



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

KANSAS CORPORATION COMMISSION 1076049  
 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**

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



1076049

**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

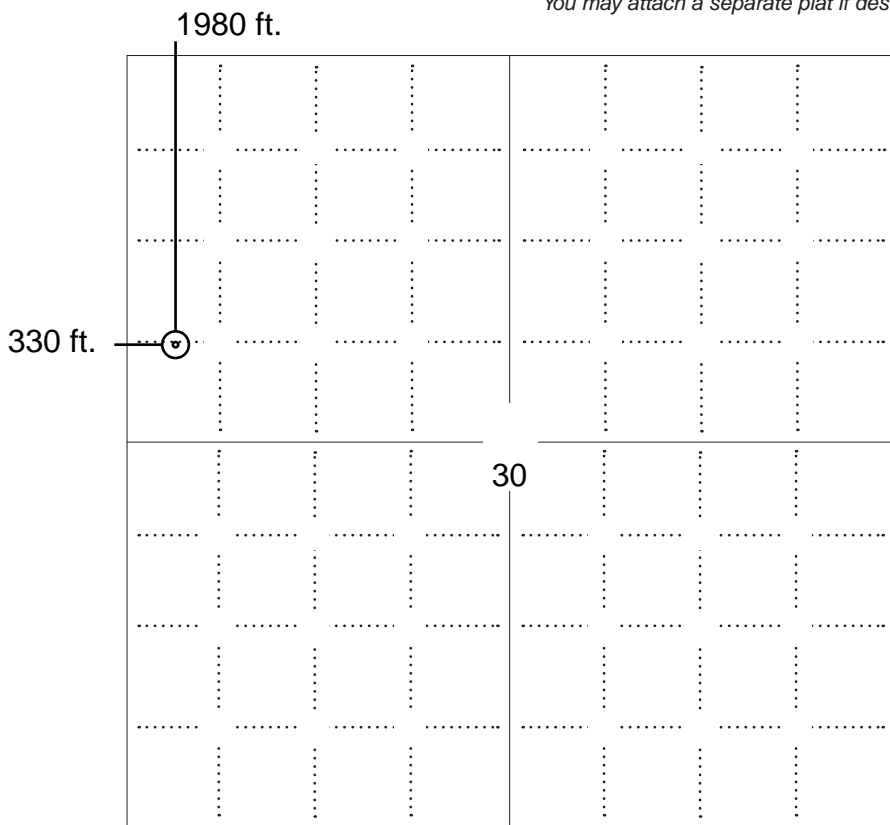
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

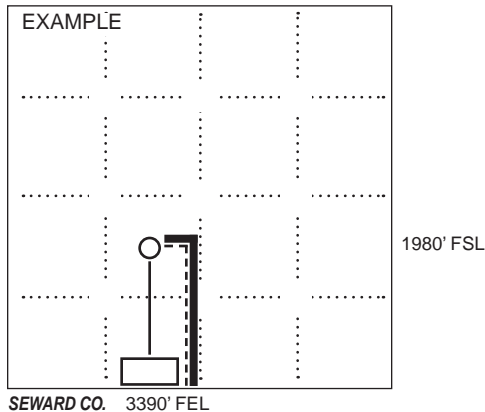
**PLAT**

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 1076049  
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.*

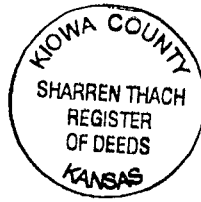
*If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary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



STATE OF KANSAS  
KIOWA COUNTY } SS

This instrument was filed for record this  
3rd day of March, 2008  
at 8:20 o'clock A.M. and recorded  
in Book 20 Page 2102 Fees 24.00  
Sharren Thach

Register of Deeds  
Deputy  
Judith I. Schoenberg

# OIL AND GAS LEASE

AGREEMENT Made and entered into the 1st day of February, 2008.

by and between Walter Don Thompson, a single man  
whose mailing address is HC 72, Box 25A, Coldwater, Kansas 67029, hereinafter called Lessor (whether one or more)  
and Castelli Exploration, Inc., 6908 NW 112<sup>th</sup> Street, Oklahoma City, Oklahoma 73162 hereinafter called Lessee

Lessor, in consideration of Ten and more Dollars (\$ 10.00 and more) 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, hereon situated in County of Kiowa State of Kansas described as follows to-wit

Northwest Quarter (NW/4)

See Exhibit "A" attached hereto

In Section 30 Township 30S Range 18W and containing 160.0 acres, more or less and all accretions thereto

Subject to the provisions herein contained, this lease shall remain in force for a term of five (5) 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 to which lessee may connect wells on said land, the equal one-eighth (1/8<sup>th</sup>) 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<sup>th</sup>) at the market price at the well (but, as to gas sold by lessee, in no event more than one-eighth (1/8<sup>th</sup>) 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 to 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 operation 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 the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, 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 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.

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

Witnesses

Walter Don Thompson  
Walter Don Thompson

STATE OF Kansas }

} ss.

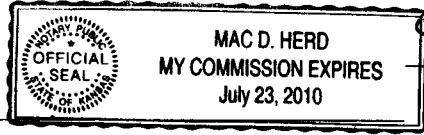
(ACKNOWLEDGMENT FOR INDIVIDUAL)

COUNTY OF Comanche }

Before me, the undersigned, a Notary Public, in and for said County and State, on this 12 day of February, 2008, personally appeared Walter Don Thompson, a single man

to me known to be the identical person who executed the within foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.



*Mac D Herd*  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_ }

} ss.

(ACKNOWLEDGMENT FOR CORPORATION)

COUNTY OF \_\_\_\_\_ }

On this \_\_\_\_\_ day of \_\_\_\_\_, 2004, before me, the undersigned, a Notary Public, in and for the County and State aforesaid personally appeared \_\_\_\_\_

to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its \_\_\_\_\_ and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

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

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

Addendum to oil and gas lease dated February 1, 2008, by and between Walter Don Thompson, a single man, hereinafter referred to as Lessor, and CASTELLI EXPLORATION, INC., hereinafter referred to as Lessee. This Addendum is a part of that certain oil and gas lease identified above by date and parties covering the Northwest Quarter (NW/4) of Section 30, Township 30 South, Range 18 West of the 6<sup>th</sup> P.M., Kiowa County, Kansas, to the same extent as if the provisions hereof had originally been written in said lease. In the event of conflict between the lease provisions and the provisions provided in this Addendum, the provisions of this Addendum shall be binding.

1. a) Lessee shall pay to Lessor a 5/32<sup>nd</sup> royalty for all gas and/or oil produced and saved from the leased premises.  
b) Lessee shall not deduct from royalty payments due to Lessor any costs, including but not limited to compression, dehydration, transportation and gathering, or such other costs to produce gas or oil, and their constituent products, or costs to place such gas or oil in a marketable condition, whether such costs are incurred on or off the leased premises.
2. No right is granted to the Lessee to erect on any part of the leased 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 specifically agrees to build any meter houses, separators, heater treaters and storage tanks, used for the purpose of producing and saving any oil and gas upon the above described premises adjacent to any county, state, or federal road or highway adjoining the above described premises. Lessee shall pay to Lessor the sum of \$1,200.00 per year as rental for the property where the tank battery and pumping unit are placed.
3. 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.
4. Lessor shall have the right to purchase from Lessee gas at the wellhead price from any gas well located on the leased premises, or on any land unitized or pooled therewith, for farming, irrigation, and other agricultural purposes; provided, however, that the amount of gas used by Lessor for such purposes in any given year shall not exceed the amount attributable to Lessor's royalty interest for that year.
5. Lessee shall bury pipelines and utility lines to a depth of not less than sixty (60) inches below the surface. All slush pits shall be filled and leveled within sixty (60) days after well completion or abandonment unless a longer time therefore is granted by Lessor at his option.
6. Lessor reserves the right to designate all routes of ingress and egress. Prior to the construction of any roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult and agree with the surface owner as to the location and direction of the same.
7. Lessee shall specifically not have right to use fresh water from the above described premises for the purposes of water flooding or injection in any water flooding program in which the leased premises may, for any reason, be pooled or unitized.
8. The installation of any salt water disposal equipment by Lessee in the operation of the lease shall be subject to the approval of Lessor. Lessee shall not be permitted to use any well drilled on the leased premises as a salt water disposal well without the written permission of the Lessor and without compensating Lessor for the use thereof.
9. Lessee agrees to give Lessor written notice 30 days in advance of their decision to surrender this lease. Upon termination of the lease, Lessee shall promptly put a release of record in the Register of Deeds Office of Comanche County, Kansas. In the event Lessee does not file a release of record with the Register of Deeds Office of Comanche County, Kansas, Lessee shall pay to Lessor the sum of \$1,000.00 plus any attorney fees incurred by Lessor in obtaining a release of the above referenced oil and gas lease.

10. In the event there is no production in paying quantities found by any operations undertaken by Lessee during the primary term of the lease and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease was executed. Within six (6) months after the expiration of the lease by its terms, Lessee shall have the obligation to restore, as nearly as practicable, the leased premises to the same condition as received, natural wear and tear and damages by the elements excepted.
11. Prior to cutting any fence for entry onto the premises, Lessee shall cause corner posts and braces to be set so the fence will remain strong and as effective as it was prior to cutting.
12. Lessee shall maintain all roads, well sites and production facilities in a clean and respectable condition, reasonably free of weeds and trash.
13. Five years after the expiration of the Primary Term hereof, this lease shall thereupon terminate as to the oil and gas rights in all zones and formations of the leased premises which are 100 feet below the stratigraphic equivalent of the deepest zone or formation from which Lessee is producing oil and/or gas in paying quantities. Lessee shall be obligated to file of record in the Comanche County Courthouse a release of the lease covering the depths required to be released within sixty (60) days following written demand thereof after expiration of the primary term of this lease. If such release is not filed within said 60-day period, then Lessee shall be subject to a minimum damage of \$1,000.00, and for any attorney fees incurred by Lessor in obtaining such release.
14. Should a well drilled on the premises be abandoned for any reason, Lessee shall have 90 days from the date of abandonment to remove all materials, including buried pipelines. Any such materials remaining on the premises after 90 days shall become the property of Lessor.
15. It is agreed that 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. It is further agreed Lessor shall receive his proportionate royalty share of all monies received by Lessee for any 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 that Lessor would otherwise receive from oil and/or gas production from this lease.
16. Lessee agrees that it will comply with all regulations and statutes of all governmental entities having jurisdiction over compliance with environmental legislation. Lessee further agrees to accept the leased premises in its "as is" condition. It is acknowledged that Lessee has been advised to inspect the property to determine that it is suitable for the purpose intended and to ascertain that no environmental hazards or toxins are now present.  
  
Lessee shall indemnify and hold Lessor harmless from any claims, damages, actions or causes of action from any environmental damage or contamination caused or contributed to by Lessee subsequent to the commencement of this lease.
17. This lease shall not be assigned except in its entirety. Lessee agrees to notify Lessor by written notice of any lease assignment within thirty (30) days following such assignment.
18. Lessee shall pay for all abstracting charges to bring the Abstracts covering the above referenced property up to date prior to and after drilling operations.
19. Lessee covenants to pay Lessor as damages a minimum of \$30.00 per rod for any 4 inch or less pipeline or power line crossing or constructed by Lessee whether connected to the well on the leased premises or not. All damages shall be due and payable on or before the construction of said pipeline.
20. Lessee agrees that at no time during the life of this lease shall the royalty paid to Lessor for a yearly period commencing with first production from the well, be less than \$1,500.00 per year. A deficiency, if any, shall be paid to Lessor by lessee within thirty (30) days after written notice and demand thereof is made by Lessor.




21. Lessee hereby agrees to pay for any and all damages occasioned to the land by its operations hereunder, including grass, livestock, crops and improvements. Lessee shall pay Lessor a reasonable amount but not less than \$2,500.00 for each new drill site location on the leased premises. Said minimum amount of \$2,500.00 to be paid by Lessee to Lessor prior to drilling activities being commence. Upon completion of Lessee's drilling operations on each well, Lessee agrees to restore the premises to as nearly as practical the same condition as they were prior to commencing of operations hereunder.
22. Lessor, at his sole risk, shall have the ingress and egress to all gas meters and gauges owned or controlled by the Lessee at all times for the sole purpose of checking proper and accurate operations.
23. Lessor and Lessee specifically covenant, stipulate and agree that the unitization clause should be and hereby is amended to provide that Lessee shall have the right to unitize the above referenced property for gas purposes only in 160 acre or less units. Before unitizing this land with any other land, Lessee will obtain Lessor's consent to the formation of the unit in writing and in addition thereto, Lessee shall make every effort to first unitize this lease with other land of Lessor's or other contiguous land that Lessor owns an interest then under lease by Lessee herein.
24. In the event Lessee shall undertake seismic testing operations, such operations shall be conducted in such a manner as to least interfere with farming operations. In no event shall seismic or other testing of similar nature occur; 1) when the ground is wet; 2) within 1,000 feet of any water well (domestic or irrigation), whether such well be located on the leased premises or not; 3) within 1,000 feet of any dwelling; 4) over or within 50 feet of any underground irrigation water pipe. Damages for seismic work shall be \$20.00 per acre.
25. It is understood and agreed that any shut-in royalties due and payable under the terms of this lease shall be computed and paid on the basis of \$10.00 per net mineral acre covered hereby. Notwithstanding any other provisions of this lease, it is expressly understood and agreed that after the primary term, this lease cannot be maintained in force solely by the payment of shut-in gas royalty for any one period in excess of 2 consecutive years.
26. It is agreed between the parties that any royalties that shall be unpaid or withheld for a period of over 60 days for any reason whatsoever shall bear interest at the current prime rate of interest charged by the Peoples Bank of Coldwater, Kansas, from the date they are due until paid in full.
27. Any amounts due and owing from Lessee to Lessor shall be paid by cashier's check.
28. Lessee shall not be entitled to place any gas produced off the above described oil and gas lease in pipelines located on the land in the above described oil and gas lease without first agreeing to a compensation schedule with Lessor with respect to said off-site gas.
29. Lessee shall not remove or use fresh water found on the leased premises without prior written consent of Lessor. In the event fresh water is needed for the drilling of a well located on the above described real property, Lessee agrees to pay to Lessor the sum of \$500.00 for the use of said water.

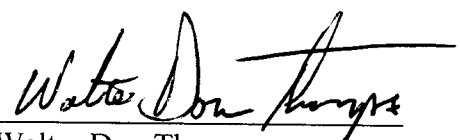
LESSEE:

Castelli Exploration, Inc.

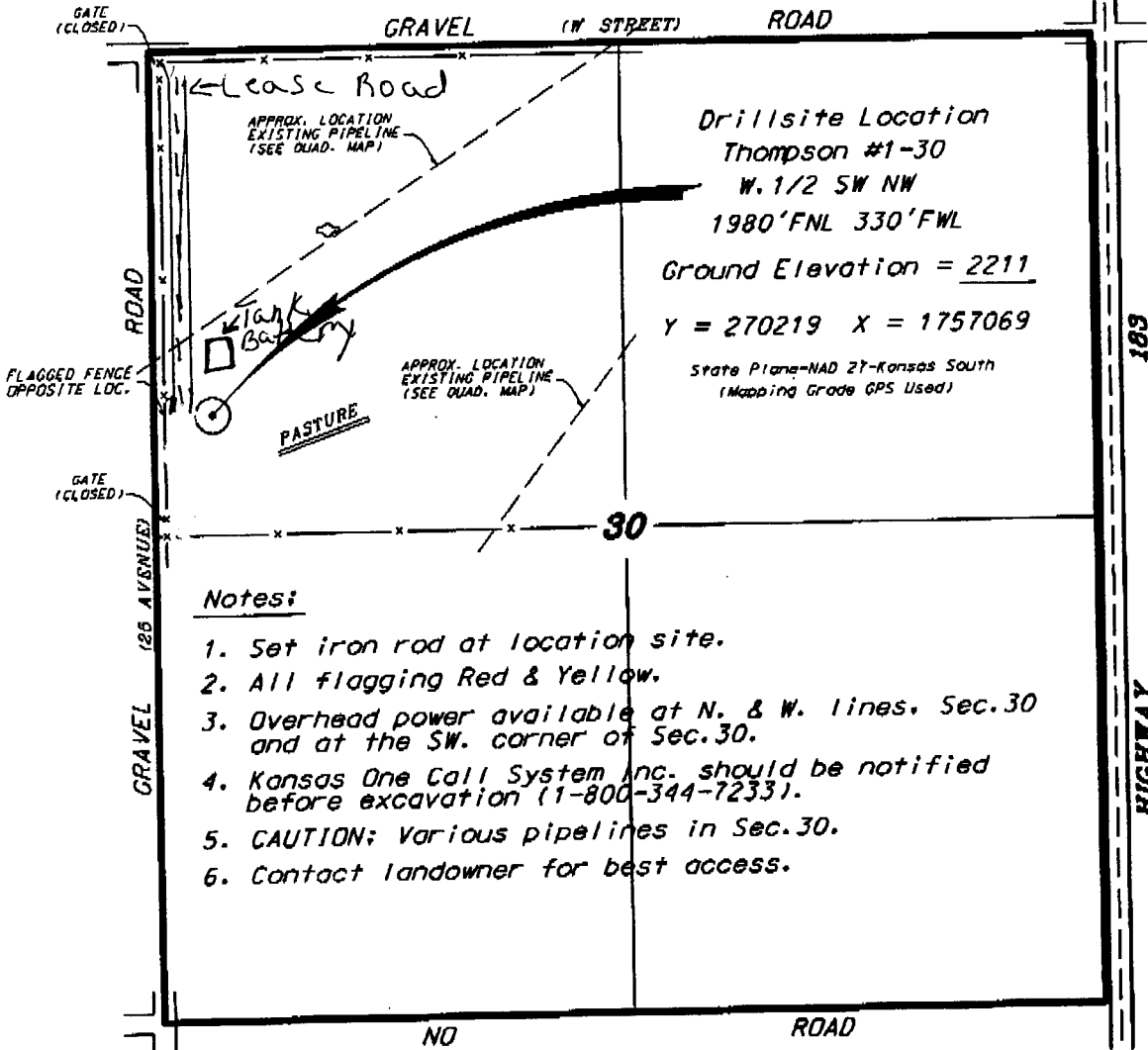
BY:

  
Tom Castelli, President

LESSOR:

  
Walter Don Thompson

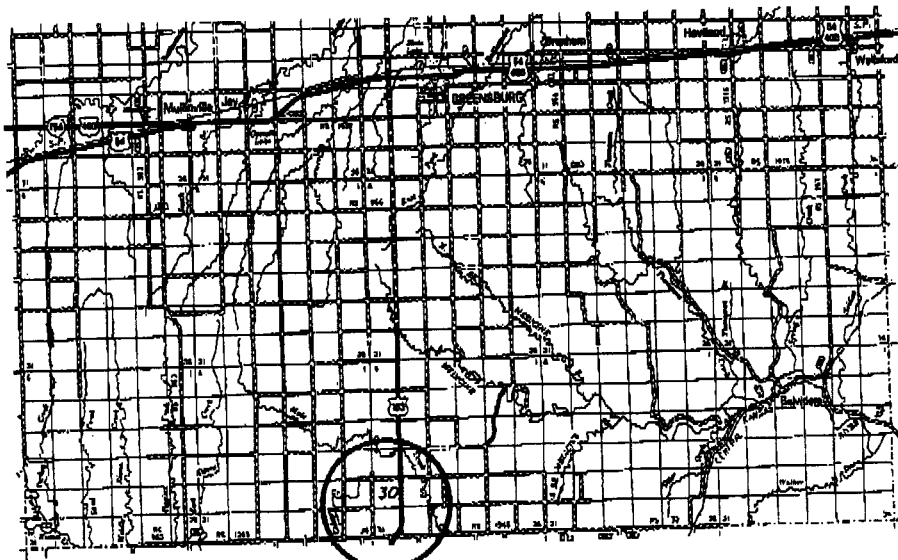
CASTELLI EXPLORATION, INC.  
THOMPSON LEASE  
NW.1/4, SECTION 30, T30S, R18W  
KIOWA COUNTY, KANSAS



\* Ingress and egress to location as shown on this plat is per usage only and may not be legally opened for public use. Contact landowner, tenant and county road department for access.

Notes:

1. Set iron rod at location site.
2. All flagging Red & Yellow.
3. Overhead power available at N. & W. lines. Sec. 30 and at the SW. corner of Sec. 30.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION; Various pipelines in Sec. 30.
6. Contact landowner for best access.



• Controlling data is based upon the best maps and photographs available to us and such a regular section of land containing 640 acres.  
 • Approximate section lines were determined using the normal standard of care of oilfield surveyors practicing in the state of Kansas. The section corners, which establish the precise section lines, were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed. Therefore, the user is assuming this service and accepting this plat and all other parties relying thereon agree to hold Central Kansas Oilfield Services, Inc., its officers and employees harmless from all losses, costs and expenses and said entities released from any liability from incidental or consequential damages.  
 • Elevations derived from National Geodetic Vertical Datum.

Date March 8, 2012

March 20, 2012

Tisha Love  
Castelli Exploration, Inc.  
6908 NW 112TH  
OKLAHOMA CITY, OK 73162-2976

Re: Drilling Pit Application  
Thompson 1-30  
NW/4 Sec.30-30S-18W  
Kiowa County, Kansas

Dear Tisha Love:

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 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.