

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:   |                         | -da                                     | Spot Description:   |
|---|-------------------------|---|---|
|   | month                   | day year                                | Sec Twp S. R  |
| OPERATOR: License#  |                         |   | (Q/Q/Q/Q) foot 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)   |
|   |                         | Zip: +                                  | (   |
| Contact Person:   |                         | ·                                       | County: Well #:   |
| Phone:  |                         |   |   |
| CONTRACTOR: License#  |                         |   | Field Name:   |
| Name:   |                         |   | Le tine a l'iolatea / epassa / leia   |
| ivaille.  |                         |   | Target Formation(s):  |
| Well Drilled For:   | Well Class:             | Type Equipment:                         | Nearest Lease or unit boundary line (in footage):   |
| Oil Enh F   | Rec Infield             | Mud Rotary                              | Ground Surface Elevation:feet MSL   |
| Gas Stora   | ge Pool Ext.            | . Air Rotary                            | Water well within one-quarter mile:   |
| Dispo   | osal Wildcat            | Cable                                   | Public water supply well within one mile: Yes No  |
| Seismic ;# o  | of Holes Other          |   | Depth to bottom of fresh water:   |
| Other:  |                         |   | Depth to bottom of usable water:  |
|   |                         |   | Surface Pipe by Alternate: III  |
| If OWWO: old well   | information as follows  | S:                                      | Length of Surface Pipe Planned to be set:   |
| Operator:   |                         |   | Length of Conductor Pipe (if any):  |
| •   |                         |   | Projected Total Depth:  |
| Original Completion Da  | ate: Or                 | riginal Total Depth:                    |   |
|   |                         |   | Water Source for Drilling Operations:   |
| Directional, Deviated or Ho   | rizontal wellbore?      | Yes No                                  | Well Farm Pond Other:   |
| If Yes, true vertical depth: _  |                         |   | DWR Permit #:   |
| Bottom Hole Location:   |                         |   | ( <b>Note</b> : Apply for Permit with DWR )   |
| KCC DKT #:  |                         |   | - Will Cores be taken?  |
|   |                         |   | If Yes, proposed zone:  |
|   |                         | Λ.Γ                                     | FIDAVIT   |
| The undersigned hereby  | offirms that the drilli |   |   |
|   |                         |   | lugging of this well will comply with K.S.A. 55 et. seq.  |
| It is agreed that the follow  | ing minimum require     | ements will be met:                     |   |
| <ol> <li>Notify the appropria</li> </ol>  |                         |   |   |
| . ,   |                         | to drill <b>shall be</b> posted on each | 0 0   |
|   |                         | •                                       | et by circulating cement to the top; in all cases surface pipe shall be set   |
|   |                         | lus a minimum of 20 feet into t         |   |
|   |                         | •                                       | strict office on plug length and placement is necessary <i>prior to plugging;</i>   |
|   |                         |   | red 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  |
|   |                         |   | pe plugged. <i>In all cases, NOTIFY district office</i> prior to any cementing.   |
| '   | ,                       | •                                       | ,   |
|   |                         |   |   |
| submitted Electroi  | nically                 |   |   |
|   |                         |   | D. D. C.  |
| For KCC Use ONLY  |                         |   | Remember to:  |
|   |                         |   | - File Certification of Compliance with the Kansas Surface Owner Notification   |
| ADI #45   |                         |   | Act (KSONA-1) with Intent to Drill;   |
| API # 15  |                         |   | - File Drill Dit Application (form CDD-1) with Intent to Drill  |
| API # 15  |                         | feet                                    | - File Drill Pit Application (form CDP-1) with Intent to Drill; - File Completion Form ACO-1 within 120 days of sould date:   |
|   |                         |   | - File Completion Form ACO-1 within 120 days of spud date;  |
| Conductor pipe required . Minimum surface pipe rec  | quired                  | feet per ALTIII                         | <ul> <li>File Completion Form ACO-1 within 120 days of spud date;</li> <li>File acreage attribution plat according to field proration orders;</li> </ul>  |
| Conductor pipe required - Minimum surface pipe rec Approved by:                             | quired                  | feet per ALTIII                         | - File Completion Form ACO-1 within 120 days of spud date;  |
| Conductor pipe required _ Minimum surface pipe rec Approved by:  This authorization expires | quired                  | feet per ALT. I                         | <ul> <li>File Completion Form ACO-1 within 120 days of spud date;</li> <li>File acreage attribution plat according to field proration orders;</li> <li>Notify appropriate district office 48 hours prior to workover or re-entry;</li> </ul>  |
| Conductor pipe required _ Minimum surface pipe rec Approved by: This authorization expires  | quired                  | feet per ALTIII                         | <ul> <li>File Completion Form ACO-1 within 120 days of spud date;</li> <li>File acreage attribution plat according to field proration orders;</li> <li>Notify appropriate district office 48 hours prior to workover or re-entry;</li> <li>Submit plugging report (CP-4) after plugging is completed (within 60 days);</li> </ul> |

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



SEWARD CO. 3390' FEL

| For KCC Use ONLY |   |
|------------------|---|
| API # 15         | _ |

Operator: \_

#### 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.

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   |  |  |
| Number of Acres attributable to well:  | Is Section: Regular or Irregular                                    |  |  |
|  | If Section is Irregular, locate well from nearest corner boundary.  |  |  |
|  | Section corner used: NE NW SE SW                                    |  |  |
| <b>.</b>   | DI AT   |  |  |
|  | PLAT t lease or unit boundary line. Show the predicted locations of |  |  |
| - The state of the | equired by the Kansas Surface Owner Notice Act (House Bill 2032).   |  |  |
|  | separate plat if desired. 1582 ft.                                  |  |  |
|  | 1582 ft.  |  |  |
|  |   |  |  |
|  | LEGEND  |  |  |
|  | O Well Location   |  |  |
|  | Tank Battery Location   |  |  |
|  | Pipeline Location   |  |  |
|  | 258 ft Electric Line Location                                       |  |  |
|  | Lease Road Location   |  |  |
|  |   |  |  |
|  |   |  |  |
|  | EXAMPLE   |  |  |
| 28   |   |  |  |
|  | : : : :   |  |  |
|  |   |  |  |
|  |   |  |  |
|  |   |  |  |
|  | [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]                             |  |  |
|  | · · · · · · · · · · · · · · · · · · ·                               |  |  |
|  | <u></u>   |  |  |
|  |   |  |  |

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 OIL & GAS CONSERVATION DIVISION

091383

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:  Emergency Pit Burn Pit  Settling Pit Drilling Pit  Workover Pit Haul-Off Pit  (If WP Supply API No. or Year Drilled)  | Pit is:  Proposed  If Existing, date continued in the pit capacity: | Existing nstructed: (bbls)  | SecTwp R East WestFeet from North / South Line of SectionFeet from East / West Line of Section County  |
| Is the pit located in a Sensitive Ground Water A  | rea? Yes  | No  | Chloride concentration: mg/l (For Emergency Pits and Settling Pits only)   |
| Is the bottom below ground level?   | Artificial Liner?   | No  | How is the pit lined if a plastic liner is not used?   |
| Pit dimensions (all but working pits):  | Length (fee   | et)   | Width (feet) N/A: Steel Pits   |
| If the pit is lined give a brief description of the li material, thickness and installation procedure.  | om ground level to dee  | Describe proce  | dures for periodic maintenance and determining any special monitoring.   |
| Distance to nearest water well within one-mile of   | of pit:   | Depth to shallo<br>Source of infor                                | west fresh water feet. mation:   |
| feet Depth of water well  | feet  | measured  | well owner electric log 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 s flow into the pit?  Yes No  Submitted Electronically |   | Type of materia  Number of work  Abandonment p  Drill pits must b | over and Haul-Off Pits ONLY:  all utilized in drilling/workover:  king pits to be utilized:  procedure:  de closed within 365 days of spud date. |
|   | KCC   | OFFICE USE O  | NLY  |
| Date Received: Permit Num   | ber:  |   | Liner Steel Pit RFAC RFAS  t Date: Lease Inspection: Yes No  |



#### Kansas Corporation Commission Oil & Gas Conservation Division

1091383

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.

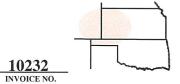
| Select the corresponding form being filed: C-1 (Intent) CB-1  | (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)   |
|---|--|
| OPERATOR: License #   | Well Location:   |
|   | County:  |
| Address 1:  | Lease Name: Well #:  |
| Address 2:  City: State: Zip: +   |  |
| Contact Person:   | If filing a Form T-1 for multiple wells on a lease, enter the legal description of<br>the lease below:   |
| Phone: ( ) Fax: ( )   |  |
| Email Address:  |  |
| Surface Owner Information:  |  |
| Name:   | 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  |
| Address 1:  | 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:   |  |
| the KCC with a plat showing the predicted locations of lease roads, tan are preliminary non-binding estimates. The locations may be entered of Select one of the following:  I certify that, pursuant to the Kansas Surface Owner Notice A owner(s) of the land upon which the subject well is or will be I CP-1 that I am filing in connection with this form; 2) if the form 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 or | Act (House Bill 2032), I have provided the following to the surface located: 1) a copy of the Form C-1, Form CB-1, Form CB-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.  Cacknowledge that, because I have not provided this information, the wner(s). To mitigate the additional cost of the KCC performing this gree, 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



261925bar PLAT NO.

Palomino Petroleum Inc. #1 Eggers-Horchem OPERATOR LEASE NAME 1582' FNL - 258' FEL Ness County, KS 19s 25w

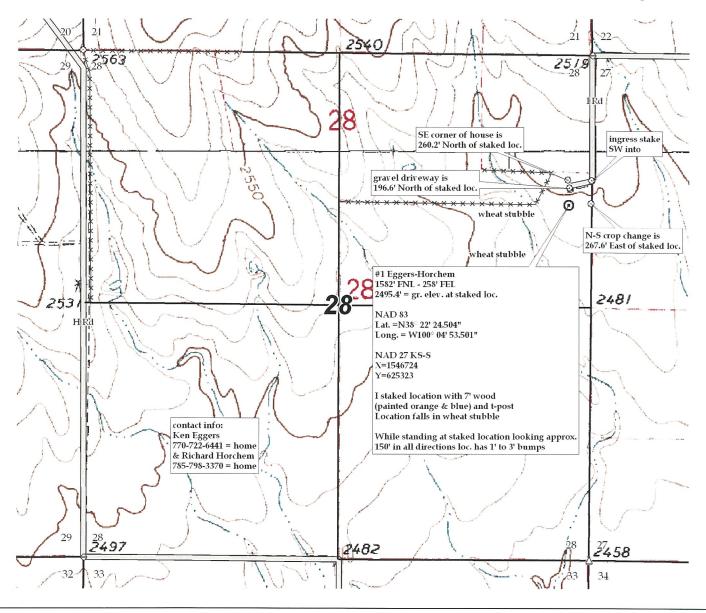
COUNTY GR. ELEVATION: 2495.4°

LOCATION SPOT

1" =1000' SCALE:\_ Aug. 6<sup>th</sup>, 2012 DATE STAKED: Ben R. MEASURED BY: Luke R. DRAWN BY: 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 the center of Ness City, Ks at the intersection of Hwy 96 & Hwy 283 - Now go 8.6 miles West on Hwy 96 -Now go 5 miles South on J Rd – Now go 1 mile West on unknown rd to the NE corner of section 28-19s-25w - Now go 0.3 mile South on I Rd to ingress stake SW into - Now go approx. 225' W-SW on driveway - Now go 197' South through wheat stubble into staked location.

Final ingress must be verified with land owner or Operator.

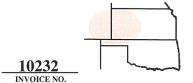




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Oil Field & Construction Site Staking

P.O. Box 2324 Garden City, Kansas 67846 Office/Fax: (620) 276-6159 Cell: (620) 272-1499



261925bar

 Palomino Petroleum Inc.
 #1 Eggers-Horchem

 OPERATOR
 LEASE NAME

 Ness County, KS
 28
 19s
 25w
 1582' FNL - 258' FEL

SCOUNTY Sec. Twp. Rng.

1" = 1000' GR. ELEVATION: 2495.4'

LOCATION SPOT

 SCALE:
 1" = 1000'

 DATE STAKED:
 Aug. 6<sup>th</sup>, 2012

 MEASURED BY:
 Ben R.

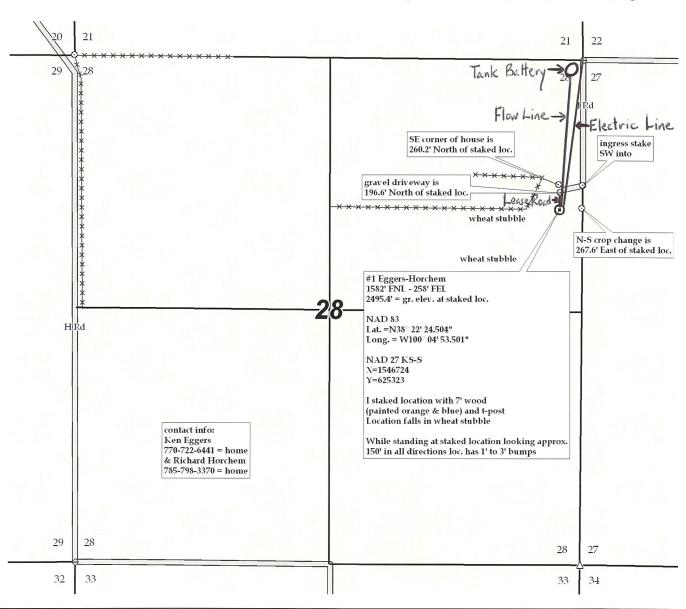
 DRAWN BY:
 Luke R.

 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 the center of Ness City, Ks at the intersection of Hwy 96 & Hwy 283 – Now go 8.6 miles West on Hwy 96 – Now go 5 miles South on J Rd – Now go 1 mile West on unknown rd to the NE corner of section 28-19s-25w – Now go 0.3 mile South on I Rd to ingress stake SW into – Now go approx. 225' W-SW on driveway – Now go 197' South through wheat stubble into staked location.

Final ingress must be verified with land owner or Operator.



State of Kansas - Ness County

Book: 335 Page: 622

Receipt \*: 7319
Pages Recorded: 2
Cashier Initials: MH

Date Recorded: L0/27/2010 11:40:00 AM

FORM 88 - (PRODUCER'S SPECIAL) (PAID-UP)



| r-OKm 30 — (1  | COLL (R 1007)   |  | Reorder No.<br>09-115  | Wichita KS 67201-0793   |
|--|---|--|--|---|
|  | 63U (Rev. 1993)   | OIL AND GAS L  | EASE   | 316-264-9344-264-5165 fax<br>www.kbp.com - kbp@kbp.com  |
| ACRED  | MENT, Made and entered into the   | day of   |  | 2010  |
| by and between   | Gary W. Eggers and Julie Egge   |  |  |   |
| o, and between   | 12616 East 128th  |  |  |   |
|  | Broken Arrow, OK 74011  |  |  |   |
|  |   |  |  |   |
| whose mailing a  | ddress is   |  | hereinafi  | ter called Lessor (whether one or more),  |
| and Palomir  | no Petroleum, Inc.  |  |  |   |
|  |   |  |  | , hereinafter caller Lessee:  |
| of investigating,<br>constituent prod-<br>and things thereconducts manufa  | n consideration of One and More signed and of the noyalties herein provided at exploring by geophysical and other means ucts, injecting gas, water, other fluids, and a on to produce, save, take care of, treat, manufactured therefrom, and housing and otherwise in County of Ness   | r into subsurface strata, laying pipe lines  | atoring oil, building tanks, power station<br>oil, liquid hydrocarbons, gases and their re<br>described land, together with any reversi-<br>ansas  | as, telephone lines, and other structures   |
|  |   |  |  |   |
|  |   |  |  |   |
| In Section   | , Township  | , Range  | and containing   | acres, more or less, and all  |
| In consi  lat. To from the leased 2nd. T at the market p premises, or in as royalty One meaning of the of this lease or found in paying If said the said leasor o Leasee s When r No weil Leasee it Leasee it If the e excutors, admi leasee has been with respect to t All expi in whole or in p Regulation. Leasor a any mortgages, signed leasors, as said right, of  | o pay lessor for gas of whatsoever nature or orice at the well, (but, as to gas sold by lesses the manufacture of products therefrom, said Dollar (\$81.00) per year per net mineral armoreceding paragraph.  see may be maintained during the primary any extension thereof, the lessee shall have quantities, this lease shall continue and be lessor owns a less interest in the above deenly in the proportion which lessor's interest shall have the right to use, free of cost, gas, equested by lessor, lessee shall bury lesses's shail be drilled nearer than 200 feet to the ishall pay for damages caused by leasee's ope shall have the right at any time to remove a lestate of either party hereto is assigned, armistrators, successors or assigns, but no clurnished with a written transfer or assign the assigned portion or portions arising subsease as to such portion or portions and be reress or implied covenants of this lessee shall bart, nor lessee held liable in damages, for facety of the property of the seeds of the seeds of the taxes or other liens on the above described for themselves and seeds on the above described for themselves and may at any unifecture of the seeds of the dower and hower and how many at facety and the seeds and the seeds of the dower and hower and hower and hower and dower and hower and h | nants and agrees:  In the pipe line to which lessee may conn  It kind produced and sold, or used off the  e, in no event more than one-eighth (%)  payments to be made monthly. Where is  retained hereunder, and if such payment  term hereof without further payment of  the right to drill such well to completio  in force with like effect as if such well he  cribed land than the entire and undivide  persist to the whole and undivided fee.  soil and water produced on said land for I  pipe lines below plow depth.  House or barn now on said premises with  rations to growing crops on said land.  Il machinery and fixtures placed on said  and the privilege of assigning in whole or  sange in the ownership of the land or  ment or a true copy thereof. In case less  equent to the date of assignment.  To or place of record a release or releas  lieved of all obligations as to the acreage  be subject to all Federal and State Law  aliure to comply therewith, if compliane  le to the lands herein described, and agre  lands, in the event of default of payme  tud assigns, hereby surrender and releat  the purposes for which this lesse is me   | ect wells on said land, the equal one-eight of premises, or used in the manufacture of of the proceeds received by lessee from a gas from a well producing gas only is no ent or tender is made it will be considered and the considered of a willing operations. If the lessee shall can with reasonable diligence and dispatch ad been completed within the term of year led fee simple estate therein, then the roy essee's operation thereon, except water from the considered within the term of year led fee simple estate therein, then the roy essee's operation thereon, except water from the considered within the term of year led fee simple estate therein, then the roy essee's operation thereon, except water from the considered within the constant of the constant in part is expressly allowed, the cover assignment of rentals or royalities shall see assigns this lesse, in whole or in part, ess assigns this lesse, in whole or in part, ess assigns this lesse, in whole or in part, ess assigns this lesse, in whole or in part, ess assigns this lesse, in whole or in part, ess assigns this lesse, is whole or in part, ess assigns this lesse, is whole or in part is the surrendered.  The provided with the constant of the part | th (%) part of all oil produced and saved  any products therefrom, one-eighth (%), uch sales), for the gas sold, used off the  ts sold or used, lease may pay or tender  d that gas is being produced within the  commence to drill a well within the term  and if oil or gas, or either of them, be  rs first mentioned.  yalties herein provided for shall be paid  om the wells of lessor.  d remove casing.  nants hereof shall extend to their heirs,  be binding on the lessee until after the  lessee shall be relieved of all obligations  as above described premises and thereby  s, and this lease shall not be terminated,  e result of, any such Law, Order, Rule or  any time to redeem for lessor, by payment  that of the holder thereof, and the under  the premises described herein, in so fall  of with other land lease or leases in the |
| immediate vicition conservation of or units not extended in the copooled into a translation of the proyalties elsewhylaced in the units of the units | nity thereof, when in lessee's judgment it oil, gas or other minerals in and under a needing 40 acres each in the event of an oil onveyance records of the county in which ract or unit shall be treated, for all purpose looked acreage, it shall be treated as if produchere herein specified, lessor shall receive out of the county in the cou  | In the transfer of transfe | izes, such pooling to be of tracts contigu<br>ng 640 acres each in the event of a gas<br>natrument identifying and describing th<br>duction from the pooled unit, as if it we<br>well or wells be located on the premises a<br>nity such portion of the royalty stipulate<br>old in the particular unit involved.  | ous to one another and to be into a uni<br>well. Lessee shall execute in writing and<br>the pooled acreage. The entire acreage so<br>re included in this lease. If production is<br>proposed by this lease or not. In lieu of the   |
| Witnesses:   | TNESS WHEREOF, the undersigned execute  | this instrument as of the day and year   | hrst above written.  | letter  |
| Gary W. E  | ggers Egges   |  | Eggers 77  | $\nu$   |

63U (Rev. 1993)



|   |  | OIL AND   | GAS LEASE   |   | 316-264-9344-264-5165 fax<br>www.kbp.com · kbp@kbp.com   |
|---|--|---|---|---|--|
| AGREE   | MENT, Made and entered into the  | day of  | per   |   | 2010   |
| by and between  | Kenneth J. Eggers a/k/a K.J. I   | Eggers and Connie Egg   | ers, his wife   |   | ,  |
|   | 530 River Estates Parkway  |   |   |   |  |
|   | Canton, GA 30114   |   |   |   |  |
|   |  |   |   |   |  |
| whose mailing a   |  |   |   | herein  | after called Lessor (whether one or more   |
| and Palomii   | no Petroleum, Inc.   |   |   |   |  |
|   | One and Mare   |   |   | 0 (04.00)   | hereinafter caller Lesse   |
| of investigating,<br>constituent prod-<br>and things thereo<br>products manufa                                      | n consideration of One and More added and of the royalties herein provided exploring by geophysical and other mear ucus, injecting gas, water, other fluids, and not to produce, save, take care of, treat, man curred therefrom, and housing and otherw in County of Ness   | is, prospecting drilling, mining<br>air into subsurface strata, laying<br>ufacture, process, store and tran<br>ise caring for its employees, the  | see herein contained, here<br>and operating for and pro<br>pipe lines, storing oil, bui<br>sport said oil, liquid hydroc  | oducing oil, liquid hydr<br>Iding tanks, power stati-<br>carbons, gases and their   | is exclusively unto lessee for the purpos<br>ocarbons, all gases, and their respective<br>ons, telephone lines, and other structure<br>respective constituent products and othe<br>sionary rights and after-acquired interes |
| mercin situated   | in County or   | Township 19 So<br>Section 28: NE/   | uth, Range 25   | West  | described as follows to-wi   |
|   |  |   |   |   |  |
| In Section  | Township   | , Range   | , and contain   | 160   | acres, more or less, and a   |
| accretions theret<br>Subject t  | o.<br>o the provisions herein contained, this leas<br>rocarbons, gas or other respective constitu  | se shall remain in force for a ter  | rm of 3 (three)   | ars from this date (called  | d "primary term"). and as long thereafte   |
|   | rocarbons, gas or other respective constitu-<br>leration of the premises the said lessee cov   |   | produced from said land o   | r land with which said  | land is pooled.  |
| 1st. To<br>from the leased p  | deliver to the credit of lessor, free of cost, premises.   | in the pipe line to which lessee  | may connect wells on said   | land, the equal one-eigh  | hth (%) part of all oil produced and save  |
| at the market pr<br>premises, or in the<br>as royalty One l   | pay lessor for gas of whatsoever nature of<br>ice at the well, (but, as to gas sold by less<br>he manufacture of products therefrom, sai<br>Dollar (\$1.00) per year per net mineral act<br>receding paragraph.  | ee, in no event more than one-<br>d payments to be made monthl  | eighth (%) of the proceeds<br>y. Where gas from a well  | received by lessee from<br>producing gas only is n  | such sales), for the gas sold, used off the<br>ot sold or used, lessee may pay or tende  |
| This leas   | se may be maintained during the primary<br>any extension thereof, the lessee shall have<br>quantities, this lease shall continue and be  | the right to drill such well to   | completion with reasonab  | le diligence and dispato  | h, and if oil or gas, or either of them, b   |
| If said le  | essor owns a less interest in the above de<br>aly in the proportion which lessor's interes   | scribed land than the entire as   | nd undivided fee simple es  |   |  |
| Lessee sl   | nall have the right to use, free of cost, gas,   | oil and water produced on said  |   | thereon, except water f   | rom the wells of lessor.   |
|   | quested by lessor, lessee shall bury lessee's<br>shall be drilled nearer than 200 feet to the  |   | nises without written conse   | ent of lessor.  |  |
|   | nall pay for damages caused by lessee's ope<br>nall have the right at any time to remove a   |   |   | ing the wight to draw an  | d remove cosing  |
| If the es<br>executors, admin<br>lessee has been f  | tate of either party hereto is assigned, an<br>istrators, successors or assigns, but no c<br>urnished with a written transfer or assign<br>e assigned portion or portions arising sub-   | nd the privilege of assigning i<br>hange in the ownership of the<br>ment or a true copy thereof. In   | n whole or in part is expi<br>land or assignment of re<br>case lessee assigns this le   | essly allowed, the cove   | nants hereof shall extend to their heir<br>be binding on the lessee until after th   |
| Lessee m  | ay at any time execute and deliver to les  | sor or place of record a release  | or releases covering any  | portion or portions of th   | he above described premises and thereb   |
| All expre   | ss or implied covenants of this lease shall<br>rt, nor lessee held liable in damages, for f  | be subject to all Federal and S   | State Laws, Executive Ord   | ers, Rules or Regulation<br>, or if such failure is th  | s, and this lease shall not be terminated<br>to result of, any such Law, Order, Rule of  |
| Regulation.  Lessor he any mortgages, t   | ereby warrants and agrees to defend the tit<br>axes or other liens on the above described<br>or themselves and their heirs, successors a   | le to the lands herein described,   | , and agrees that the lessee<br>of payment by lessor, and   | shall have the right at a<br>be subrogated to the ri  | any time to redeem for lessor, by paymer<br>ghts of the holder thereof, and the unde   |
| as said right of d<br>Lessee, a   | ower and homestead may in any way affect<br>t its option, is hereby given the right and  | t the purposes for which this le<br>power to pool or combine the  | ase is made, as recited her<br>acreage covered by this les  | ein.<br>se or any portion there   | of with other land, lease or leases in th  |
| conservation of consumits not exce<br>record in the corpooled into a tra-<br>found on the pool<br>royalties elsewhe | ty thereof, when in leasee's judgment it il, gas or other minerals in and under an eding 40 acres each in the event of an oil veyance records of the county in which clor unit shall be treated, for all purpose led acreage, it shall be treated as if producire herein specified, lessor shall receive or his royalty interest therein on an acres | d that may be produced from a<br>well, or into a unit or units no<br>the land herein leased is situs<br>sexcept the payment of royalti<br>tion is had from this lease, who<br>m production from a unit so | aid premises, such pooling<br>at exceeding 640 acres each<br>ated an instrument identi-<br>es on production from the<br>other the well or wells be to<br>pooled only such portion | g to be of tracts contigue<br>in in the event of a gas<br>fying and describing the<br>pooled unit, as if it we<br>coated on the premises of<br>of the royalty stipulate | ious to one another and to be into a un<br>well. Lessee shall execute in writing an<br>ne pooled acreage. The entire acreage a<br>re included in this lease. If production is<br>covered by this lease or not. In lieu of th |
|   |  |   |   |   | ·····································  |
|   |  |   |   |   | EEOS   |
|   |  |   |   | AL SEAL<br>RITTENDEN<br>blic, Georgia<br>SE COUNTY<br>ssion Explies<br>10, 2014   | SEASTE   |
| IN WITN   | ESS WHEREOF, the undersigned execute   | this instrument as of the day a   | nd year first above written   |   | Miller   |
|   | MJ Egganl  |   | mie   | Carois  |  |
| Kenneth J. E  | ggers a/k/a KJ Eggers  |   | Connie Eggers   | 99  |  |
|   |  |   |   |   |  |

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Receipt \*: 7255
Pages Recorded: 2
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6311 (Rev. 1993)

Reorder No. 09-115 Kansas Blue Print 700 S. Broadway PO Box 703 Wichite, KS 67201-0703 S10-269-0344-264-5105 fax

|   | OIL AND   | O GAS LEASE  |   |
|---|---|--|---|
| AGREE   | MENT Made and entered into the day of   | tember   | 2010  |
| nd between  | Richard G. Horchem, Trustee of the Richard G. H.  |  |   |
|   | Lavonne Kay Horchem, Trustee of the Lavonne K   | Kay Horchem Revocable Living Trust dated 4-2-96  |   |
|   | 0.7 10 0.7 |  | <del></del>   |
| se mailing a<br>Palomii   | no Petroleum, Inc.  | hereinafter called Lessor (whether on  | e or more),   |
| 1 0000  |   | , hereinafter ca   |   |
| nstituent prod<br>d things there<br>oducts manuf  | to the control of several series of the fluids, and air into subsurface strata, I too to produce, save, take care of, treat, manufacture, process, store ancured therefrom, and housing and otherwise caring for its employee in County of Ness   | Dollars (s_One (\$1.00)) in hand paid, receip the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for thining and operating for and producing oil, liquid hydrocarbons, all gazes, and their laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other diransportsald oil, liquid hydrocarbons, gases and their respective constituent product es, the following described land, together with any reversionary rights and after-acquire.  State of Kansas  | r structures<br>s and other<br>ed interest,                         |
|   | Township 19 South, Range 25 West Section 27: NW/4   | Township 18 South, Range 25 West Section 36: NE/4  |   |
| Section   | Township  | and containing 320 acres, more or l  | ess, and all  |
|   |   |  | g thereafter  |
| In cons   | ideration of the premises the said lessee covenants and agrees:<br>o 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 (%) part of all oil produced   | l and saved   |
| the market p  | To pay lessor for gas of whatsoever nature or kind produced and sold<br>price at the well, (but, as to gas sold by lessee, in no event more than  | id, or used off the premises, or used in the manufacture of any products therefrom, one<br>on one-eighth (%) of the proceeds received by lessee from such sales), for the gas sold,<br>monthly. Where gas from a well producing gas only is not sold or used, lessee may pr<br>nd if such payment or tender is made it will be considered that gas is being produced   | ıv or tender  |
| This lease or<br>this lease or<br>and in paying<br>If said<br>said lessor of<br>Lessee  | any extension thereof, the league man later we right to time active grantities, this leage shall continue and be in force with like effect; lessor owns a less interest in the above described land than the enonly in the proportion which lessor's interest bears to the whole and whall have the right to use, free of cost, gas, oil and water produced or  | on said land for lessee's operation thereon, except water from the wens of lessor.   |   |
| When r  | equested by lessor, lessee shall bury lessee's pipe lines below plow de<br>I shall be drilled nearer than 200 feet to the house or barn now on sai  | epth.<br>Begin premises without written consent of lessor.   |   |
| Lessee  | estate of either party hereto is assigned, and the privilege of assig<br>inistrators, successors or assigns, but no change in the ownership<br>townished with a written transfer or assignment or a true copy ther  | es placed on said premises, including the right to draw and remove casing,<br>gning in whole or in part is expressly allowed, the covenants hereof shall extend to<br>of the land or assignment of rentals or royalties shall be binding on the lessee un<br>treof. In case lessee assigns this lesse, in whole or in part, lessee shall be relieved of all  | their heirs,<br>til after the<br>obligations                        |
| th respect to<br>Lessee   | the assigned portion or portions arising sussequent to the date of less<br>may at any time execute and deliver to lessor or place of record a re-   | release or releases covering any portion or portions of the above described premises are to the acreage surrendered.   | and thereby   |
| All exp<br>whole or in  | oress or implied covenants of this lease shall be subject to all Federa<br>part, nor lessee held liable in damages, for failure to comply therewi   | al and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be with, if compliance is prevented by, or if such failure is the result of, any such Law, Or  |   |
| y morigages,  | hereby warrants and agrees to defend the title to the lands herein des, taxes or other liens on the above described lands, in the event of d for themselves and their heirs, successors and assigns, hereby sur dower and homestead may in any way affect the purposes for which  | escribed, and agrees that the lessee shall have the right at any time to redeem for lessor, default of payment by lessor, and be subrogated to the rights of the holder thereof, an render and release all right of dower and homestead in the premises described here by the bases in made, as sectled herein.  | by payment<br>d the under-<br>in, in so far                         |
| Lessee, amediate vicionservation of units not excord in the cooled into a tound on the pound on | at its option, is hereby given the right and power to pool or combininity thereof, when in lesses's judgment it is necessary or advised foil, gas or other minerals in and under and that may be produced exceding 40 acres each in the event of an oil well, or into a unit or u conveyance records of the county in which the land herein leased raced or unit shall be treated, for all purposes except the payment of   | ine the acreage covered by this lease or any portion thereof with other anni, case or ble to do so in order to properly develop and operate said lease premises so as to d from said premises, auch pooling to be of tracts contiguous to one another and to built not exceeding 640 acres each in the event of a gas well. Lease se shall execute in is situated an instrument identifying and describing the pooled acreage. The entire froyalties on production from the pooled unit, as if it were included in this lease. If results in the production of the product of the | e into a unit writing and e acreage so production is in lieu of the |
|   |   | STS. C.  |   |
|   |   | S. C.  | a 1   |
| IN WI'  | TNESS WHEREOF, the undersigned execute this instrument as of th   | he day and year first above written.   | 7   |
| Richard G   | Land & Horchow TRUSTEE  5. Horchem, Trustee   | Lavonne Kay Horchem, Trustee   | rester  |
|   | 5. Horchem Revocable Living Trust dated 4-2-96  | Lavonne Kay Horchem Revocable Living Trust date  | d 4-2-96  |

State of Kansas - Ness County

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Receipt \*: 7255 Recording Fee: \$12,00
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