



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

KANSAS CORPORATION COMMISSION 1075779
 OIL & GAS CONSERVATION DIVISION

Form C-1
 March 2010

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

NOTICE OF INTENT TO DRILL

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

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: _____
month day year

OPERATOR: License# _____
 Name: _____
 Address 1: _____
 Address 2: _____
 City: _____ State: _____ Zip: _____ + _____
 Contact Person: _____
 Phone: _____

CONTRACTOR: License# _____
 Name: _____

Well Drilled For:	Well Class:	Type Equipment:
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
<input type="checkbox"/> Other: _____		<input type="checkbox"/> Air Rotary
		<input type="checkbox"/> Cable
<input type="checkbox"/> If OWWO: old well information as follows:		

Operator: _____
 Well Name: _____
 Original Completion Date: _____ Original Total Depth: _____

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

Spot Description: _____
 _____ - _____ - _____ Sec. _____ Twp. _____ S. R. _____ E W
(Q/Q/Q/Q) _____ feet from N / S Line of Section
 _____ feet from E / W Line of Section

Is SECTION: Regular Irregular?
 (Note: Locate well on the Section Plat on reverse side)

County: _____
 Lease Name: _____ Well #: _____

Field Name: _____
 Is this a Prorated / Spaced Field? Yes No

Target Formation(s): _____
 Nearest Lease or unit boundary line (in footage): _____

Ground Surface Elevation: _____ feet MSL
 Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No
 Depth to bottom of fresh water: _____

Depth to bottom of usable water: _____
 Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: _____
 Length of Conductor Pipe (if any): _____

Projected Total Depth: _____
 Formation at Total Depth: _____

Water Source for Drilling Operations:
 Well Farm Pond Other: _____

DWR Permit #: _____
 (Note: Apply for Permit with DWR)

Will Cores be taken? Yes No
 If Yes, proposed zone: _____

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 DAYS** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

Submitted Electronically

For KCC Use ONLY

API # 15 - _____

Conductor pipe required _____ feet

Minimum surface pipe required _____ feet per ALT. I II

Approved by: _____

This authorization expires: _____
(This authorization void if drilling not started within 12 months of approval date.)

Spud date: _____ Agent: _____

Remember to:

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

Well will not be drilled or Permit Expired Date: _____
 Signature of Operator or Agent: _____

E
W



1075779

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

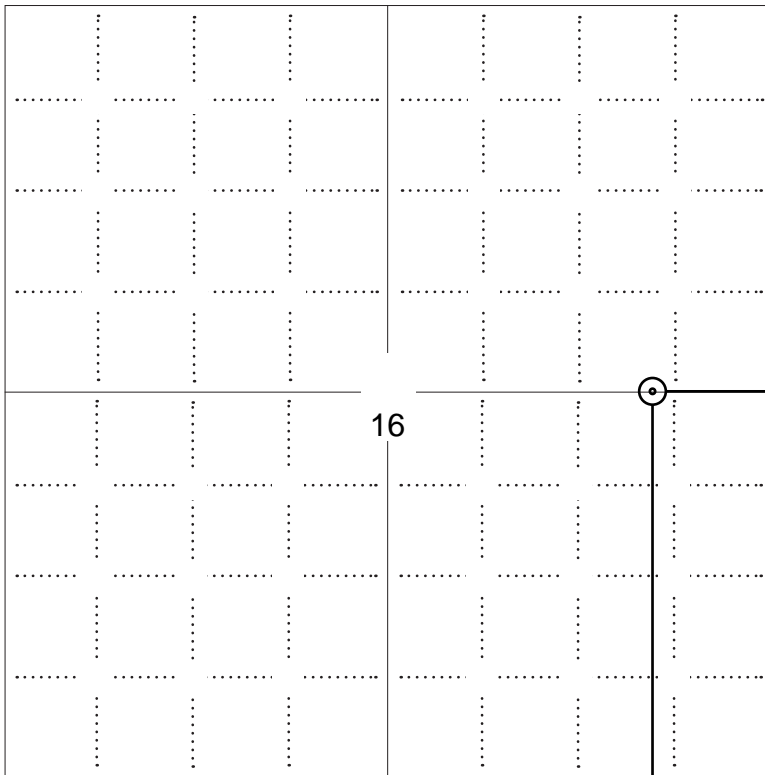
Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

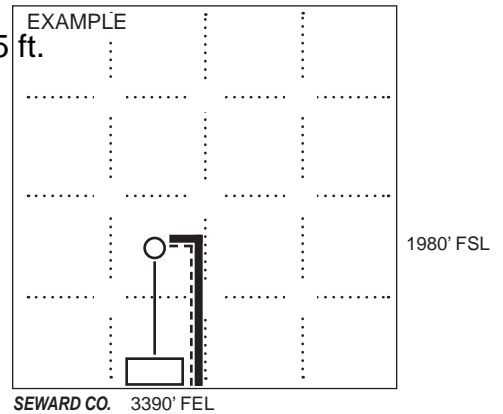
PLAT

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 location.

2640 ft.

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

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



KANSAS CORPORATION COMMISSION 1075779
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	
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: 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>Submitted Electronically</p>			

KCC OFFICE USE ONLY			
<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS			
Date Received: _____ Permit Number: _____ Permit Date: _____ Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> 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.

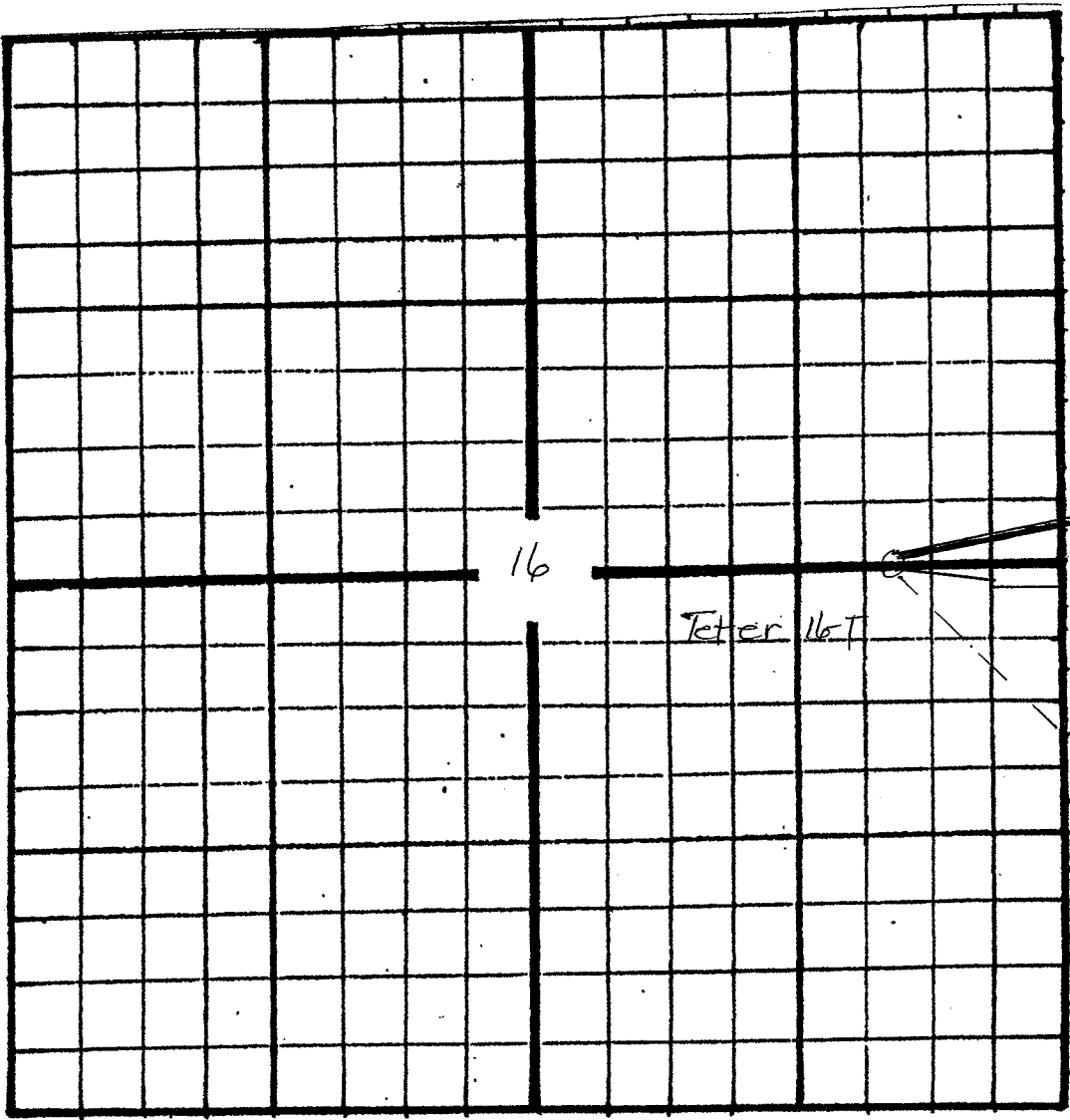
If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary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

Submitted Electronically





OIL AND GAS LEASE

DATE: NOVEMBER 30, 2008

LESSOR: Michael A. Teter and Connie Teter, husband and wife 28784 NE 1830 Rd Garnett, KS 66032	STATE OF KANSAS ANDERSON COUNTY This <i>note</i> was filed for Record on this <i>25th</i> day of <i>Feb</i> , A.D. <i>2009</i> at <i>11:20 A.</i> M. and duly Recorded Book <i>31</i> of <i>041</i> on Page <i>52</i> <i>Sandra Baugher</i> REGISTER OF DEEDS Deputy
	LESSEE: Martin Oil Properties 6421 Avondale Dr., Ste. 212 Oklahoma City, OK 73116

1. **Grant.** Lessor, for the sum of ten Dollars (\$10.00) and other consideration, receipt and sufficiency of which is hereby acknowledged, does hereby grant, lease and let unto Lessee, exclusively, the land hereinafter described, for the purpose of conducting geological, geophysical and other exploratory work; drilling, mining and operating for, producing, saving, storing and marketing oil, gas, casinghead gas, casinghead gasoline and all other hydrocarbons and their respective products; and constructing roads, laying pipe lines, electric lines and other utilities, building tanks and erecting other structures thereon, necessary or convenient to produce, save, take care of and market said substances and products; said lands, including any reversionary rights therein, being situated in ANDERSON COUNTY, KANSAS, described as follows:

East Half of the Northeast Quarter (E/2 NE/4) except the Northwest Quarter of the Northeast Quarter of the Northeast Quarter (NW/4 NE/4 NE/4); and Northeast Quarter of the Southeast Quarter (NE/4 SE/4); all in Section Sixteen (16), Township Twenty (20) South, Range Twenty (20) East of the 6th P.M., containing 100 acres, more or less.

2. **Term.** This lease is for a primary term of three (3) years from this date and as long thereafter as oil or gas or any of the products covered by this Lease is produced or operations are conducted as hereinafter provided.

3. **Paid-Up Lease.** This is a paid-up lease. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as expressly provided herein, to commence or continue any operations during the primary term, or to make any rental payments during the primary term.

4. **Royalty.** Lessee agrees to pay Lessor a royalty on production covered by this Lease as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of the costs of production, storage or treatment on the leased premises, into the pipe line or storage tanks to which Lessee may connect its wells 14.00% of all oil produced and saved from the leased premises, or at the Lessee's option may pay to the Lessor for such royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

(B) Lessee shall pay to Lessor as royalty on gas marketed and sold from the leased premises 14.00% of the proceeds paid by the purchaser at the point of sale.

(C) Lessee shall pay to Lessor as royalty 15% of the proceeds received by the Lessee from the sale of casinghead gas produced from any oil well and 14.00% of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well and used by Lessee off the leased premises for any purpose or used on the leased premises by Lessee for purposes other than the development and operation thereof.

(D) Lessee shall pay to Lessor 14.00% of the proceeds from the sale of all other products of oil and gas not otherwise referred to herein.

(E) Where there is a gas well or wells on the leased premises and such well or wells are shut-in, and there is no other production or operations being conducted capable of keeping this Lease in force under any of its provisions, Lessee shall pay as royalty to Lessor the sum of one dollar (\$1.00) per year per net royalty acre, such payment to be made on or before the anniversary date of this Lease next following the expiration of ninety (90) days from the date such well or wells are shut-in, and thereafter on or before each succeeding anniversary date of this Lease during the period such well or wells are shut-in. Upon such payment this Lease shall remain in full force and effect.

5. **Lessor Interest.** If Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid to said Lessor only in proportion that his/her interest bears to the whole and undivided fee title. If more than one party has executed this lease as Lessor, then this provision applies to each such party.

6. **Entirety and Pooling.** If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises shall nevertheless be developed and operated as one Lease, and all royalties accruing hereunder shall be divided among and paid to

21 0 25 Page 52

the separate owners in the proportion that the acreage owned by each owner bears to the entire leased acreage. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this Lease may now or hereafter be divided by sale, devise, descent, or otherwise, or to furnish separate measuring or receiving tanks or devices. Lessee may pool and combine the land covered by this Lease, or any portion thereof, with other land adjacent thereto when, in Lessor's judgment, it is necessary or advisable to do so in order to more economically or prudently develop and operate the pooled lands for production of oil and/or gas. Lessee shall execute and record in the county records an instrument describing the pooled acreage and notify Lessor thereof. The entire acreage so pooled shall be treated for all purposes, except the payment of royalties, as if it were included in this Lease, and production of oil and/or gas anywhere thereon shall be considered for all purposes, except the payment of royalties, as if such production were on land covered by this Lease. In lieu of the royalties elsewhere herein provided, including shut-in gas royalties, Lessor shall receive as royalty on production from the pooled acreage such portion of the royalty stipulated herein as the royalty acres placed in the pooled acreage bears to the total royalty acres pooled.

7. **Dry Hole.** If, at any time prior to the discovery of oil or gas or other hydrocarbons on the leased premises and during the term of this Lease, the Lessee drills a dry hole on the leased premises, this Lease shall not terminate, provided operations for the drilling of another well, or to rework or recomplete an existing well, if any, are commenced or resumed prior to the expiration of the primary term or, if after the primary term, operations are resumed and continuously prosecuted as provided in paragraph 9 of this Lease.

8. **Operations.** When required by Lessor, Lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn on the premises as of the date of this Lease without the written consent of the Lessor. Lessee shall reasonably notify Lessor prior to commencement of drilling operations and shall notify its contractors and employees to consult with Lessor in respect to points of access to the premises. Lessor shall have right of approval, which shall not be unreasonably withheld, regarding location of new roadways on the premises; provided, they shall be sufficient for normal operations of Lessee and provide Lessee with suitable and convenient ingress and egress to and from well locations, tanks and facilities, and access to adjacent public roadways, if any. Overhead power lines shall be of sufficient height as not to interfere with the reasonable and necessary movement of farm machinery or irrigation equipment, or else buried below plow depth. Any fences damaged as a result of Lessee's operations shall be restored to prior condition at Lessee's expense. Lessee shall pay Lessor for damage caused by its operations to growing crops on the leased premises. Upon completion or abandonment of a well, Lessee shall restore the premises, including but not limited to the driller area and access thereto, and fill and grade pits, as nearly as possible to the prior surface condition and contour, at Lessee's expense. If a well drilled by Lessee is permanently abandoned as a dry hole, it shall be plugged in accordance with law and the regulations promulgated by the State Corporation Commission. Before abandoning a gas well, Lessee may, but is not required to, notify Lessor of the intention to abandon and, if requested by Lessor, provide Lessor with available logs and well data. Lessor shall then have the right to purchase the well by paying Lessee the fair salvage value of the casing, tubing, pipe and other equipment in and on the well. If Lessor exercises the right to buy the well, Lessee shall then be released from any further liabilities or obligations in respect to such well, including the obligation to plug it at any time, which obligation shall in that event be entirely upon Lessor.

9. **Continuous Operations.** Notwithstanding anything in this Lease to the contrary, it is agreed that if Lessee commences operations for the drilling of a well, or to rework or recomplete an existing well, if any, at any time while this Lease is in force, this Lease shall remain in full force and effect and its terms shall continue so long as such operations are continuously prosecuted, and if production results therefrom, then as long as such production continues. Such operations shall be deemed continuously prosecuted if less than 90 days elapse between the date a well is abandoned and operations on another well are commenced.

10. **Free Substances.** Lessee shall have the right to use, free of cost or royalty, gas, oil and water found on the leased premises for its operations thereon, except fresh water from Lessor's water wells and ponds. If gas is produced from any well and not used by Lessee for operations or sold, Lessor shall have the right to take such surplus gas, free of charge, for domestic purposes in one single family residential dwelling on the leased premises and, subject to approval by Lessee, for reasonable farm use consistent with the current use of Lessor. This provision does not extend to additional dwellings that may be located on tracts into which the leased premises may be divided. Lessor's lines, appliances at the well, meters and connections shall be of good quality and installed at Lessor's expense. Lessee shall have the right to designate the point of connection and to impose such rules and regulations as may be reasonably necessary to protect the well and other lines. Lessor's use of gas shall be at Lessor's sole risk, and Lessee shall not be liable in any way for Lessor's failure or inability to obtain or use such gas on account of the use of pumping stations, breakage of lines, conditions at the well, requirements or restrictions under any gas contract, or any other cause.

11. **Surrender and Removal.** Lessee may at any time surrender or cancel this Lease in whole or in part by delivering or mailing such release to the Lessor, or by placing the release of record in the County where said land is situated. If this Lease is surrendered or canceled as to only a portion of the acreage covered, then all payments and liabilities thereafter accruing under the terms of this lease as to the portion canceled shall cease and terminate; but as to the portion of the acreage not released the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes. Lessee shall have the right at any time during the term of the lease, or within a reasonable time after the expiration of the Lease, to remove all machinery, fixtures, buildings, and other structures placed on the leased premises, including the right to draw and remove casing. If the lease is abandoned, Lessee shall remove its equipment and restore the premises as nearly as possible to its original surface condition and contour within six months after expiration or termination of the lease.

12. **Assignment.** If the estate of either party hereto is assigned, the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or the royalties or in any sum due under this Lease shall be binding on Lessee until it has been furnished with either the original recorded instrument of conveyance, or

Oil & Gas Lease
Page 3

21 0+21 / 52

certified copy thereof, or certified copy of the will of any deceased owner and of the probate record thereof, or certified copy of the proceedings showing the appointment of an administrator or executor for the estate of any deceased owner, whichever is appropriate, together with all recorded instruments of conveyance; and all advance payment of rentals made hereunder before receipt of such documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor or heir of Lessor. In the event this Lease is assigned as to a part or parts of the above described land and the holder or owner of any such part or parts shall default in the performance of any condition or covenant of this Lease, express or implied, such default shall not operate to defeat or effect this Lease except insofar as it covers that part of said land held or owned by the defaulting owner or holder.

13. **Force Majeure.** All provisions hereof, express or implied, shall be subject to all federal and state laws, and the orders, rules, or regulations of all governmental agencies administering the same, and this Lease shall not be in any way terminated wholly or partially, nor shall the Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure occurred by reason of compliance with or enforcement of any such laws, orders, rules or regulations. Lessee shall not be liable in damages, forfeiture or termination, on account of breach of covenant, express or implied, or failure of any condition necessary to keep the lease in force, which results from force majeure; and the obligations of Lessee shall be suspended if and while drilling or other operations are delayed or interrupted by force majeure. Force majeure includes Act of God, storm, flood, strike, scarcity of labor or material, lockout, blowout, breach of contract by drillers, subcontractors or suppliers, surface or subsurface conditions which impede normal operations or which would result in other damages or waste, or other bona fide cause beyond the reasonable control of Lessee. Lessee shall have a reasonable time after the removal or cessation of force majeure within which to commence or resume performance under the Lease. If force majeure occurs during the primary term, the time such force majeure exists shall be added to the primary term.

14. **Breach.** The breach of any obligation under any provision or covenant of this lease, express or implied, shall not cause a forfeiture or termination of this Lease nor constitute grounds for cancellation unless Lessor first notifies Lessee in writing of the breach and the facts relied upon as constituting such breach, together with a demand for the specific performance thereof, and the Lessee, if in default, fails within a reasonable time thereafter to commence compliance with the obligations imposed.

15. **Warranty and Subrogation.** Lessor warrants and covenants with Lessee that at the delivery hereof Lessor owns good and marketable title to the land covered hereby, free and clear of liens, encumbrances and adverse claims. Lessee at its option may pay or discharge in whole or in part any delinquent taxes, mortgages, or other liens existing, levied, or assessed on or against the leased premises, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien, any royalty or other sums accruing to Lessor hereunder. Lessee is given the right to acquire for its own benefit deeds, leases, or assignments covering any interest or claim in the leased premises which Lessee or any other party contends is outstanding and not covered hereby and even though such outstanding interest or claim be invalid or adverse to Lessor. In the event that the Lessee's title hereunder is clouded by a title defect or a claim adverse to the rights and interests granted to Lessee herein, then the time such title defect or claim exists shall be added to the primary term and, in any event, Lessee shall have a reasonable time after such defect or adverse claim is cured or removed within which to commence or resume performance under this Lease.

16. **Parties.** The term "Lessor" herein refers to and includes all parties who sign this Lease as Lessor, regardless of the identification of one or more, or less than all, of such parties in the heading of this Lease.

17. **Duplicate Originals.** Duplicate originals of this lease may be signed and acknowledged separately by different parties and the separately executed leases shall constitute one lease to the same effect as if the parties had executed the same instrument. If less than all parties whose names are shown herein have executed the lease or a duplicate original thereof, the lease shall nevertheless be valid and effective insofar as the interests owned by the parties who have signed the lease or a duplicate original thereof; and each separately executed duplicate lease may be duly recorded in the office of the register of deeds in the aforesaid county or counties.

Michael A. Teter 12/11/08
Michael A. Teter

Connie L. Teter 12/11/08
Connie Teter

21058 / 52

NOTICE

Nearest Lease or Unit Boundary Line

K.A.R. 82-3-108 provides that all oil and gas well locations must comply with setback requirements, unless an exception has been granted by the Commission. Depending upon whether the subject well is an oil well or gas well, and also depending upon the county in which the well is located, the setback may be 330 feet or 165 feet from the nearest lease or unit boundary.

This Intent to Drill (“C-1”) form indicates that the distance between the well and the nearest lease or unit boundary will comply with the setback requirement. Accordingly, the C-1 has been approved. However, the C-1 also stated that the well location is very near a boundary line of a Section or a Quarter-Section. This notice is being sent as a courtesy reminder, in case an error was made on the C-1.

As the operator of the proposed well, you must independently verify that the proposed well location complies with the applicable regulatory setback. If at any time it should appear that a well does not comply with the regulatory setback, the well may be subject to being shut-in pending Commission approval of an application for a well location exception. In addition, if such an application is not granted by the Commission, you may be required to plug the well.

If the proposed well location will comply with the regulatory setback, this notice may be disregarded. Please contact the KCC Production Department with any questions or concerns.

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

March 06, 2012

CHRIS MARTIN
Tailwater, Inc.
6421 AVONDALE DR STE 212
OKLAHOMA CITY, OK 73116-6428

Re: Drilling Pit Application
TETER 16-T
E/2 Sec.16-20S-20E
Anderson County, Kansas

Dear CHRIS MARTIN:

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

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) 432-2300 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) 432-2300.