

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: H3D Exploration LLC  
Lease: Hearn-Debes Unit  
Well Number: 1  
Field: \_\_\_\_\_

Location of Well: County: Stafford  
142 feet from  N /  S Line of Section  
2284 feet from  E /  W Line of Section  
Sec. 3 Twp. 25 S. R. 12  E  W

Number of Acres attributable to well: \_\_\_\_\_  
QTR/QTR/QTR/QTR of acreage: SW - SE - SE - SW

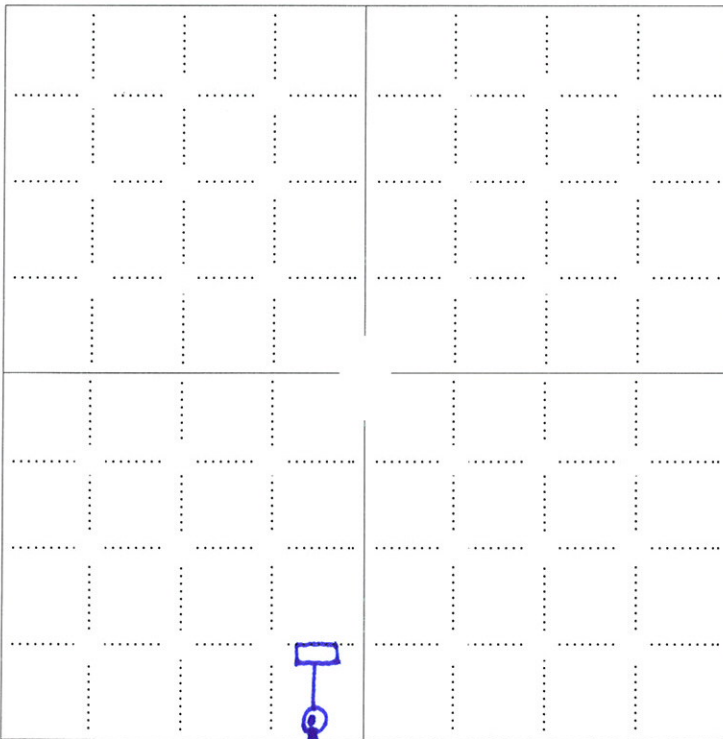
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

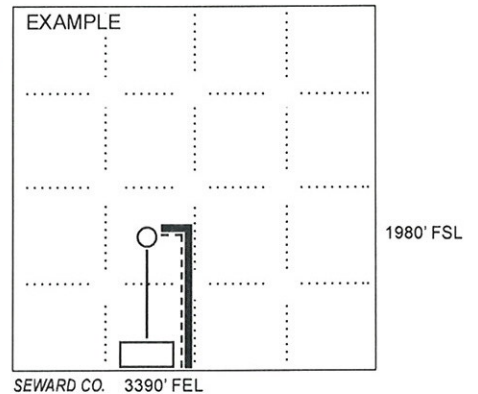
**PLAT**

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



**LEGEND**

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location

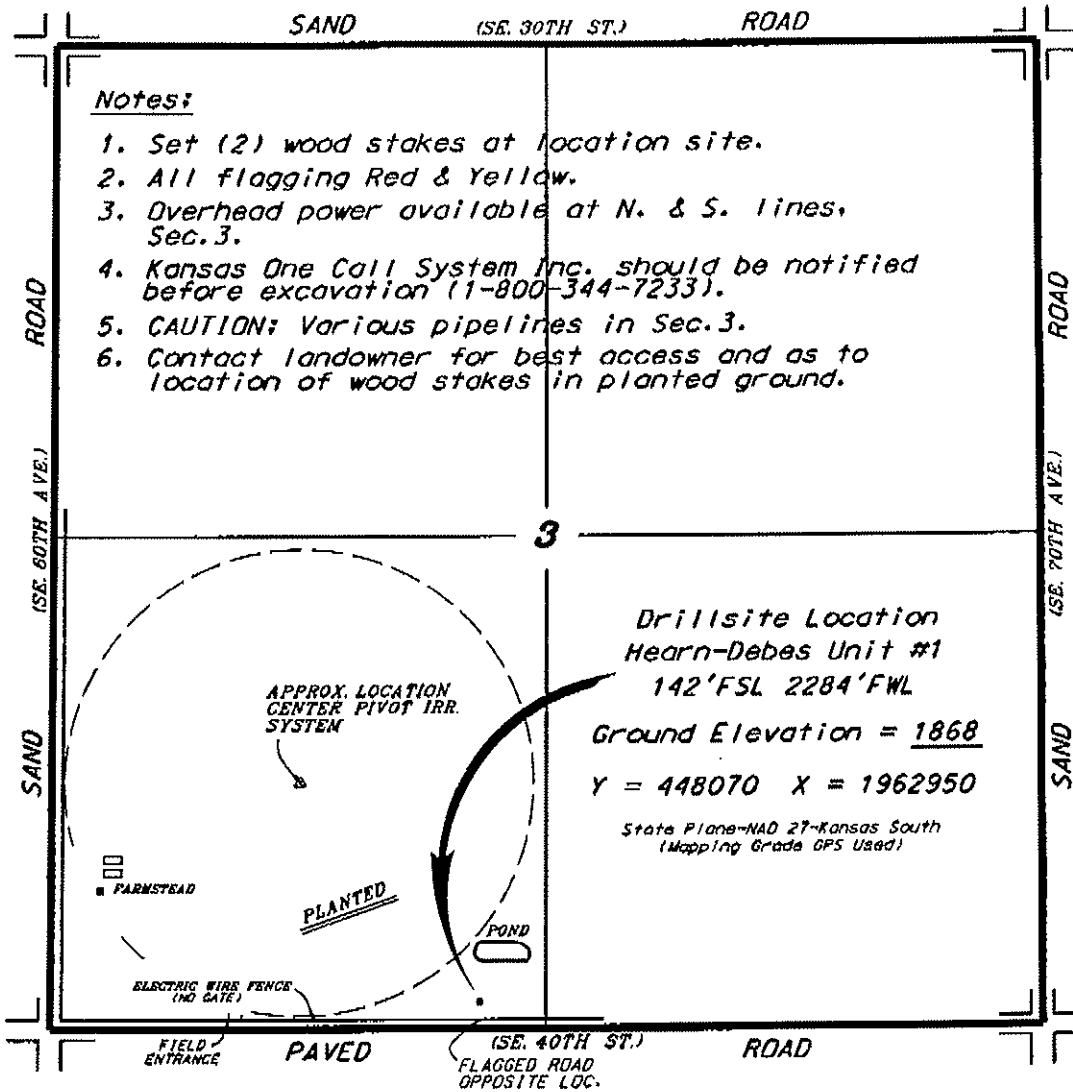


**NOTE: In all cases locate the spot of the proposed drilling location.**

**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: (CO-7 for oil wells; CG-8 for gas wells).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

**H & D EXPLORATION, LLC**  
**HEARN-DEBES LEASE**  
**SW. 1/4, SECTION 3, T25S, R12W**  
**STAFFORD COUNTY, KANSAS**

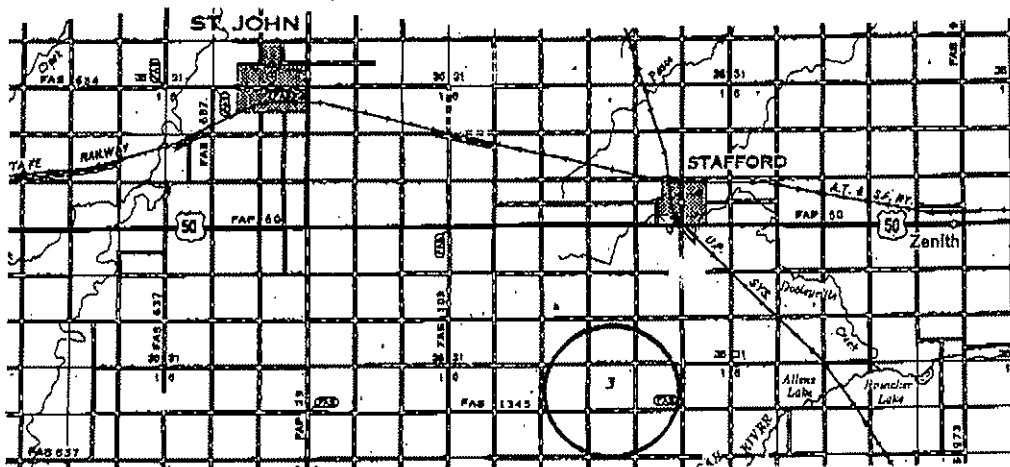


**Notes:**

1. Set (2) wood stakes at location site.
2. All flagging Red & Yellow.
3. Overhead power available at N. & S. lines, Sec. 3.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION: Various pipelines in Sec. 3.
6. Contact landowner for best access and as to location of wood stakes in planted ground.

**Drillsite Location**  
**Hearn-Debes Unit #1**  
**142' FSL 2284' FWL**  
**Ground Elevation = 1868**  
**Y = 448070 X = 1962950**  
 State Plane-NAD 27-Kansas South  
 (Mapping Grade GPS Used)

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



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

Date December 30, 2013

1/21

THIS AGREEMENT, Entered into this the 25 day of January, 2011, by and between:  
Brent G Hearn & Marsella G Hearn Husband & Wife; Merlyn E Hearn & Diana M Hearn Husband & Wife

hereinafter called lessor (whether one or more), and H & D ENERGY, L.L.C., 1492 NW 10 Ave. Hoisington, KS 67544, hereinafter called lessee, as follows:

1. That lessor, for and in consideration of Ten (\$10.00) and more Dollars, in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased and let and by these presents does hereby grant, lease and let exclusively unto the lessee the hereinafter described land, with any reversionary rights therein, for the purpose of carrying on geological, geophysical and other exploratory work thereon, including seismic operations and the drilling, mining, and operating for, producing and saving all of the oil, gas, gas condensate, gas distillate, casinghead gasoline and their respective constituent vapors, and all other gases, found thereon, the exclusive right of injecting water, brine, and other fluids and substances into the subsurface strata, and for constructing roads, laying pipe lines, building tanks, storing oil, building power stations, electrical lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and the injection of water, brine, and other substances into the subsurface strata, said tract of land being situated in the County of Stafford, State of Kansas, described as follows:

South West Quarter of 3-25-12 - SW/4 of 3-25-12

Book: 221 Page: 632  
 Receipt #: 18825 Total Fees: \$12.00  
 Pages Recorded: 2  
 Date Recorded: 1/28/2011 8:13:52 AM

containing 160 acres, more or less.

Lu Ann Brister  
 Register of Deeds  
 Stafford County, KS

2. This lease shall remain in force for a term of 2 year(s) from the above date (called "primary term") and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is produced from said land or land with which said land is pooled.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells the equal 1/8th part of all oil produced and saved from the leased premises.

4. The lessee shall pay to the lessor, as a royalty, 1/8th of the proceeds received by the lessee from the sale of gas, gas condensate, gas distillate, casinghead gas, gas used for the manufacture of gasoline or any other product, and all other gases, including their constituent parts, produced from the land herein leased. If such gas is not sold by the lessee, lessee shall pay or tender annually at or before the end of each yearly period during which such gas is not sold, as a shut-in royalty, whether one or more wells, an amount equal to \$1.00 per acre multiplied by the number of acres covered by this lease. While said shut in royalty is so paid or tendered, it will be considered under all provisions of this lease that gas is being produced in paying quantities. The first yearly period during which such gas is not sold shall begin on the date the first well is completed for production of gas or the date the well is shut-in.

5. This lease is a paid up lease and may be maintained during the primary term without further payments or drilling operations.

6. In the event said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein then the royalties and rentals herein provided for shall be paid to said lessor only in the proportion which his interest bears to the whole and undivided fee, however, in the event the title to any interest in said land should revert to lessor, or his heirs, or his or their grantee, this lease shall cover such reversion.

7. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from existing wells of the lessor. Lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of this lease, to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

8. 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 the heirs, devisees, executors, administrators, successors and assigns, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee, and no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof, or a certified copy of the will of any deceased owner and of the probate thereof, or a certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor of the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, or administrator, executor, or heir of lessor.

9. If the leased premises are now or shall hereafter be owned in severally or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties and rentals accruing hereunder shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devise, descent or otherwise, or to furnish separate measuring or receiving tanks.

10. If at the expiration of the primary term oil or gas is not being produced on said land, but lessee is then engaged in drilling or reworking operations thereon, the lease shall remain in force so long as operations are prosecuted either on the same well or any other well thereafter commenced, with no cessation of more than one hundred twenty (120) consecutive days, and if they result in the production of oil or gas, this lease shall remain in effect so long thereafter as there is production of oil or gas under any provision of this lease.

11. Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by placing same of record in the proper county. In case said 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 canceled shall cease and determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

12. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease shall not be in any way terminated wholly or partially nor shall the lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules or regulations (or interpretations thereof). If lessee should be prevented during the last six months of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, the primary term of this lease shall continue until six months after said order is suspended.

13. It is the intention of the parties hereto to cause as little interference with farming operations on said land as possible. If the said land is irrigated land, any equipment required for production of oil or gas will be placed on the land with the height of such equipment at a level which will permit circular sprinkler systems to operate on said land without interference and without the use of earthen or metal ramps. Lessee agrees to not place leasehold equipment in the path of the irrigation wheels. All tank batteries shall be located in a corner of the land outside the path of the irrigation system. Lessee agrees to utilize low profile pumping units on all wells on the land which will not interfere with the overhead passage of the irrigation system. Lessee shall conduct all drilling operations of wells during months when no growing crops are on the land which need to be irrigated. Lessor recognizes that reworking equipment may be required on the well during irrigation periods, however, the lessee, or the tenant, shall be consulted prior to the work being done.

14. Lessee, at its option, is hereby given the right and power to pool or combine into one or more units the land covered by this lease, or any portion thereof, with other land covered by another lease, or leases when, in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of such minerals in and under said land, such pooling to be in a unit or units of ten (10) acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas and/or condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Governmental Survey quarter sections. Lessee shall execute in writing and file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units shall be treated for all purposes, except the payments of royalties on production from the pooled unit, as if it were included in this lease. If production is found on any part of the pooled acreage it shall be treated as if production is had from this lease whether any well is located on the land covered by this lease or not. Any well drilled on any such unit shall be and constitute a well hereunder. In lieu of the royalties elsewhere herein specified lessor shall receive on production from the unit so pooled only such portion of the royalty stipulated herein as the amount of his net royalty interest therein on an acreage basis bears to the total mineral acreage so pooled in the particular unit involved.

15. Lessee, its successors and assigns, shall have the sole and exclusive option, but not the obligation, ending upon the expiration date of the primary term of this lease, to elect to extend the term of said lease for a term of One (1) year by tendering to Lessor hereunder the sum of \$5.00 per net mineral acre owned by Lessor. Lessee shall file an Affidavit of Extension in the office of the Register of Deeds, upon its election to exercise the foregoing option.

16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors and assigns of said lessor and lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Brent G Hearn  
 Brent G Hearn - SS #  
Merlyn E Hearn  
 Merlyn E Hearn - SS #

Marsella G Hearn  
 Marsella G Hearn - SS #  
Diana M Hearn  
 Diana M Hearn - SS #

ADDITIONAL LANDOWNERS:

MERLYN & DIANA HEARN  
74 NE 90<sup>TH</sup> AVE  
STAFFORD, KS 67578

LAWRENCE DEBES  
805 WEST 4<sup>TH</sup>  
LARNED, KS 67550