For KCC Use:

Eff	e	ct	iv	е	Date:

District	#	

SGA?	Yes	No

Form

KANSAS CORPORATION COMMISSION **OIL & GAS CONSERVATION DIVISION**

March 2010 Form must be Typed Form must be Signed All blanks must be Filled

Form C-1

1119142

NOTICE OF INTENT TO DRILL

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

KSONA-1, Certification of Compliance wit	the Kansas Surface Owner Notification	Act, MUST be submitted with this form
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Expected Spud Date:				Spot Description:	
OPERATOR: License#	month	day	year	رم/م/م/م) Sec Twp S.	S Line of Section
Name:					W Line of Section
Address 1:				Is SECTION: Regular Irregular?	
Address 2:				(Note: Locate well on the Section Plat on reve	erse side)
City:				County:	
Contact Person:				Lease Name:	Well #:
Phone:				Field Name:	
CONTRACTOR: License#.				Is this a Prorated / Spaced Field?	Yes No
Name:				Target Formation(s):	
Well Drilled For: Oil Enh F Gas Storage Dispo Seismic ; # c Other: Other: If OWWO: old well Operator: Well Name: Well Name: Original Completion Data	ge Poo sal Wild f Holes Oth	ollows:		Nearest Lease or unit boundary line (in footage): Ground Surface Elevation: Water well within one-quarter mile: Public water supply well within one mile: Depth to bottom of fresh water: Depth to bottom of usable water: Surface Pipe by Alternate: I 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:	feet MSL Yes No Yes No
Directional, Deviated or Ho	rizontal wellbore	?	Yes No	Well Farm Pond Other:	
If Yes, true vertical depth: _				DWR Permit #:	
Bottom Hole Location:				(Note: Apply for Permit with DWR)
KCC DKT #:				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 E	Electronically
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For KCC Use ONLY	
API # 15	
Conductor pipe required	feet
Minimum surface pipe required	feet per ALT.
Approved by:	
This authorization expires:	
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:

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For KCC Use ONLY

API # 15 - .

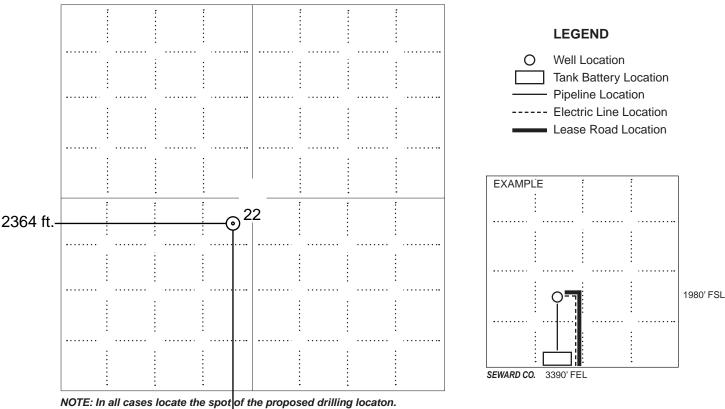
IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	Sec Twp S. R E 🗌 W
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

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.



2288 ft.

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

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

Side Two

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION 1119142

May 2010 Form must be Typed

Form CDP-1

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name:			License Number:
Operator Address:			
Contact Person:			Phone Number:
Lease Name & Well No.:			Pit Location (QQQQ):
Type of Pit:	Pit is:		·
Emergency Pit Burn Pit	Proposed	Existing	SecTwpR East West
Settling Pit Drilling Pit	If Existing, date co	nstructed:	Feet from North / South Line of Section
Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit capacity:		Feet from East / West Line of Section
		(bbls)	County
Is the pit located in a Sensitive Ground Water A	vrea? 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 (fe	et)	Width (feet)N/A: Steel Pits
Depth fro	om ground level to dee	epest point:	(feet) No Pit
Distance to nearest water well within one-mile of		Depth to shallo Source of inforr	west fresh water feet. nation: well owner electric log KDWR
feet Depth of water well	feet		
Emergency, Settling and Burn Pits ONLY: Producing Formation:			ver and Haul-Off Pits ONLY:
Number of producing wells on lease:			king pits to be utilized:
Barrels of fluid produced daily:			procedure:
Does the slope from the tank battery allow all s flow into the pit? Yes No	pilled fluids to	Drill pits must b	e closed within 365 days of spud date.
Submitted Electronically		· · · ·	
	КСС	OFFICE USE OI	NLY
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No

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

OIL & GAS CONSE CERTIFICATION OF CO	ATION COMMISSION 1119142 ERVATION DIVISION Torm Must Be Typed Form Must be Signed All blanks must be Filled
T-1 (Request for Change of Operator Transfer of Injection of	Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); r Surface Pit Permit); and CP-1 (Well Plugging Application). mpanying Form KSONA-1 will be returned. athodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)
OPERATOR: License #	Well Location:
Surface Owner Information: Name: Address 1: Address 2: City:	When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

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

Select one of the following:

- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- □ I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

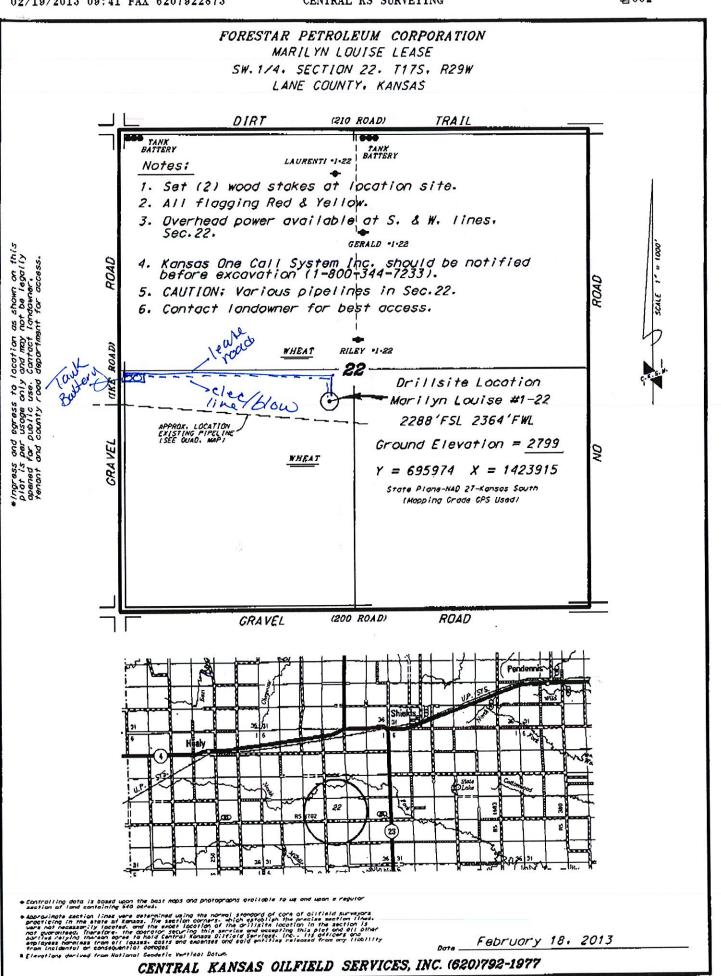
If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

Submitted Electronically

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CENTRAL KS SURVEYING



002

 lease shall continue in force so long as oil, gas, or the products of oil or gas shall be produced from the leased premises. 10. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operations thereon, except water from the wells of the Lessor. When requested by Lessor, Lessee shall bury pipelines below plow depth. No well shall be drilled nearer than 200 feet to any house or barn 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, but shall not have the obligation to do so. 	lease shall continue in force so le 10. Lessee shall have of the Lessor. When requested b premises as of the date of this ke land. Lessee shall have the right not have the obligation to do so.
9. If at the expiration of the primary term of this lease, oil, gas, or the products of oil and gas are not being produced on the leased premises but Lessee has been engaged in drilling or reworking operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or the abandonment of one well and the beginning of operations for the drilling of a subsequent well. If, after the discovery of oil or gas or the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease of the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this because the products of oil or gas shall be discovered and produced as a result of such operations at or aft	9. If at the expiration has been engaged in drilling or re leased premises; and operations abandonment of one well and the said land or acreage pooled the commences additional drilling or oil, gas or the products of oil or oil, gas or the products of oil or
8. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if Lessee shall commence operations for drilling a well at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted as set out in Paragraph 9 hereof, and if production results therefrom, then so long as production continues.	8. Notwithstanding an any time while this lease is in for hereof, and if production results t
7. If the Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the said Lessor only in the proportion which Lessor's interests bear to the whole and undivided fee.	7. If the Lessor owns any shut-in gas royalty) herein pr
6. Where there is a gas well, or wells on the lands covered by this Lease, or acreage pooled therewith, whether it be before or after the primary term hereof, and such well or wells are shut-in, and there is no other production, drilling operations or other operations being conducted capable of keeping this Lease in force under any of its provisions, Lessee shall pay as royalty to Lessor the sum of One Dollar (\$1.00) per year per net royalty acre, such payment to be made on or before the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well or wells are shut-in, and thereafter on the anniversary date of this Lease next ensuing after the expiration of 90 days from the date such well or wells are shut-in, and thereafter on the anniversary date of this Lease the shut-in, and upon such payment is shall be considered that this Lease is maintained in full force and effect.	6. Where there is a g hereof, and such well or wells are force under any of its provisions, before the anniversary date of thi date of this Lease during the peri
4 th . Lessee shall pay to Lessor one-eighth of the proceeds from the sale of all other products of oil and gas not otherwise referred to	4 th . Lesse hereinabove.
. Lessee shall pay Lessor one-eighth of the proc ie, at the mouth of the well, computed at the prev ir any purpose or used on the leased premises by l	3 rd . Lesses and one-eighth of the value, at the off the leased premises for any pu
2 nd . Lessee shall pay Lessor as royalty on gas marketed from each well one-eighth of the proceeds if sold at the well, or if marketed by sed premises, then one-eighth of its market value at the well.	
ch Lessee may connect i such one-eighth royalty	5. Lessee agrees to pay 1 st . Lessee eighth part of all oil produced and of like grade and gravity prevailir
4. All payments required to be made under this lease shall be made or tendered to the Lessor or to the Lessor's credit in the <u>Pay Directly to Lessor</u> Bank (depository bank) at <u>or successors</u> , or any bank with which it may be merged, or consolidated, or which succeeds to its business or assets or any part thereof, by purchase or otherwise, which shall continue as the depository regardless of changes in the ownership of said land.	4. All payments requir Pay Directly t bank with which it may be merge as the depository regardless of ch
PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Les continue any operations during the primary term, or to make any rental payments ry term hereof surrender this lease as to all or a portion of the lands covered herei ar he relieved of all obligations accruing hereunder as to the acreage surrendered.	3. This is a PAID-UP herein, to commence or continue : during or after the primary term h or releases, and thereafter be relie acreage not surrendered.
agreed that this lease shall remain in full force and effect for a primary term of $\underline{Three}(3)$ years from this date, and as long thereafter as oil, s of oil or gas are produced from said leased premises, or drilling operations are continued as hereinafter provided.	2. It is agreed that this gas or the products of oil or gas ar
<u>320</u> acres, more or less.	containing <u>320</u>
7NSHIP 17 SOUTH, RANGE 29 WEST OF THE 6 TH P.M. on 22: SW ¼ , SE ¼	TOWNSHIP 17 Section 22: SW
saving and taking care of all said products on that certain tract of land situated in the County of <u>Lane</u> State of Kansas, described as follows, to-wit:	saving and taking care of all said
WITNESSETH: 1. That the Lessor, for and in consideration of the sum of ten and more Dollars (\$ 10.00+), and other good and valuable consideration, receipt of which is hereby acknowledged, and the covenants and provisions contained herein to be kept by Lessee, does hereby grant, demise, lease and let unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, operating for, producing, and taking care of all oil, gas and all of the products of oil and gas, with rights of way and easements for laying pipelines, telephone and telegraph lines and privileres meessary. incident to, or convenient for the economical operation alone, or conjointly with neighboring land, for the production, all other rights and privileres meessary.	WITINESSETH: I. That the Lessor, for consideration, receipt of which is and let unto the said Lessee, the operating for, producing, and takin telegraph lines and privileges ner- all other rights and privileges ner- all other rights and privileges ner-
301 Broadway, Suite 900, Der ssee:	1 ter called L
John David James and Vickie Louise James, husband and wite 251 Karl Road, Dighton, KS 67839; and 2 West Road 210, Dighton, KS 67839, respectively called Lessor, (whether one or more) and CREDO PETROLEUM CORPORATION	John David Jan 251 Karl Road, hereinafter called Lessor, (whether
ife; and	THIS AGREEMENT, made
ER (COMPUTE COMPUTE
	NUMERICAL
This instrument was find for months and for the terms of the former terms of	PRODUCERS 88-PAID UP Rev.Ext-99

101/1/22411 LEAD

PRODUCERS 88-PAID UP Rev.Ext-99

<u>.</u>

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My commission expires	Before me the undersigned, a Notary Public, within and for said county and state, on this day of <u>September, 2009</u> , personally appeared <u>Alan Eugene James and Marilyn Louise James, husband and wife; and John David James and Vickie Louise James, husband and wife and to me personally to be the identical person <u>s</u> who executed the within and foregoing instrument and acknowledged to me that <u>they</u> executed the same as <u>their</u> free and voluntary act and deed for the uses and purposes therein set forth.</u>	STATE OF <u>KANSAS</u>)) SS (INDIVIDUAL ACKNOWLEDGMENT) COUNTY OF <u>LANE</u>)	s Jane	10. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee. IN WITNESS WHEREOF this instrument is executed on the day and year first hereinabove set out.	the title to the lands herein described and agrees that the Lessee shall have r liens on the above described land in the event of failure of payment by the l reimburse itself for such payments out of any royalties or rentals payable to l	14. In the absence of production, Lessee may terminate any unitized area by filing in the county records a Notice of Termination of the unit. All express or implied covenants of this lease shall be subject to all federal and state laws, executed orders, rules or regulations of governmental bodies having jurisdiction, and this lease shall not terminate in whole or in part, nor shall Lessee be 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.	13. On or before the expiration of the primary term of this lease, the Lessee, its successors or assigns, shall have the option and right to renew this lease as to all or any portion of the acreage described herein and extend the primary term thereto an additional $\underline{TWO}(\underline{2})$ years commencing on the expiration of the primary term of this lease, by making payment to Lessor's credit in the depository bank hereinabove shown on or before such expiration date in the sum of $\underline{Ten} \text{ and } \underline{NO} + \underline{Hundredths}$ DOLLARS ($\underline{S} + \underline{10.00}$) per net mineral acre for each acre to which the term of this lease is extended, and to release this lease as to those portions of the leased premises to which an extension is not sought.	12. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the lands covered by this lease, or any portion thereof, as to the oil and gas, or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into units not exceeding eighty (80) acres for an oil well, plus a tolerance of ten percent (10%), and or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee shall execute in writing and record in the County Records as instrument identifying and describing the pooled acreage. The entire acreage so pooled into units shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or such production were from, or such completion was on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of royalties, lessor shall receive from a unit so formed only such portion of the royalties stipulated herein as the amount of his acreage so pooled.	11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part; however, no change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until the Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from the Lessor, and then only with respect to payments thereafter made. No other notice of any kind or character, whether actual or constructive, shall be binding on the Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations, or to diminish the rights of the Lessee, and all of Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission on the part of	1 in whole or in part; however, no change in owners the strature from the Lasser, and then only with rotes, so ro to diminish Lasser, and the unit only with respect to the signed, no leasehold owner shall be liable for any a arity pool or combine the lands covered by this lease, the second of the rights of the Lasser, and it of asser, it successors or assigns, shall have the option a run thereto an additional <u>TWO (2)</u> years commen- tiony bank boretailon were on, or such production are of reach acre to which the term of this lease, the second land in the ormaly records a Notice of Termina- rum thereto an additional <u>TWO (2)</u> years commen- tiony bank boretailon so regulations of governe or the second amages for failure to orngulations of governe of this lease, is a unit of the persention were on, or such production are production of the royalities sipulated herein a the indescribed and agrees that the Lasser as a units and the country records a Notice of Termina- rue of the personality to be the identical proble assay, assigns, and legal representatives of the Lessor a visial county and state, on this <u>the day of formina- tion</u> they executed the same as <u>their</u> . Along Public <u>Warper</u> , WARPORATION ACKNOWLEDGMEN and official seal the day and year last above <u>they</u> executed the same as <u>their</u> indices thereof to the within and forego <u>for</u> much the undersigned, a Notary Public in the maker thereof to the within and forego into the uses and purposes therein set is written.	11. The right of the Lesser and Lessee herander may be assignment or otherwise) shall be binding on Lessee until the Lesser's provided of their right and proceeding as the provide of the regard to any south research or or shall be a complete source without provide and operate source with the less of the right of the right and provide and operate source of the right of the right and provide and operate source and the less of the right of the right of the right of the right and provide and operate source and the right of the rig
	IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day a mission expires $5 \cdot 28 - 2013$ Notary Pub 3.0F	Before me the undersigned, a Notary Public, within and for said county and state, on this day of Septement and space and to me personally to be the identical person set in and foregoing instrument and acknowledged to me that they executed the same as their free a love for the uses and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above writtents for the uses	E OF KANSAS) SS (INDIVIDUAL ACKNOWLEDGMEN TY OF LANE) SS (INDIVIDUAL ACKNOWLEDGMEN Before me the undersigned, a Notary Public, within and for said county and state, on this day of fally appeared Alan Eugene James and Marilyn Louise James, husband and wife and to me personally to be the identical person him and foregoing instrument and acknowledged to me that they executed the same as their deed for the uses and purposes therein set forth. IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above minission expires $5 \cdot 28 - 2013$ SOF) SS TY OF) SS day (CORPORATION ACKNOWLEDG)	Qa. $Queue Mames$ $Queue Mames$ $Queue Mames$ $Queue Mames$ Eugene Mames $Queuee Mames$ $Queueee Mames$ $Queueeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeee$	NESS WHEREOF this instrument is executed on the day and year first hereinadove set out. Image: Construction of the Lassy a structure of the Lassy a st	15. Lessor, hereby, warrants and agrees to defer the title to the lands herein described and genes that the Lessor shall be for Lessor, and in addition Lesse anay reimburse itself for such payments, and page representatives of the Lessor at the backer thereord, and in addition Lesser anay reimburse itself for such payments, assigns, and legal representatives of the Lessor at the backer thereord, and in addition Lessor and year first hereinabore set out. 16. All the provisions of this Lesse shall be binding on the backs, successors, assigns, and legal representatives of the Lessor at the day and year first hereinabore set out. Image: Construction of any royalties or remails payable to the backs, successors, assigns, and legal representatives of the Lessor at NESS WHEREOF this instrument is executed on the day and year first hereinabore set out. 9. Legene Rames Image: Construction of any royalties or remails payable. 9. Logitize Jannes Image: Construction of any royalties or remails payable. 9. Logitize Jannes Image: Construction of any royalties or remails payable. 9. Construction of the Lessor at the day and year first hereinabore set out. Image: Construction of any royalties or remails payable. 9. Construction of this Lesson of the less and payable. Image: Construction of any royalties or remails payable. 9. Construction of the less and payable. Image: Construction of any royalties or remails payable. 10. VITOR I LANE Alan Eugene less and Marilyn Louise less and and write: and long the day and wear last above the day and year last above the runderstened a Notwer backing in the day and year last	14. In the absence of production, Laese may terminate any unitized area by filing in the courny records a Noice of Terminate of comparisons of the induction and the set has a second ones, needs are built inductions, cancer on comparisons of the induction of a part of the induction of the constrained and agrees to addition the other and a second ones, needs are built induction of the induction of the comparisons of this instrument is executed on the day and year first herinahove set out. 16. All the provisions of this Lasse shall be binding on the heirs, nonceasors, assigns, and legal representatives of the Lasse shall be binding on the heirs, nonceasors, assigns, and legal representatives of the Lasse shall be binding on the heirs, nonceasors, assigns, and legal representatives of the Lasse and the day and year first herinahove set out. 16. All the provisions of this Lasse shall be binding on the heirs, nonceasors, assigns, and legal representatives of the Lasse and the day and year first herinahove set out. 17. OF KANSAS 19. Before me the undersigned, a Notary Public, within and for said country and state, on this is and fore going instrument and acknowledged to rune that they executed the same as <u>their</u> is deed for the uses and purposes therein set furth. 10. WITINESS WHEREOF, I have hereunts set my hand and wrife: and poing instrument and acknowledged to rune that they executed the same as <u>their</u> is their indeed of the uses and purposes therein set furth. 10. WITINESS WHEREOF, I have hereunts set my hand and wrife: and poing instrument as a set furth. 10. WITINESS WHEREOF, I have hereunts set my hand and official seal the day and year last above here the undersident of Noteore Delibic in their in the second of the same as their	13. On or before the seguritation of the primary term of the lease, the "Lease, the subconcerver or assign: solutions of Tay (Ω) yours consider a second or primary term of the lease. 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son who signed the name of the maker thereof to the within and foregoin acknowledged to me thatexecuted the same asfree ict and deed of said corporation, for the uses and purposes therein set for the day and year last above written.	WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above v ssion expires $5 \cdot 28 - 2013$ Notative Public	appeared <u>Alan Eugene James and Marilyn Louise James, husband and wife</u> ; and John Day uise James, <u>husband and wife</u> and to me personally to be the identical person <u>s</u> and foregoing instrument and acknowledged to me that <u>they</u> executed the same as <u>their</u> free a d for the uses and purposes therein set forth. 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Lasser thereby warmus and agrees to the divide the the lands herein described and agrees that the Lesse shall be bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the heirs, successors, assigns, and legal representatives of the Lesser all the bindling on the day and year first hereinabore set out. Uttleament Uttleament Down	3) Or or before the expiration of the primary term of this lease, the Lessee, is successors or assigns, shall have the option of the average described herein and escode the primary term there on an additional TWO (\underline{D}) years commend to be primary term there on an additional TWO (\underline{D}) years commend to a support on the base of the lessed premises to visible an extension is not sought. 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COUNTY OF	WHEREOF, I have hereunto set my hand and official seal the day and year last above v $5^2 (2013)$ Notaty Public	dersigned, a Notary Public, within and for said county and state, on this day of Septer Alan Eugene James and Marilyn Louise James, husband and wife; and John Day husband and wife and to me personally to be the identical person s g instrument and acknowledged to me that they executed the same as their free a s and purposes therein set forth. WHEREOF, I have hereunto set my hand and official seal the day and year last above writte $5 \cdot 28 - 2013$ Notary Public	AS S (INDIVIDUAL ACKNOWLEDGMEN dersigned, a Notary Public, within and for said county and state, on this day of <u>s</u> <u>Alan Eugene James and Marilyn Louise James, husband and wife: and John</u> <u>husband and wife</u> and to me personally to be the identical perso <u>s</u> instrument and acknowledged to me that <u>they</u> executed the same as <u>their</u> s and purposes therein set forth. 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STATE OF)SS (CORPORATION ACKNOWLEDGMENT) COUNTY OF)SS (CORPORATION ACKNOWLEDGMENT) On this day		said county and state, on this <u>day of Septer</u> uise James, <u>husband and wife</u> ; and John <u>Day</u> nd to me personally to be the identical person <u>s</u> <u>they</u> executed the same as <u>their</u> free a	WAPPE WINDUAL ACKNOWLEDGMEN said county and state, on this	when David James	reinabove set out. reinabove set out. reinab	s herein described and agrees that the Lessee shall ha described land in the event of failure of payment by the such payments out of any royalities or rentals payable to soors, assigns, and legal representatives of the Lessor a reinabove set out. The Lessor and Lessor and Lessor a reinabove set out. The Lessor and legal representatives of the Lessor a reinabove set out. The Lessor and legal representatives of the Lessor a reinabove set out. The Lessor and legal representatives of the Lessor a reinabove set out. The Lessor and legal representatives of the Lessor a reinabove set out. The Lessor and state, on this day of farmers. They executed the same as their	rea by filing in the county records a Notice of Termina cented orders, rules or regulations of governmental boo damages for failure to comply therewith, if compliance damages for failure to comply therewith, if compliance scripted land in the event of failure of payment by the such payments out of any royalties or rentals payable to such payments out of any royalties or rentals payable to reinabove set out.	essee, its successors or assigns, shall have the option a arm thereto an additional <u>Two (2)</u> years commenc- itory bank hereinabove shown on or before such ex- acre for each acre to which the term of this lease is e are by filing in the county records a Notice of Termina cented orders, rules or regulations of governmental bod damages for failure to comply therewith, if compliance the event of failure of payment by the such payments out of any royalties or remtals payable to such payments out of any royalties or remtals payable to such payments out of any royalties or remtals payable to sors, assigns, and legal representatives of the Lessor a reinabove set out. The David James Children County Journes Children County and state, on this day of <u>S</u> uise James, husband and wife; and John nd to me personally to be the identical perso	arily pool or combine the lands covered by this lease, rereto when in Lessee's judgment it is necessary or a cecling eighty (80) acres for an oil well, plus a toleran percent (10%), except that larger units may be created for all production of oil or gas therefrom, or such production were on, or such production were on or before such exact an lieu or early filing in the county records a Notice of Termina cuted orders, rules or regulations of governmental bod amages for failure to comply therewith, if complianc damages for failure to comply therewith, if complianc damages for failure to comply therewith, if compliance damages and legal representatives of the Lesser shall have the local damages of the less or a reinabove set out.	y hand and official seal the day and year last above written.	IN WITNESS WHEREOF, I have hereunto set m My commission expires $5.28 - 2013$
states between and the assigned in whole or in part, however, no change in norme result or complete the objections, or to generative the states, consisting of the objection of the state is a signed, no teached ormer that be stated for and no part result or any part of the base is assigned, no teached ormer that be table for any of polaring to be objective, or to generative the part of the table of the table result of the power is orvitatively pol or combine to balance sovered by this hase. It is the provent of the power is orvitatively pol or combine to balance sovered by the power result of the power is production. (Losse shall access the and in or result (Do) to so the table of the power is a state of the table of the uses, and are overly the power is orbital and operation were or or subt power to an orbital and excellent by the lasse. 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If some example, and example, such pooling to be true units tool exceeding eight (80) arests by adgement it is necessary prescribed by governions in the observent (10%), except that large units may be are prescribed by governions the well or wells be located on the premises covered by this lease, in the range described herin and extend the primary term thereto an additional <u>TWO (2)</u> years comment and in gramment to Lessor's credit in the depository bank hereinahove shown on or before such as purposes, takes or other the value average so pooled.	part; however, no change in owner tice, consisting of certified copies of Lessor, and then only with respect t ssee. No present or future division the rights of the Lessee, and all of shold owner shall be liable for any a sace's judgment it is necessary or a shall execute in writing and recor- shall execute in writing and recor- shall execute the rall purposes, exce- tor were on, or such production we ies covered by this lease. In lieu or on of the royalties stipulated herein i ditional \underline{TWO} (2) years comment above shown on or before such ex- e to which the term of this lease is e e county records a Notice of Termina so or regulations of governmental bo ure to comply therewith, if compliant the event of failure of payment by the to f any royalties or rentals payable to a legal representatives of the Lessor <i>z</i>	11. 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If all or any part of this lease is assigned, no leasehold owner shall be inter division and gas, or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or a gene or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or a log operate said premises, such pooling to be into units not exceeding eighty (30) areas for an any lease or leases value of the any and ges, or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or a specific for the pooled acreage. The entire acreage so pooled into units shall be treated for all purposes, except the payment of to real the poled acreage. The entire acreage so pooled into units shall be treated for all purposes, except the payment of the payment of the reade only such porducion were on, or such production we the leaded on the the generom only with reduction were on the unit or his royalty interest therein bears to the total arreage so pooled. 13. On or before the expiration of the primary term of this lease, its successors or assigns, shall have the option of the acreage premises to which an extension is not sought. 14. In the absence of production, Lessee may terminate any unitzed area by filing in the county records a Notice of Terminatie doverament of the lease of pr	11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part, however, no change in owner or otherwise) shall be binding on Lessee until the Lessee has been furnished with notice, consisting of certified copies of and other information necessary to establish a complete chain of record title from the Lesse. No present or future division in portions or parcels of said land shall operate to enlarge the obligations, or io diminish the rights of the Lessee, and all of the related owner. 12. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the lands covered by this lease, and gas, or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or a greeting six hundred forty (640) arres for a gas well, plus a tolerance of ten percent (10%), except that larger units nave be created in the doorwered by this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion well, shall be considered for all purposes, except the payment of royaltes, as if such operation were on, or such production well on this royalty interest therein bears to the total acreage. 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On or before the expiration of the primary term of this lease, its successors or assigns, shall have the option and right to renew this lease as to allor any portion of the expiratio	11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part; however, no change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until the Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record tilt from the Lessor, and then only with respect to payments thereafter made. different portions or parecls of said and shall operate to enlarge the obligations, or to diminish the rights of the Lessee, and all of Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission on the part of properly develop and operate said premises, such pooling to be into units on exceeding eighty (80) acres for a gas well, plus a tolerance of the nument authorities having jurisdiction. Lessee is or any portion thereof, as to properly develop and operate said premises, such pooling to be into units not exceeding eighty (80) acres for a gas well, plus a tolerance of the precent (10%), and or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee is all execute in writing and record in the County Records as if it were included in this lease, and drilling or reworking operations there are pooled into units shall be considered for a well as a shuting gas revealed for all purposes, except the payment of royalties, as if such operation were on, or such production were from, or such completion were from, or such completion were form, or such completion thereon or not the well or wells is lease. In lieu of royalties, leasewhere herein in gas well, shall be considered for all purposes, except the payment of royalties, as if such operation were on, or such production were from, or such completion was on the	11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part; however, no change in ownership of Lessor's interest (by assignment or otherwise) shaft be binding on Lessee until the Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from the Lessee. No other notice of any kind or character, whether actual or constructive, shall be binding on the Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations, or to diminish the rights of the Lessee, and all of Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission on the part of any other leasehold owner.			

i.

Notary Public

Given under my hand and seal the day and year last above written.	On this <u>day</u> day <u>before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared <u>to me</u> </u>	STATE OF) SS (CORPORATION ACKNOWLEDGMENT)	IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written. My commission expires $5 \cdot 28 - 2013$ Notary Public	Before me the undersigned, a Notary Public, within and for said county and state, on this day of <u>September, 2009</u> , personally appeared <u>Alan Eugene James and Marilyn Louise James, husband and wife; and John David James and Vickie Louise James, husband and wife</u> and to me personally to be the identical person <u>s</u> who executed the within and foregoing instrument and acknowledged to me that <u>they</u> executed the same as <u>their</u> free and voluntary act and deed for the uses and purposes therein set forth.	Marilyn Louise James // Vickie Louise James // ROGER R. GOULDNER STATE OF <u>KANSAS</u>) COUNTY OF <u>LANE</u>) SS (INDIVIDUAL ACKNOWLEDGMENT)	Cupan James John David James Jone James John David James John David James	16. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee. IN WITNESS WHEREOF this instrument is executed on the day and year first hereinabove set out.	Inture is the result of any such law, order, rule, or regulation. I.5. 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 land in the event of failure of payment by the 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 rentals payable to Lessor.	14. In the absence of production, Lessee may terminate any unitized area by filing in the county records a Notice of Termination of the unit. All express or implied covenants of this lease shall be subject to all federal and state laws, executed orders, rules or regulations of governmental bodies having jurisdiction, and this lease shall not terminate in whole or in part, nor shall Lessee be 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 regulations.	13. On or before the expiration of the primary term of this lease, the Lessee, its successors or assigns, shall have the option and right to renew this lease as to all or any portion of the acreage described herein and extend the primary term thereto an additional $\underline{\text{TWO}(2)}$ years commencing on the expiration of the primary term of this lease, by making payment to Lessor's credit in the depository bank hereinabove shown on or before such expiration date in the sum of $\underline{\text{Ten and No Hundredths}}$ DOLLARS ($\underline{\$10,00}$) per net mineral acre for each acre to which the term of this lease is extended, and to release this lease as to those portions of the leased premises to which an extension is not sought.	12. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the lands covered by this lease, or any portion thereof, as to the oil and gas, or either of them, with any other land, lease or leases adjacent thereto when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into units not exceeding eighty (80) acres for an oil well, plus a tolerance of ten percent (10%), and not exceeding six hundred forty (640) acres for a gas well, plus a tolerance of ten percent (10%), except that larger units may be created to comform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lesse shall execute in writing and record in the County Records as instrument identifying and describing the pooled acreage. The entire acreage so pooled into units shall be treated for all purposes, except the payment of royalties, as if such operation were on, or such production thereon of a well as a shutin gas well, shall be considered for all purposes, except the payment of royalties, as if such operation were on, or such production were from, or such completion was on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of royalties, cleavent from a unit so formed only such portion of the royalties stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled.	11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part; however, no change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until the Lessee has been flurnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record tille from the Lessor, and then only with respect to payments thereafter made. No other notice of any kind or character, whether actual or constructive, shall be binding on the Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations, or to diminish the rights of the Lessee, and all of Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission on the part of any other leasehold owner.	
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Notary Public

ADDENDUM To Oil and Gas Lease, dated August 26, 2009, by and between

Louise James, husband and wife Alan Eugene James and Marilyn Lynn James, husband and wife; and John David James and Vickie

Hereinafter referred to as Lessor and

CREDO PETROLEUM CORPORATION

Hereinafter referred to as Lessee:

and parties covering all of the property described in paragraph 1 below, located in LANE COURT, KANSAS, and containing <u>320</u> acres, more or less; to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of the Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date covering all of the property described in paragraph 1 below, located in LANE COUNTY, and containing <u>320</u> acres, more or less; to the same extent as if the provisions originally been written in said Lease. The terms and provisions of the Addendum shall be

The Lessee acknowledged that this Addendum is included for the benefit of the Lessor (as owner of the minerals). And for the benefit of the surface owner, as an intended third-party beneficiary. The Lessee thus further acknowledges and agrees hat the surface owner (or the surface owner's tenant) shall have the right to bring an action for the enforcement of any provisions included in this Addendum, to the extense such provisions pertain in any manner to the utilization of or damage to the surface of the abovedescribed property. extent

. ^ <u>SEPARATE LEASE FOR EACH TRACT</u>. Lessor and Lessee agree that this Lease that constitute a separate Lease agreement with respect to each of the following described to Lane County, Kansas: tracts in

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written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a gas-producing unit. If such release is not mailed or delivered to the county for filing within thirty (30) days lease on the other tracts listed herein, unless such tracts are included in a gas-producing unit pursuant to the provisions of paragraph 15 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following following written demand, Lessee shall be liable for damages, including attorney's fees, if any In no event shall the production of oil or gas on any individual tract extend the primary term of the incurred by Lessor in obtaining such.

- Ņ separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures; provided, further, in no event shall storage tanks be built less than 100 feet from such county or state highway or roadway adjoining such property. on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect
- Lessee that a permanent fresh water spring is located in a draw in Southeast portion of the leased premises. It is further recognized and understood that this spring is the only source of water available for the livestock pastured on the leased premises and on approximately 40 acres adjacent to the leased premises. For this reason, Lessee agrees to exercise due care in drilling, blasting and conducting its oil and gas operations within the proximate areas of said springs. In this regard, Lessee shall consult with surface owner before conducting any tests or drilling any wells on the leased premises, and shall install surface casing on any drilled wells to a depth sufficient to prevent contamination of any such springs. Notwithstanding the forgoing, should owner's spring(s) become contaminated, or cease production of fresh water, or should the production of water decrease to such extent that surface owner or surface owner's tenant is not able to fully utilize the leased premises for the pasturing of livestock, and such contamination or decrease in production in caused by Lessee's operations, regardless of the amount of due care exercised by Lessee, Lessee covenants and agrees, at its option, to either: (a) drill and equip a fresh water well or wells on the leased premises; at Lessee's cost, which well or wells shall produce and continue to produce fresh water in quantities equal to or meater the surface owner's contamined on the produce fresh water in quantities equal to ω In the event surface owner's spring becomes contaminated or otherwise nonproductive as aforesaid, it is further understood and agreed that the Lessee shall have the burden of proving that such contamination, non-production or reduced production is not the result of its oil and gas operations or greater than surface owner's spring; or (b) construct and lay a pipeline, at Lessee's cost, fr another source of fresh water selected by surface owner, for the transmission of water to the leased premises, in quantities equal to or greater than that produced by surface owners spring. located on the leased property, nor within 300 Feet of any underground water pipeline on the property, addition to these general restrictions, it is recognized by Lessee that a permanent fresh water spring is located in a draw in the Southeast portion of the NE ¼ of Section 24-16-29. It is further recognized by LOCATION OF WELLS. There shall be no core drilling within 1,000 Feet of any water wells from Ш

4. ACCESS ROADS AND PIPELINES: TERRACES AND PITS

- a Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the road to above-described equipment shall reside with Lessee.
- 3 There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of the surface owner. Lessee shall bury pipelines to a depth of not less that forty inches (40") below the surface.
- <u></u> on the leased premises. In this regard, it is further understood and agreed that if a pipeline or electric line crosses a terrace, Lessee shall cut a channel through the terrace (level with the ground), bury the line at least 40 inches beneath the surface of the channel cut, and then refill and repack the terrace with a bulldozer, subject to the inspection and approval of surface Lessee agrees to conduct its operations in such a manner as to protect any terraces located
- <u>e</u> owner, unit at such time as surface owner puts in an overhead sprinkler. Furthermore, should any natural erosion or dirt work performed by surface owner in the normal course of conducting his farming/ranching operations necessitates the lowering in depth of any pipeline or electric line, such lines shall be lowered by Lessee at no expense to surface owner. Lessee established) on said lease. However, Lessee shall be required to use a low profile pumping owner, when reasonably necessary for the use of surface owner in his agricultural operations, Including, but not specifically limited to, the use of said land for irrigation purposes. Surface Lessee agrees to assume the responsibility for and the expense of lowering any pipeline, electric line, or pumping unit installed upon the leased premises when requested by surface owner agrees to allow Lessee to use standard pumping unit (should production be
- @ When Lessee digs a reserve pit, all black dirt will be piled separately. In the event of a dry hole or abandonment and the said pit is filled and leveled, then the last dirt removed from the pit shall be the first dirt put back into the pit.
- <u>(</u>) <u>RESERVATION OF OTHER MINEALS</u>. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- S any reason point all connections, regulators and meters and appurtenant equipment installed shall remain the property of Lessee. Surface owner at his own risk and expense and at locations that will not interfere with Lessee's lease operations shall install, operate and maintain the line necessary to all gas in its condition as produced from the well and Lessee shall have no liability for any variance or interruptions in the supply if the production from any well is restricted or shut down for use in farming and livestock purposes and including fuel for grain dryers and pumping water wells for irrigation. Any gas so purchased by surface owner shall be purchased at the price paid by Lessee's gas purchaser. Lessee shall install, operate and maintain at or near said designated PURCHASE OF GAS BY SURFACE OWNER Surface owner shall have the right to purchase from Lessee, gas from any gas well on the leased premises or on any land pooled therewith for
- 7 to the condition existing at the time this Lease was executed, all within six (6) months following such termination or abandonment. All pits shall be filled and leveled in accordance with the rules and regulations as set forth by the Kansas Corporation Commission. The surface owner is to be notified when pits are filled so that the surface owner may be present when the pits are filled and the surface is restored. All plastic liners must be removed from the pits prior to surface TERMINATION AND ABANDONMENT. Upon termination of the lease (whether by abandonment or otherwise), the Lessee shall fill all pits and ponds constructed by Lessee, and remove all restoration. structures placed on the leased premises by Lessee, and reasonably restore the leased premises
- œ than the immediate well site or tank battery site, damages shall be paid to the surface owner for <u>PROTECTION AGAINST POLLUTION</u>. The Lessee agrees with the Lessor and surface owner that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Government Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse. If at any time oil or salt water or chemicals used in the production of oil or gas shall flood over any grounds other the the impodiate wall size that before the before the demonstrate the production of oil or gas. each and every occurrence
- Q <u>SALT WATER DISPOSAL</u>. The Lessee shall consult with surface owner as to the location of ar saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Will the exception of salt water produced from wells located on the leased premises or on lands pooled or utilized therewith, Lessee is prohibited from disposing of salt water without the written consent of the surface owner and without compensating the surface owner for the use thereof, upon such terms as are agreeable to the surface owner. location of any With
- ð under the terms of the Lease shall be paid by the Lessee. ABSTRACT CHARGES Any abstracting charges on such tract for drilling operations by Lessee

11. DAMAGES

- <u>a</u> Lessee shall be liable and responsible unto the surface owner for damages suffered by Surface owner and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), damages to growing crops, land, pasture grass (pasture grass being considered a growing crop at any time of the year, notwithstanding the time of year the damage to the pasture occurs), livestock, underground pipelines, water wells, irrigation wells, buildings, improvements and fences. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by surface owner of the damages
- Ξ (\$3,500.00), as liquidated damages, for each drill site location on the leased premises, inclusive of lease road and normal crop damages. Lessee further agrees to pay the sum of Five dollars (\$5.00) per rod, plus surface and crop damages, for the installation of flow lines, and Fifteen Dollars (\$15.00) per rod, plus surface and crop damages, for any other pipelines installed or constructed upon the leased premises, whether or not such pipelines are connected to the well on said premises. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion. Lessee agrees to pay surface owner the sum of Three Thousand Five Hundred Dollars
- <u></u> No notice shall be required from surface owner or surface owner's tenant with regard to the placement of cattle on the leased premises. Notwithstanding the construction of fencing, all livestock killed or poisoned by oil or chemicals, or injured by equipment or vehicles used in the operation of this Lease, shall be paid for by Lessee at fair market value, plus the sum of \$50 per animal for trouble and inconvenience caused to the owner of the livestock, said payment to be made within 30 days after notice to Lessee. Lessee shall have the right to have the livestock examined by a licensed veterinarian; the livestock owner shall thus notify Lessee before disposing of any dead or injured livestock. pit and tank battery installed on the leased premises in order to prevent injury to livestock Lessee shall construct and properly maintain a permanent fence around each pumping unit,
- 3 premises INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor and the surface owner against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees suffered by Lessor or surface owner arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee, on the leased
- <u>G</u>
- <u></u> Any activity expressly or implicitly authorized or required by this Lease. Plugging and abandonment of wellbores drilled by Lessee. Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
- <u>e</u> The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, and waste material, or any "Hazardous Substance" or "Pollutant" or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (3) (1988).

Lessee terminates or otherwise ceases to burden the leased premises Lessee's obligations created by this section are continuing obligations that will continue in effect, and be Enforceable by Lessor and surface owner, or either of them, even after the

- ដ LIMITATION ON SHUT-IN ROYALTY. Notwithstanding the provisions of paragraph 6 of the Lease to the contrary, if the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or land pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in" period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessors a shut-in royalty at the rate of Five Dollars (\$5.00) per acre per year, which royalty shall be due and payable on the anniversary date of this lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 4 geographic area at that time. Notwithstanding the surface owner's subsequent execution of a seismograph permit or similar instrument provided by an agent of Lessee, the Lessee shall remain obligated to surface owner under the provisions of this Lease for any damages suffered that, under the terms of the Lease, Lessee has the authority to conduct geophysical exploration (including seismograph testing) or to authorize third parties (as Lessee's agent) to conduct such testing upon the leased premises. Notwithstanding the grant of such authority, Lessee acknowledges that it may not proceed with the initial seismograph testing contemplated by the parties until surface owner and Lessee (or Lessee's agent) have entered into a seismic survey permit and damage settlement agreement (said seismic survey permit attached hereto as <u>EXHBIT "A"</u> and made a part hereof). The parties further agree that surface owner shall be ŝ SEISMOGRAPH TESTING AND COMPENSATION. term of the Leas reasonably compensated for any further seismograph testing conducted by Lessee during the surface owner as based upon comparable rates being paid by the industry within the local a result of such testing. Lessor and surface owner acknowledge

- 5 MONTHS IN WHICH SEISMOGRAPHY MAY BE DONE All geophysical explorations (including seismography testing) shall only be performed between the dates of November 1st thru March 15th, unless otherwise agreed to by Lessor in writing.
- ត់ <u>UNITIZATION AND POOLING</u>. The leased premises may not be unitized or pooled by Lessee without the prior written consent of Lessors; provided, however, Lessor acknowledges that Lessee may need to unitize all or a portion of the leased premises with other tracts to form up to the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form up the second premises with other tracts to form th 640 acre unit (plus or minus 10%) for the production of gas. To this end, Lessor agrees not to unreasonably withhold such consent in the event that less than all of the lands covered by the Lease are included in any one (1) unit for the production of either oil or gas, Lessee agrees to release any tracts upon which a producing well has not been completed within three (3) years from the end of a primary term or extension of this Lease.
- 17. the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within sixty (60) days following written demand thereof by Lessor. If such release is not mailed or delivered to the county for filing within sixty (60) days following written demand, Lessee shall be liable for damages, including attorney's fees, if any, incurred by Lessor in obtaining such release. Notwithstanding anything to the contrary implied by any of the provisions of the Lease of this Addendum, in no event may the payment of delay rentals extend the term of this Lease beyond the date specified in Paragraphs 6 and 13 of the Lease. The term of this Lease in paying quantities within the primary term or extension thereof. completion of a well, additional, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of <u>SEPARATE ZONES</u>. It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect at the expiration of the primary term, a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the
- 8 <u>CONSERVATION PRACTICES</u>: If the Lessor is planning to conduct certain conservation practices, such as terracing, Lessor agrees to notify Lessee in writing that Lessor will be commencing such conservation practices. Lessee agrees not to interfere with the person conducting the conservation practice during the proposed period of time to conduct said practices.
- 6 <u>CRP PROVISIONS</u>. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands owner for such damages good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes surface owner to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse surface condition as found prior to Lessee's operations and to take all necessary and reasonable precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a used by Lessee during its operations, to the same condition as nearly as practicable to its original
- 20 this lease; and subject to other provisions of this lease, the primary term shall be extended for an additional term of two (2) years from the end of the primary term hereof. Notwithstanding the provisions of the lease to the contrary, this lease shall not be considered a producing lease by the continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor, the sum of Ten (\$10.00) multiplied by the number of net mineral acres owned by the Lessor in the land above described and then subject to TWO-YEAR EXTENSION OF LEASE. payment of delay rental beyond the expiration of the primary term. If at the end of the primary term, this lease is not otherwise
- 21 BINDING EFFECT. stipulations Shall extend to and be binding upon the Lessor, the Lessee and the suface owner, together with the Heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor, Lessee and surface owner. This Lease and Addendum to said Lease and all of its terms, conditions and

₿Ķ By: . By: <u>Mount fur Bran</u>es Mahilyn Løuise James BY: John David James Alan Eugene James Man ickie Louise James ber HIALA