



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

**KANSAS CORPORATION COMMISSION** 1091920  
**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"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
		<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



1091920

**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

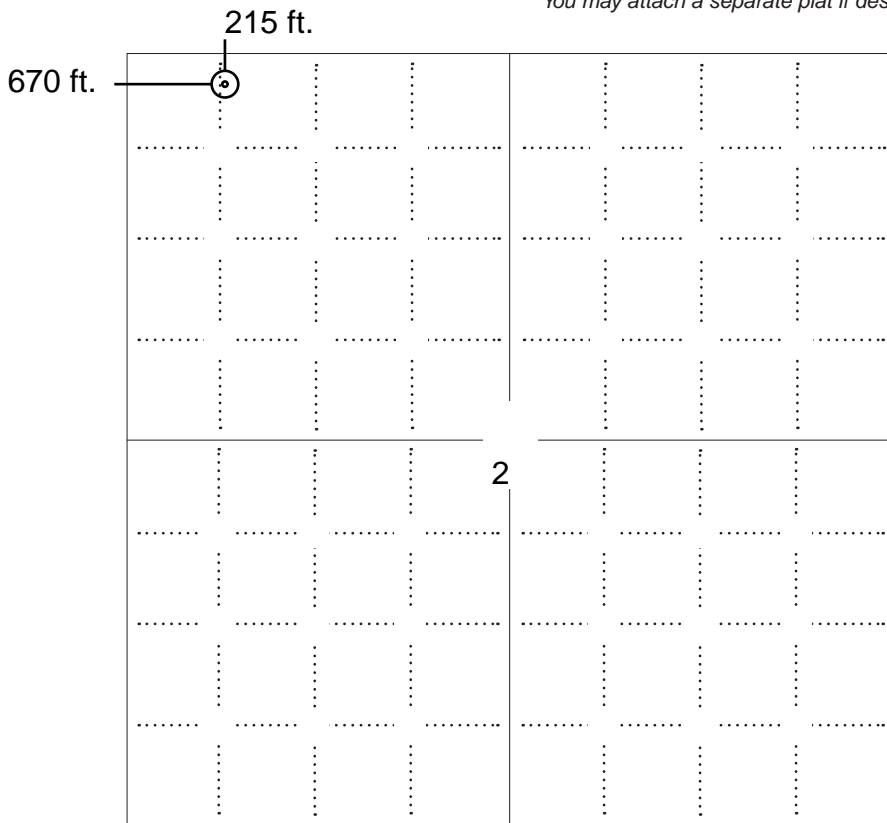
Is Section:  Regular or  Irregular

**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:

- 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.
- The distance of the proposed drilling location from the south / north and east / west outside section lines.
- The distance to the nearest lease or unit boundary line (in footage).
- 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).
- The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



KANSAS CORPORATION COMMISSION 1091920  
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

**OIL AND GAS LEASE**

Plus (C&amp;S GAS) &amp; (Heavy Oil)

(PAID-UP)

AGREEMENT, made and entered into this 14<sup>th</sup> day of APRIL, 20 08,  
by and between K. EUGENE LANHAM, aka EUGENE LANHAM and NANCY L. LANHAM,  
husband and wife

hereinafter called Lessor (whether one or more), and Colt Energy, Inc., P.O. Box 388, Iola, Kansas 66749,  
hereinafter called Lessee.

1. **GRANT.** Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt and sufficiency of which are acknowledged, and of the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto said Lessee, exclusively, its successors and assigns, the following described land for the purpose of exploring at, above, or below the surface, by conducting geological, geophysical, geochemical and other exploratory work or methods, including but not limited to drilling, horizontal drilling, enhanced extraction technologies, steam flooding and other heavy oil recovery methods and operating for, producing, saving, storing and marketing the oil and all gas of whatsoever nature or kind including but not limited to coalbed gas, shale gas or casinghead gas and all other hydrocarbons and their respective constituent products, and the exclusive right of injecting gas, air, water, steam, brine and other fluids and substances into the subsurface strata located on the leased Premises or from other oil and gas leases in the vicinity that are owned or operated by Lessee, and also the exclusive right to use fresh water from formations below the surface, constructing roads, laying pipe lines, electric lines and other utilities on or above the surface, building tanks and erecting other structures or facilities thereon, necessary or convenient to produce, save and take care of, treat, dewatering any gas formations and market said substances and products located on the Leased Premises, all that certain tract of land together with any reversionary rights and after-acquired interests therein, described as follows:

SEE EXHIBIT "A" ATTACHED TO AND MADE A PART THEREOF

Section \_\_\_\_\_ Township \_\_\_\_\_ Range \_\_\_\_\_ containing 500 acres more or less  
located in LINN COUNTY, KANSAS. (referred to as the "Leased Premises").

2. **PRIMARY TERM.** This Lease shall remain in full force for a term of ONE (1) year(s) from this date, (herein called "Primary Term"), and as long thereafter as oil or gas, or any of the substances covered by this Lease, is produced from said land by Lessee in paying quantities, or the premises are being developed. If the Lessee shall commence to drill a well or commence re-working operations on an existing well within the time frames of this Lease, as described herein, the Lessee shall have the right to drill such well to completion or complete such re-work operations with reasonable diligence and dispatch, and if Oil and/or Gas is found or able to be produced in paying quantities, this Lease shall continue and be in force with like effect as if such well had been completed within said time frames.

3. **PAID-UP LEASE.** This Lease may be maintained during the Primary Term hereof without further payment or drilling operations. If Lessee shall commence to drill a well within the Primary Term of this Lease or any extension thereof, then 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 Primary Term.

4. **ROYALTY.** Lessor shall receive royalties as follows:

(A) Lessee shall deliver to the credit of Lessor as royalty, free of costs of production, into the pipe line or storage tanks to which Lessee may connect its wells, the equal FIFTEEN PERCENT (15%) part of all OIL produced, saved and marketed from the leased premises.

(B) Lessee shall pay to Lessor as royalty on all gas of whatsoever nature or kind, including but not limited to coalbed gas, shale gas or casinghead gas, and their respective constituent elements or other gaseous substances ("Gas"), produced and marketed from the leased premises FIFTEEN PERCENT (15%) of the market value at the mouth of the well.

(C) Notwithstanding the provisions contained in paragraph 4. (A) and 4. (B) of this Lease, if Lessee, at its sole determination and discretion, deems it necessary to use Thermal Recovery or other heavy oil recovery methods in order to produce heavy oil, defined as oil having a American Petroleum Institute's ("API") gravity of between .01 degrees and 21.5 degrees and a viscosity of less than 100 centipoise (cp), and such oil can not be recovered by conventional waterflooding methods, then Lessee shall deliver to the credit of Lessor as royalty, free of the costs of production, into the pipe line or storage tanks to which Lessee may connect its wells, the equal of ONE-EIGHTH (1/8<sup>TH</sup>) part of all heavy oil produced, saved and marketed from the leased premises.

(D) Where Gas from a well capable of producing Gas (or from a well in which dewatering operations have commenced), or where Heavy Oil from a well capable of producing Heavy Oil (or where heavy oil production operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor the sum of FIFTEEN DOLLARS (\$15.00) per year per net mineral acre, such payment or tender to be made before the end of the Primary Term and thereafter on or before the anniversary date of this Lease or after the Primary Term on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering operations are commenced or heavy oil production operations are commenced and thereafter on or before the anniversary date of this lease during the period such well is shut in or dewatering operations are being conducted or heavy oil production operations are being conducted. If such payment is not timely made, this Lease shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. So long as payment is made as provided herein, the Lessee shall be deemed to be producing oil and/or or gas in accordance with paragraph 2 of this Lease.

5. **MINIMUM ROYALTY.** Notwithstanding any other provision of this lease, the Lessor shall receive a minimum royalty totaling FIFTEEN DOLLARS (\$15.00) per net mineral acre per year that this lease is in force after the expiration of the primary term. If the Lessor receives royalty equal to or greater than the above minimum royalty from the sale of oil, gas or any other products of oil or gas within a lease year then the minimum royalty provision will be fulfilled. In the event that there is no royalty from the sale of oil, gas or any other products of oil or gas during a lease year or such royalty is less than the minimum royalty amount, Lessee shall pay all of the minimum royalty or the difference in cash within SIXTY (60) days after the end of such lease year. In the event of the Lessee's failure to pay the minimum royalty as herein provided, then Lessor shall first give written notice to Lessee of Lessor's intention to declare forfeiture by reason of the nonpayment of the minimum royalty. Such notice shall be given by certified mail, return receipt requested, addressed to the Operator of the lease as shown in the records of the State Corporation Commission of the State of Kansas or their successor. If Lessee shall pay all of the minimum royalty or the difference in cash within THIRTY (30) days after the date such notice is received by the Lessee, then the lease shall not be terminated for violation of the minimum royalty provisions hereof. The first minimum royalty shall be due within SIXTY (60) days after the 14<sup>th</sup> day of April, 2010. Payment for all of the minimum royalty or the difference may be made by check or draft of Lessee and shall be deemed made when delivered or sent certified mail, return receipt requested, to the Lessor's credit at the address listed below or successor address or Lessor's address as shown on the current purchaser's division order or, if not there available, then to Lessor's last address according to the Operator's records. So long as the minimum royalty is paid as provided herein, the lease shall be deemed to be producing oil and/or gas in accordance with paragraph 2 of this lease.

6. **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 Lessee be liable in damages for failure to comply with any of the express or implied provisions hereof, if such failure accords with 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 this 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.

7. **LESSER INTEREST.** If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then royalties and other payments herein provided shall be paid to said Lessor in the 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.

STATE OF KANSAS } -SS FEE \$ 20.00  
LINN COUNTY }  
THIS INSTRUMENT WAS FILED FOR RECORD  
ON THIS 14<sup>th</sup> DAY OF April AD  
20 08 AT 1:35 P. M. AND RECORDED IN  
BOOK 395 / OF RECORDS ON PAGE 279  
Kristy J. Schmitz  
REGISTER OF DEEDS



**8. OPERATIONS AND REMOVAL.** Subject to the grant by Lessor to Lessee contained herein with respect to Lessee's right to place piping and electric lines on or above ground in connection with its heavy oil production operations, Lessee shall bury its pipelines below plow depth when otherwise reasonably possible. No well shall be drilled nearer than TWO HUNDRED (200) feet to any house or barn on said land as of the date of this Lease without written consent of Lessor. Lessee shall pay for damages caused by its operations to said land. Lessee shall fill in drilling pits and restore well location(s) as nearly as reasonably possible to the general condition before drilling operations began, within a reasonable time after a well has been plugged or completed. Lessee shall fence all tanks and wells when requested by Lessor. Lessee shall have the right at any time to remove any or all machinery and fixtures placed on said land, including the right to draw and remove casing.

**9. FREE SUBSTANCES.** Lessee shall have the right to use, free of cost or royalty, gas, oil, and water produced on said land for Lessee's operations thereon, except fresh water from the wells of Lessor. If gas is produced from any well, Lessor shall have the right to take such gas, free of charge, for domestic purposes in one single family dwelling on the leased premises. This provision does not extend to additional dwellings that may be located upon 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 taking and 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, Lessee's operations, or any other cause. Lessor shall be solely responsible for compliance with all applicable safety rules and regulations, including any Federal or State laws, in effect at the time of connection including, but not limited to, odorization of the gas.

**10. RIGHT OF WAY.** For the consideration first stated above, Lessor conditionally grants to Lessee an easement and right of way as provided herein. The use of such easement and right of way are conditioned upon Lessee paying or tendering to Lessor the sum of TEN DOLLARS (\$10.00) per rod. Such payment or tender may be made at any time while this Lease is in effect and shall be paid within ninety (90) days after the completion of the work identified herein. The payment shall be based upon the number of rods actually included in the right of way used by Lessee. Such easement and right of way are described as follows: Lessor grants to Lessee a strip of land forty (40) feet wide for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, steam, brines, oil, gas and other substances, and electric line(s), at a location or locations to be determined by Lessee, on, in, over and through the land described hereinabove. The centerline of such easement and right of way shall be the center of the pipeline(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines so as to minimize interference with surface use by Lessor. Subject to the grant by Lessor to Lessee contained herein with respect to Lessee's right to place piping and electric lines on or above ground in connection with its heavy oil production operations, such pipeline(s) and electric line(s) shall be buried when otherwise reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction, maintenance and operation of such pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to exercise of the rights granted herein. This easement and right of way shall be construed as if conveyed by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if use of such easement and right of way is not actually commenced within the term of said oil and gas Lease or extension or renewal thereof then this easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas lease expires. This easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this easement and right of way provides for transporting products mentioned herein which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such easement and right of way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

**11. DISPOSAL.** For the consideration first stated above, Lessor conditionally grants to Lessee a license, easement and right of way as provided herein. The use of such license, easement and right of way are conditioned upon Lessee paying or tendering to Lessor the sum of FOUR HUNDRED DOLLARS (\$400.00) and a like amount annually adjusted for the CPI on each twelve (12) month anniversary thereafter. The first such payment or tender may be made at any time while this Lease is in effect and shall be paid within ninety (90) days after the completion or reworking of such Disposal well. If such payment is not timely made, this license, easement and right of way shall not terminate unless Lessee fails to make or tender such payment within thirty (30) days after receipt of written notice of default given by Lessor to Lessee by certified mail, return receipt requested. Such license, easement and right of way are described as follows: Lessor grants to Lessee the right and license to use a newly drilled well or re-complete an existing well upon the above described land and to use same for disposing of waters, brines and other substances produced from wells owned or operated by Lessee located on said land and upon lands adjacent to or in the vicinity thereof, together with an easement and right-of-way of approximately one (1) square acre around such well, the center of which shall be the borehole of the disposal well, and an easement and right of way on a strip of land thirty (30) feet wide to install, repair, operate and remove such lines, pipes, pumps, equipment, machinery, electric lines and other appliances as Lessee shall deem suitable for the operation of such disposal well. The centerline of said thirty (30) feet easement and right of way shall be the center of the pipe line(s) and/or electric line(s) as actually laid. Lessee will consult with Lessor on course, route and direction of lines and the location of new well(s) so as to minimize interference with surface use by Lessor. Subject to the grant by Lessor to Lessee contained herein with respect to Lessee's right to place piping and electric lines on or above ground in connection with its heavy oil production operations, any pipeline(s) and electric line(s) shall be buried when otherwise reasonably possible below plow depth. Lessee shall pay for damages to growing crops, fences or other structures of Lessor that are caused by the construction, maintenance and operation of such well, pipeline(s) and electric line(s). Lessee shall have the right of ingress and egress to and from the premises for all purposes necessary to the exercise of the rights granted herein. Lessee shall have the right at any time to remove from the disposal well any and all equipment associated therewith, it being understood that the same shall be and remain personal property, whether or not affixed to the realty; and upon cessation of use of said well, Lessee shall clean up the area with reasonable diligence and dispatch, and shall restore the area as nearly as reasonably possible to its original condition. This license, easement and right of way shall be construed as if granted by separate instrument, without regard to the oil and gas Lease or the term thereof; provided, however, that if a disposal well is not commenced within the term of said oil and gas Lease or extension or renewal thereof then this license, easement and right of way and all rights granted thereunder shall cease and terminate on the date said oil and gas Lease expires. This license, easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of Lessee under said Lease, which rights are not hereby diminished or affected, it being understood that this license, easement and right of way provides for transportation and disposal of substances which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The license, easement and right of way granted herein are a covenant running with the land and shall extend to Lessee and Lessee's successors and assigns, and shall remain in force for the term of said oil and gas Lease and as long thereafter as such license, easement and rights-of-way are used by Lessee, its successors and assigns, for the purposes herein mentioned.

**12. BREACH.** The breach of any obligation under any provision or covenant of this Lease, express or implied, shall not work a forfeiture or termination of the Lease nor be 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.

**13. ASSIGNMENT AND ENTIRETY.** 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 payments and/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; and it is hereby agreed in the event this Lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the payments and/or royalties due from him or them on an acreage basis, such default shall not operate to defeat or affect this Lease insofar as it covers a part or parts of said lands upon which the said Lessee or any assignee thereof shall make due payments of said payments and/or royalties. If the leased premises are now or hereafter owned in severally or in separate tracts, the premises, nevertheless, may be developed and operated as an entirety, and the payments and/or royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. 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 is now or may hereafter be divided by sale, devise, or otherwise, or to furnish separate meters, tanks or other measuring devices for oil and/or gas produced from such separate tracts. Lessee may, at any time, cancel or surrender this Lease in whole or in part by delivering or mailing such release to Lessor or by filing the same of record in the Register of Deeds Office in the above-referenced county. In case such Lease is surrendered and canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said Lease as to the portion cancelled shall cease and any rentals or royalties thereafter paid may be proportioned on an acreage basis, but as to the portion of acreage not released, the terms and provisions of this Lease shall continue and remain in full force and effect for all purposes.

**14. WARRANTY AND SUBROGATION.** 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 in addition Lessee may reimburse itself for such payments out of any royalties or payments due or payable to Lessor.

15. SPECIAL PROVISIONS.

- A. Lessee will notify Lessor of any new well locations for Lessor's approval of such locations before drilling commences upon said property. Such approval shall not be unreasonably withheld by Lessor.
- B. Lessee will consult with Lessor on course, route and direction of lease roads and line (pipe, electric & telephone) installations so as to minimize interference with surface use, Lessee to establish and utilize the minimum number of lease roads necessary to conduct operations, and shall not deviate from lease roads once established, lease roads shall be maintained in good condition so as to prevent rutting and erosion.
- C. When requested by Lessor, Lessee will install and maintain cattle (and goat if requested by Lessor)-tight gates at all lease access points into pastures and through pasture cross fences.
- D. Lessee shall not establish a storage yard or general maintenance area on the lease premises; any equipment or supplies not in active use shall be promptly removed from the premises.
- E. Lessee shall defend, indemnify and hold harmless Lessor from any environmental damage, spills or leaks arising from Lessee's operations.
- F. In the event some or all of the lands covered by this lease are enrolled in the Conservation Reserve Program (CRP) of the U.S. Department of Agriculture, Lessee shall comply with the rules and notification procedures of that program insofar as the same may apply to the operations of Lessee on the enrolled lands. Lessee shall compensate Lessor for CRP penalties or CRP withdrawal reimbursements resulting directly from Lessee's operations hereunder.

Whereof witness our hands as of the day and year first above written.

*K. Eugene Lanham*

Name: K. Eugene Lanham

*Nancy L. Lanham*

Name: Nancy L. Lanham

Address 10488 Farris Rd.  
Centerville, Kansas 66014

STATE OF KANSAS, COUNTY OF LINN, ss:

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of APRIL, 2008,

By K. EUGENE LANHAM and NANCY L. LANHAM, husband and wife

*Dan Mertensmeyer*

Notary Public: Dan Mertensmeyer  
Commission/Appointment Expires: 6/12/2009

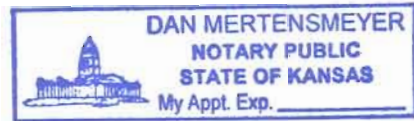


EXHIBIT "A"

THE EAST HALF OF THE SOUTHEAST QUARTER (E/2 SE/4) OF SECTION 34, TOWNSHIP 21 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

THE WEST HALF OF THE SOUTHWEST QUARTER (W/2 SW/4), AND THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4) OF SECTION 35, TOWNSHIP 21 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4), AND THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER (SE/4 NW/4) AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER (SW/4 NE/4), ALL IN SECTION 2, TOWNSHIP 22 SOUTH, RANGE 22 EAST; LINN COUNTY, KANSAS;

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (NE/4 NE/4) OF SECTION 1, TOWNSHIP 22 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4) OF SECTION 6, TOWNSHIP 22 SOUTH, RANGE 23 EAST, LINN COUNTY, KANSAS;

A TRACT OF LAND IN THE NORTHEAST QUARTER (NE/4) OF SECTION 2, TOWNSHIP 22 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE NORTH LINE OF THE NE/4 OF SAID SECTION 2 AND 607.68 FEET WEST OF THE NE/C OF THE W/2 OF THE NE/4 OF SAID SECTION 2, RUNNING THENCE SOUTH AT 90 DEGREES TO SAID NORTH LINE, 329.33 FEET, THENCE WEST 105.13 FEET, THENCE NORTH 329.33 FEET TO THE NORTH LINE OF SAID NE/4, THENCE EAST ALONG SAID NORTH LINE 105.13 FEET TO THE POINT OF BEGINNING. SAID TRACT CONTAINING .79 ACRES MORE OR LESS.



# COLT NATURAL GAS, L.L.C.

4350 Shawnee Mission Parkway, Suite 280  
Fairway, Kansas 66205  
913-236-0016 Office  
913-262-0058 Fax

February 26, 2009

K. Eugene Lanham and Nancy L. Lanham  
10488 Farris Rd  
Centerville, Kansas 66014

Re: Lease Amendment (Lease Extension) on the K. Eugene Lanham and Nancy L. Lanham property in Section 1, 2, 6, 34, 35, T21S & 22S, R22 E & 23E, Linn Co. Kansas

Dear Eugene and Nancy,

We have tendered our **Extension** payment on the **LANHAM** lease in the amount of **\$5,000.00** in order to extend the primary term of the lease dated April 14, 2008 and recorded at the Register of Deeds Linn County, Kansas in Book 395 Page 279 for an additional one year. If there are any changes in the ownership or your address, please notify me at once so we can make the proper corrections.

In order to acknowledge the receipt of the payment of the one year extension for the **K. Eugene Lanham and Nancy I. Lanham** lease, please date and sign the attached copy of this letter and return to Colt Natural Gas, L.L.C. in the self-addressed stamped envelope provided.

If you have any questions, please give me a call.

Sincerely,



David P. Bleakley  
Director of Acquisitions and Land Management

DPB/sw  
Enclosure



K. Eugene Lanham



Nancy L. Lanham

Date Accepted 2/27/09

5/10  
 STATE OF KANSAS }-SS FEE \$ 12.00  
 LINN COUNTY }  
 THIS INSTRUMENT WAS FILED FOR RECORD  
 ON THIS 5th DAY OF March AD  
 2009 AT 3:00 P. M. AND RECORDED IN  
 BOOK 405 OF RECORDS ON PAGE 471  
Kristy S. Schmitz  
 REGISTER OF DEEDS

**LEASE EXTENSION AGREEMENT**

THIS Agreement, dated the 27<sup>th</sup> day of February, 2009, by and between K. Eugene Lanham, aka Eugene Lanham and Nancy L. Lanham, husband and wife, hereinafter sometimes referred to as "Owner", and Colt Energy, Inc., hereinafter sometimes referred to as "Operator";

WITNESSETH:

WHEREAS, Owner is the present owner of all or an undivided interest in and to the right, title and interest of Lessor and Operator is the present owner of all of Lessee's right, title and interest in and to that certain Oil and Gas Lease executed by Owner in favor of Colt Energy, Inc., on the 14<sup>th</sup> day of April, 2008, said lease being recorded in Book 395, Page 279, Records of Linn County, State of Kansas, a full description of the lands covering the following described lands:

SEE EXHIBIT "A" ATTACHED TO AND MADE A PART THEREOF

AND WHEREAS, it is the mutual desire of Owner and Operator to amend said Lease to extend the primary term of said Lease as hereinafter provided;

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed that the words and figure "ONE (1) year" appearing in the primary term paragraph of said Lease are hereby deleted from said Lease and in lieu thereof there are hereby substituted therefor the words and figure "TWO (2) years".

Except as amended hereby, said Lease shall remain unchanged, and for the consideration above recited: (a) Owner and Operator ratify, confirm and adopt said Lease as hereby amended and acknowledge that same is valid, subsisting and in full force and effect, and agree that the sum herein paid hereunder by Operator to Owner shall be considered as consideration for this Agreement for extending the primary term of said Lease for the period commencing April 14, 2009, to April 14, 2010; the Minimum Royalty, in accordance to paragraph (5) in above said lease, shall now be due within SIXTY (60) days after the 14<sup>th</sup> day of April, 2011 and (b) Owner does hereby grant, lease and let the lands described in said Lease to Operator, its successors, sublessees and assigns, upon all and singular the terms and provisions of said Lease as amended hereby.

This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, successors, legal representatives, sublessees or assigns of the parties hereto.

EXECUTED this 27<sup>th</sup> day of February, 2009.

Lessors:

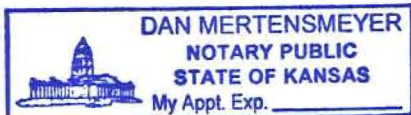
K. Eugene Lanham  
 K. Eugene Lanham

Nancy L. Lanham  
 Nancy L. Lanham

STATE OF KANSAS, COUNTY OF Linn, SS:

The foregoing instrument was acknowledged before me this 27<sup>th</sup> day of February 2009

By K. Eugene Lanham and Nancy L. Lanham, husband and wife



Dan Mertensmeyer  
 Notary Public: Dan Mertensmeyer  
 My Appointment Expires: 6/12/2009

EXHIBIT "A"

THE EAST HALF OF THE SOUTHEAST QUARTER (E/2 SE/4) OF SECTION 34, TOWNSHIP 21 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

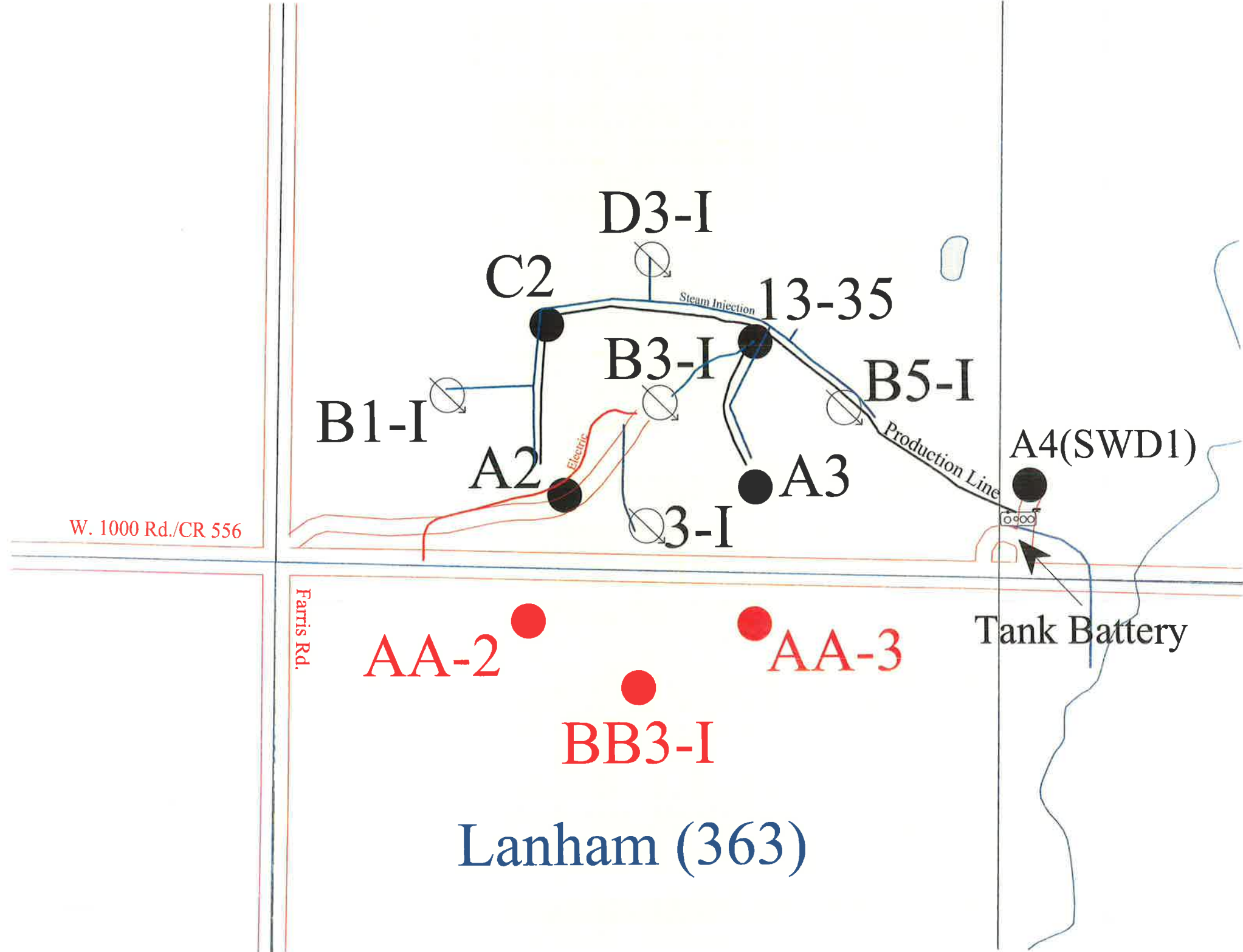
THE WEST HALF OF THE SOUTHWEST QUARTER (W/2 SW/4), AND THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4) OF SECTION 35, TOWNSHIP 21 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4), AND THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER (SE/4 NW/4) AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER (SW/4 NE/4), ALL  
IN SECTION 2, TOWNSHIP 22 SOUTH, RANGE 22 EAST; LINN COUNTY, KANSAS;

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (NE/4 NE/4) OF SECTION 1, TOWNSHIP 22 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS;

THE WEST HALF OF THE NORTHWEST QUARTER (W/2 NW/4) OF SECTION 6, TOWNSHIP 22 SOUTH, RANGE 23 EAST, LINN COUNTY, KANSAS;

A TRACT OF LAND IN THE NORTHEAST QUARTER (NE/4) OF SECTION 2, TOWNSHIP 22 SOUTH, RANGE 22 EAST, LINN COUNTY, KANSAS, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE NORTH LINE OF THE NE/4 OF SAID SECTION 2, RUNNING THENCE SOUTH AT 90 DEGREES TO SAID NORTH LINE, 329.33 FEET, THENCE WEST 105.13 FEET, THENCE NORTH 329.33 FEET TO THE NORTH LINE OF SAID NE/4, THENCE EAST ALONG SAID NORTH LINE 105.13 FEET TO THE POINT OF BEGINNING. SAID TRACT CONTAINING .79 ACRES MORE OR LESS.



W. 1000 Rd./CR 556

Farris Rd.

AA-2

AA-3

BB3-I

Lanham (363)

Tank Battery

B1-I

A2

B3-I

A3

D3-I

C2

13-35

B5-I

A4(SWD1)

3-I

Steam Injection

Production Line

Electric

**NOTICE TO OPERATORS FILING INTENT TO DRILL  
FOR DISPOSAL OR ENHANCED RECOVERY  
INJECTION WELLS, (CLASS II INJECTION WELL)**

The attached approved Notice of Intent to Drill indicates the proposed well is to be used for injection. An approved "Intent to Drill" does not approve injection authority as a Class II Injection Well in Kansas.

Before any well is used for injection purposes, the operator must file an application for injection authority in accordance with K.A.R. 82-3-401 and provide notice in accordance with K.A.R. 82-3-402. The Conservation Division must issue a written permit granting the application before commencement of injection.

The Conservation Division requirements and restrictions associated with Class II Injection are identified in K.A.R. 82-3-400 et seq of our regulations. Associated regulations governing drilling, completion and injection applications may be found in K.A.R. 82-3-135, Table I, Table II, in the Cedar Hills Sandstone Moratorium, (Docket #156,397-C), and the Eastern Kansas Surface Casing Order, (Docket #133,891-C).

If you have questions regarding the approval of injection authority, an injection application may be filed as a "Design Approval" before actual drilling and completion of the well occurs. If you have any questions or concerns regarding Class II injection wells or regulations, call the Underground Injection Control Department at 316-337-6200.

Failure to obtain commission approval before beginning injection is punishable by a penalty, shut-in of the well or both.