated to Lessor under the provisions of this Lease for any damages suffered by Lessor as a result of such testing.
- 13. <u>UNITIZATION AND POOLING.</u> Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 40 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
- 14. <u>SEPARATE ZONES</u>. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of three (3) years to drill additional wells. At the end of such three (3) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands

pooled or unitized therewith, during the term of this lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.

- 15. <u>CRP Provisions.</u> The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
- 16. Breach or Default. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
- 17. <u>BINDING EFFECT.</u> This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned has signed this Addendum effective the <u>25th</u> day of January, 2007.

BEEFMAKERS, INC.

Doris J. Crist, President

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