



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

KANSAS CORPORATION COMMISSION 1183014  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 March 2010

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

**NOTICE OF INTENT TO DRILL**

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

*Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.*

Expected Spud Date: \_\_\_\_\_  
month day year

OPERATOR: License# \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Address 1: \_\_\_\_\_  
 Address 2: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_  
 Contact Person: \_\_\_\_\_  
 Phone: \_\_\_\_\_

CONTRACTOR: License# \_\_\_\_\_  
 Name: \_\_\_\_\_

<b>Well Drilled For:</b>	<b>Well Class:</b>	<b>Type Equipment:</b>
<input type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input type="checkbox"/> Infield
<input type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Pool Ext.
	<input type="checkbox"/> Disposal	<input type="checkbox"/> Wildcat
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Other	<input type="checkbox"/> Mud Rotary
<input type="checkbox"/> Other: _____		<input type="checkbox"/> Air Rotary
		<input type="checkbox"/> Cable
<input type="checkbox"/> If OWWO: old well information as follows:		

Operator: \_\_\_\_\_  
 Well Name: \_\_\_\_\_  
 Original Completion Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_

Directional, Deviated or Horizontal wellbore?  Yes  No  
 If Yes, true vertical depth: \_\_\_\_\_  
 Bottom Hole Location: \_\_\_\_\_  
 KCC DKT #: \_\_\_\_\_

Spot Description: \_\_\_\_\_  
 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W  
(Q/Q/Q/Q)  
 \_\_\_\_\_ feet from  N /  S Line of Section  
 \_\_\_\_\_ feet from  E /  W Line of Section

Is SECTION:  Regular  Irregular?  
 (Note: Locate well on the Section Plat on reverse side)

County: \_\_\_\_\_  
 Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

Field Name: \_\_\_\_\_  
 Is this a Prorated / Spaced Field?  Yes  No

Target Formation(s): \_\_\_\_\_  
 Nearest Lease or unit boundary line (in footage): \_\_\_\_\_

Ground Surface Elevation: \_\_\_\_\_ feet MSL

Water well within one-quarter mile:  Yes  No

Public water supply well within one mile:  Yes  No

Depth to bottom of fresh water: \_\_\_\_\_

Depth to bottom of usable water: \_\_\_\_\_

Surface Pipe by Alternate:  I  II

Length of Surface Pipe Planned to be set: \_\_\_\_\_

Length of Conductor Pipe (if any): \_\_\_\_\_

Projected Total Depth: \_\_\_\_\_

Formation at Total Depth: \_\_\_\_\_

Water Source for Drilling Operations:  
 Well  Farm Pond  Other: \_\_\_\_\_

DWR Permit #: \_\_\_\_\_  
 (Note: Apply for Permit with DWR )

Will Cores be taken?  Yes  No  
 If Yes, proposed zone: \_\_\_\_\_

**AFFIDAVIT**

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 DAYS** of spud date.  
 Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

**Submitted Electronically**

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

**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: \_\_\_\_\_

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

E  
 W

For KCC Use ONLY

API # 15 - \_\_\_\_\_

### IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: \_\_\_\_\_

Lease: \_\_\_\_\_

Well Number: \_\_\_\_\_

Field: \_\_\_\_\_

Number of Acres attributable to well: \_\_\_\_\_

QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Location of Well: County: \_\_\_\_\_

\_\_\_\_\_ feet from  N /  S Line of Section

\_\_\_\_\_ feet from  E /  W Line of Section

Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W

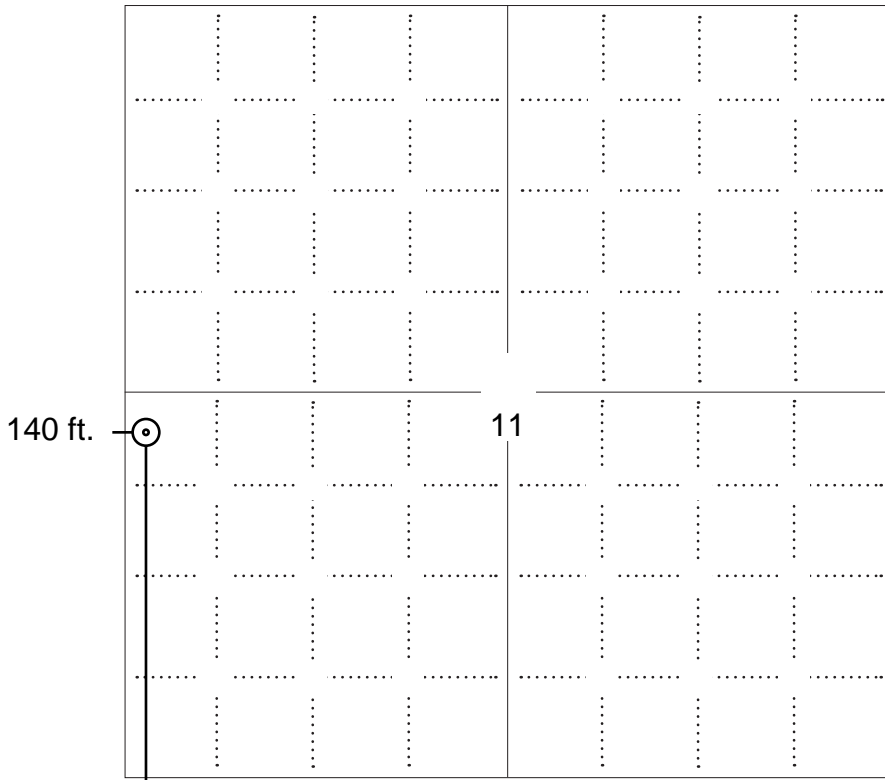
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

### PLAT

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



### LEGEND

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



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

2360 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.

**APPLICATION FOR SURFACE PIT**

*Submit in Duplicate*

Operator Name: _____		License Number: _____	
Operator Address: _____			
Contact Person: _____		Phone Number: _____	
Lease Name & Well No.: _____		Pit Location (QQQQ): _____-_____-_____-_____	
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>	
Is the bottom below ground level? <input type="checkbox"/> Yes <input type="checkbox"/> No		Artificial Liner? <input type="checkbox"/> Yes <input type="checkbox"/> No	
How is the pit lined if a plastic liner is not used? _____			
Pit dimensions (all but working pits): _____ Length (feet)    _____ Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ (feet) <input type="checkbox"/> No Pit			
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.	
Distance to nearest water well within one-mile of pit: _____ feet    Depth of water well _____ feet		Depth to shallowest fresh water _____ feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input type="checkbox"/> KDWR	
<b>Emergency, Settling and Burn Pits ONLY:</b> Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: _____ Number of working pits to be utilized: _____ Abandonment procedure: _____ _____ Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			

**KCC OFFICE USE ONLY**

Liner     Steel Pit     RFAC     RFAS

Date Received: \_\_\_\_\_ Permit Number: \_\_\_\_\_ Permit Date: \_\_\_\_\_ Lease Inspection:     Yes     No



### CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

*This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.*

Select the corresponding form being filed:  C-1 (Intent)  CB-1 (Cathodic Protection Borehole Intent)  T-1 (Transfer)  CP-1 (Plugging Application)

OPERATOR: License # \_\_\_\_\_  
Name: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Phone: ( \_\_\_\_\_ ) \_\_\_\_\_ Fax: ( \_\_\_\_\_ ) \_\_\_\_\_  
Email Address: \_\_\_\_\_

Well Location:  
\_\_\_\_ - \_\_\_\_ - \_\_\_\_ - \_\_\_\_ Sec. \_\_\_\_ Twp. \_\_\_\_ S. R. \_\_\_\_  East  West  
County: \_\_\_\_\_  
Lease Name: \_\_\_\_\_ Well #: \_\_\_\_\_

*If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:*

**Surface Owner Information:**

Name: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ + \_\_\_\_\_

*When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.*

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

**Select one of the following:**

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

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

I Submitted Electronically

NUMERICAL  
DIRECT  
INDIRECT  
COMPR ORIG.  
COMPUTER

**OIL AND GAS LEASE  
KANSAS [PAID UP]**

This instrument was filed for record on the  
3 day of May  
A.D. 2009 at 1:30 o'clock P.M. and  
duly recorded in Book 130 on page 251  
Fee \$0.00  
Jaworski, Barbara  
Register of Deeds

THIS AGREEMENT, made and entered into this 24<sup>th</sup> day of December, 2009 by

Lane County Feeders, Inc., a Kansas corporation

P.O. Box 607  
Dighton, KS 67839

CREDO PETROLEUM CORPORATION

1801 Broadway, Suite 900, Denver, Colorado 80202

hereinafter called Lessee:

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 the exclusive right of injecting water, brine and other fluids into subsurface strata, and the building of structures, tanks, roadways and any and all other rights and privileges necessary, incidental to, or convenient for the economical operation alone, or conjointly with neighboring land, for the production, saving and taking care of all said products on that certain tract of land situated in the County of Lane State of Kansas, described as follows, to-wit:

TOWNSHIP 17 SOUTH, RANGE 29 WEST OF THE 6<sup>TH</sup> P.M.  
Section 11: SW1/4

containing 160 acres, more or less.

2. It is agreed that this lease shall remain in full force and effect for a primary term of Three (3) years from this date, and as long thereafter as oil, gas or the products of oil or gas are produced from said leased premises, or drilling operations are continued as hereinafter provided.

3. This is a PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term, or to make any rental payments during the primary term. Lessee may at any time or times during or after the primary term hereof surrender this lease as to all or a portion of the lands covered herein by delivering to Lessor, or by filing for record a release or release, and thereafter be relieved of all obligations accruing hereunder as to the acreage surrendered. The lease shall continue in force and effect as to all of the acreage not surrendered.

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 Pay Directly to Lessor Bank (depository bank) at Bank with which it may be incaged, or consolidated, or which succeeds to its business or assets or any part thereof, by purchase or otherwise, which shall continue as the depository of changes in the ownership of said land.

5. Lessee agrees to pay Lessor a royalty on production covered hereby as follows:  
1<sup>st</sup>. Lessee shall deliver to the credit of Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal one-fifth part of all oil produced and saved from the leased premises, or at Lessee's option, may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline, or into storage tanks.  
2<sup>nd</sup>. 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 Lessee, off the leased premises, then one-eighth of its market value at the well.

3<sup>rd</sup>. Lessee shall pay Lessor one-eighth of the proceeds received by the Lessor from the sale of casinghead gas produced from any oil well and one-eighth of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well off the leased premises for any purpose or used on the leased premises by Lessee for purposes other than the development and operation thereof.  
4<sup>th</sup>. 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 hereinabove.

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 during the period such wells are shut-in, and upon such payment it shall be considered that this Lease is maintained in full force and effect.

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.

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.

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 on the products of oil or gas on said land or acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from date of completion of a dry hole. If oil, 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 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 premises as of the date of this lease without written consent of the 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.

1510100037

JEFFREY D. SCHMALZRIED  
Notary Public - State of Kansas  
My Appl. Expires 1-19-2011

*[Signature]*  
Notary Public

My commission expires 1-19-2011

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

On this 10 day January, 2010 before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared Kendall E. Clark of Lane County Feeders, Inc., a Kansas corporation to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

STATE OF KANSAS )  
) SS )  
COUNTY OF LANE )  
(CORPORATION ACKNOWLEDGMENT)

Notary Public

My commission expires

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

Before me the undersigned, a Notary Public, within and for said county and state, on this \_\_\_\_\_ day of \_\_\_\_\_ and to me personally appeared \_\_\_\_\_ who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

STATE OF \_\_\_\_\_ )  
) SS )  
COUNTY OF \_\_\_\_\_ )  
(INDIVIDUAL ACKNOWLEDGMENT)

*[Signature]*  
Kendall E. Clark, President  
LANE COUNTY FEEDERS, INC.

IN WITNESS WHEREOF this instrument is executed on the day and year first hereinabove set out.

REFER TO ATTACHED ADDENDUM.

16. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee.

15. 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 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 hereon an additional 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 Ten and No Hundredths DOLLARS (\$ 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 conform to any spacing 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 the completion thereon of a shut-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 were 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 elsewhere herein specified, including shut-in gas royalties, Lessor shall receive 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 hereunder may be assigned in whole or in part, and 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 in writing of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from the Lessor. No present or future division of Lessor's ownership 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.

LANE COUNTY FEEDERS, INC., a Kansas corporation

Hereinafter referred to as Lessor and

CREDO PETROLEUM CORPORATION

Hereinafter referred to as Lessee:

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 deleted.

### 1. 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.

(b) 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 than forty inches (40") below the surface.

(c) Lessee agrees to assume the responsibility for and the expense of lowering any pipeline,

owner, when reasonably necessary for the use of said land for irrigation purposes. Surface electric line, or pumping unit installed upon the leased premises when requested by surface owner, but not specifically limited to, the use of said land for irrigation purposes. Surface owner agrees to allow Lessee to use standard pumping unit (should production be established) on said lease. However, Lessee shall be required to use a low profile pumping unit where an overhead sprinkler is in place.

(d) 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.

2. 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 structures placed on the leased premises by Lessee, and reasonably restore the leased premises 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 restoration.

3. PROTECTION AGAINST POLLUTION. 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 than the immediate well site or tank battery site, damages shall be paid to the surface owner for each and every occurrence.

4. SALT WATER DISPOSAL. The Lessee shall consult with surface owner as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. With 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.

### 5. DAMAGES.

(a) 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.

(b) Lessee shall construct and properly maintain a permanent fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. 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 stock owner shall thus notify Lessee before disposing of any dead or injured livestock.

6. 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 premises:

- (a) Any activity expressly or implicitly authorized or required by this Lease.
- (b) Plugging and abandonment of wellbores drilled by Lessee.
- (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
- (d) 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'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 Lessee terminates or otherwise ceases to burden the leased premises.

7. CRP PROVISIONS. 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 used by Lessee during its operations, to the same condition as nearly as practicable to its original 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 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 owner for such damages.

8. TWO-YEAR EXTENSION OF LEASE. If at the end of the primary term, this lease is not otherwise 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 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 payment of delay rental beyond the expiration of the primary term.

9. RESTRICTED AREA FOR EXPLORATION WITHIN LEASED PREMISES

Notwithstanding anything contained herein to the contrary, it is expressly agreed between the Lessor and Lessee, their successors, and/or assigns, that Lessee shall not conduct, nor commence any surface operations (including, but not limited to geophysical surveys and drilling operations) on the leased premises, as set forth in this Oil and Gas Lease agreement, as to and only as to, that certain tract of land, referred to hereinafter as the "Restricted Area", said tract more particularly described as follows: Commencing at the southwest corner of the SW1/4 of Section 11-T17S-R29W; thence traversing along the South line of said SW1/4 to a point 577 feet East of said southwest corner; thence North 396-feet to a point of beginning (P.O.B.) being 792-feet to a point; thence South 1,089 feet to a point; thence West 792-feet to the P.O.B., said Restricted Area containing 20-acres, more or less.

10. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the Lessor, the Lessee and the surface owner, together with the Heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor, Lessee and surface owner.

Lane County Feeders, Inc.

By: X Kendall E. Clark  
Kendall E. Clark, President



STATE OF KANSAS, LANE COUNTY, SS  
 This instrument was filed for record on the  
 26 day of December  
 A.D. 2012 at 8 o'clock A.M. and  
 duly recorded in Book 144 on page 104  
 Fee 13.00  
 Melvin B. Bunker Deputy  
 Register of Deeds

AFFIDAVIT OF OIL AND GAS LEASE EXTENSION

STATE OF KANSAS )  
 )  
 COUNTY OF LANE )

Michael D. Davis, Vice President of Forestar Petroleum Corporation, f/n/a Credo Petroleum Corporation, being first duly sworn deposes and says:


My name is Michael D. Davis, that I am of lawful age and reside in Denver County, Colorado. Whereas, the following described oil and gas lease:

Date: December 24, 2009  
 Lessor: Lane County Feeders, Inc.  
 Lessee: Credo Petroleum Corporation  
 Recording Data: Book 130 at Page 251  
 Legal Description: Township 17 South, Range 29 West, Section 11: SW/4. Lane County, Kansas, containing 160.00 acres more or less.  
 contains an option to extend the primary term of the referenced lease for an additional two (2) year period by tendering to the Lessor the sum of \$10.00 per net mineral acre covered by the oil and gas lease.

Affiant knows of his knowledge that the above sum and consideration has been paid to the Lessor(s) and that the primary term of the lease has been extended as aforesaid.

Further affiant saith not.

Executed this 30th day of November, 2012


  
 Michael D. Davis,  
 Vice President

STATE OF COLORADO )  
 )  
 COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 30 day of November, 2012, by Michael D. Davis.

MARIE D. HEUSER  
 NOTARY PUBLIC  
 STATE OF COLORADO

My appointment expires: 05/27/14

  
 Notary Public

# TITLE OWNERSHIP REPORT

**TRACT:** Township 17 South, Range 29 West of the 6th P. M.

Section 11: SW1/4

Lane County, Kansas  
160.00 acres, more or less

I certify that I have:

( x ) personally examined the county records

( ) been furnished with abstracts record check

( )

In connection with the captioned tract, and interpret this ownership to be as follows:

**SURFACE OWNERSHIP:** Same as mineral owner

Name & Address of Mineral Owners	Interest	Net Ac.	Leasehold Status
Lane County Feeders, Inc., a Kansas corporation P. O. Box 607 Dighton, KS 67839	100.00%	160.00	Credo Petroleum Corp. Exp. Date: 12-24-2012 w/ 2-yr. Extension
<b>TOTALS:</b>	100.00%	160.00	

NAME OF TITLE COMPANY:

LANDSTAR ASSOCIATES, INC.

BY: *[Signature]*  
 Larry Delozier

Date: January 9, 2010

NUMERICAL DIRECT INDIRECT COMP ORIG. COMPUTER

OIL AND GAS LEASE KANSAS [PAID UP]

OCT 31 2009

STATE OF KANSAS, LANE COUNTY, SS This instrument was filed for record on the 12 day of December A.D. 2009 at 8:00 o'clock A.M. and duly recorded in Book 130 on page 13 Fee \$4.00 Also Back to Back Register of Deeds

268

THIS AGREEMENT, made and entered into this 29th day of October, 2009, by Lane County Feeders, Inc., a Kansas corporation P.O. Box 607 Dighton, KS 67839 hereinafter called Lessor, (whichever one or more) and CREDO PETROLEUM CORPORATION 1801 Broadway, Suite 900, Denver, Colorado 80202 hereinafter called Lessee:

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 the exclusive right of injecting water, brine and other fluids into subsurface strata, and the building of structures, tanks, roadways and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone, or conjointly with neighboring land, for the production, saving and taking care of all said products on that certain tract of land situated in the County of Lane State of Kansas, described as follows, to-wit:

REFER TO ATTACHED ADDENDUM

containing \_\_\_\_\_ acres, more or less.

2. It is agreed that this lease shall remain in full force and effect for a primary term of Three (3) years from this date, and as long thereafter as oil, gas or the products of oil or gas are produced from said leased premises, or drilling operations are continued as hereinafter provided. 3. This is a PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term, or to make any rental payments during the primary term. Lessee may at any time or times during or after the primary term hereof surrender this lease as to all or a portion of the lands covered herein by delivering to Lessor, or by filing for record a release or releases, and thereafter be relieved of all obligations accruing hereunder as to the acreage surrendered. The lease shall continue in force and effect as to all of the acreage not surrendered.

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 Bank (depository bank) at \_\_\_\_\_ Pay Directly to Lessor. Bank (depository bank) at \_\_\_\_\_ 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.

5. Lessee agrees to pay Lessor a royalty on production covered hereby as follows: 1. Lessee shall deliver to the credit of Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at Lessee's option, may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline, or into storage tanks. 2. 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 Lessee, off the leased premises, then one-eighth of its market value at the well. 3. Lessee shall pay Lessor one-eighth of the proceeds received by the Lessee from the sale of casinghead gas produced from any oil well and one-eighth of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well off the leased premises for any purpose or used on the leased premises by Lessee for purposes other than the development and operation thereof.

4. 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 hereinabove. 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 during the period such wells are shut-in, and upon such payment it shall be considered that this lease is maintained in full force and effect. 7. If the Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate herein, 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.

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. 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 of 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 on said land or acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations within ninety (90) days from the date of cessation of production or from date of completion of a dry hole. If oil, 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 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 and premises as of the date of this lease without written consent of the 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.

15100007 1-11-22-711

11. The rights of the Lessor and the Lessee under this Lease shall be binding on the Lessor until the Lessee has been furnished with notice, 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 lessor owner shall be liable for any act or omission on the part of any other leasehold owner.

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 conform to any spacing 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 the completion thereon of a well as a shut-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 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 elsewhere herein specified, including shut-in gas royalties, Lessor shall receive 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.

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 hereinto an additional 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 Ten and No Hundredths DOLLARS (\$ 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.

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.

15. 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.

16. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee.

LANE COUNTY FEEDERS, INC.

*Kendall E. Clark*  
Kendall E. Clark, President

Tax ID # \_\_\_\_\_

STATE OF \_\_\_\_\_  
( )  
COUNTY OF \_\_\_\_\_  
( ) SS

(INDIVIDUAL ACKNOWLEDGMENT)

Before me the undersigned, a Notary Public, within and for said county and state, on this \_\_\_\_\_ day of \_\_\_\_\_ and to me personally appeared \_\_\_\_\_ who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and 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 written.

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

Notary Public

STATE OF \_\_\_\_\_  
( )  
COUNTY OF \_\_\_\_\_  
( ) SS

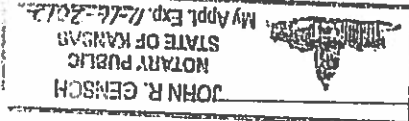
(CORPORATION ACKNOWLEDGMENT)

On this \_\_\_\_\_ day \_\_\_\_\_ October, 2009 before me, the undersigned, a Notary Public in and for the county and state aforesaid, Kendall E. Clark of Lane County Feeders, Inc., a Kansas corporation, to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its President and acknowledged to me that he executed the same as \_\_\_\_\_ his free and voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

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

November 16, 2012

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



*John R. Gensch*  
Notary Public

LANE COUNTY FEEDERS, INC., a Kansas corporation

Hereinafter referred to as Lessor and

CREDO PETROLEUM CORPORATION

Hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties covering all of the property described in paragraph 1 below, located in LANE COUNTY, KANSAS, and containing 1.120 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 deleted.

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

Township 16 South, Range 29 West of the 6 <sup>th</sup> P.M.	(Tract 1) Section 26: SW $\frac{1}{4}$	160
	(Tract 2) Section 33: SE $\frac{1}{4}$	160
Township 17 South, Range 29 West of the 6 <sup>th</sup> P.M.	(Tract 3) Section 3: SW $\frac{1}{4}$	160
	(Tract 4) Section 10: NE $\frac{1}{4}$	160
	(Tract 5) Section 10: NW $\frac{1}{4}$	160
	(Tract 6) Section 11: NE $\frac{1}{4}$	160
	(Tract 7) Section 11: NW $\frac{1}{4}$	160
		<u>160</u>
		Acres

In no event shall the production of oil or gas on any individual tract extend the primary term of the lease on the other tracts listed herein, unless such tracts are included in a gas-producing unit. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following 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 following written demand, Lessor shall be liable for damages, including attorney's fees, if any, incurred by Lessor in obtaining such.

2. 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.

(b) 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 than forty inches (40") below the surface.

(c) 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, when reasonably necessary for the use of said land for irrigation purposes. Surface owner agrees to allow Lessee to use standard pumping unit (should production be established) on said lease. However, Lessee shall be required to use a low profile pumping unit where an overhead sprinkler is in place.

(d) 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.

3. 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 structures placed on the leased premises by Lessee, and reasonably restore the leased premises 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 restoration.



4. **PROTECTION AGAINST POLLUTION.** 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 than the immediate well site or tank battery site, damages shall be paid to the surface owner for each and every occurrence.

5. **SALT WATER DISPOSAL.** The Lessee shall consult with surface owner as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. With 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.

6. **DAMAGES.**  
(a) 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.  
(b) Lessee shall construct and properly maintain a permanent fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. 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.

7. **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 premises:  
(a) Any activity expressly or implicitly authorized or required by this Lease.  
(b) Plugging and abandonment of wellbores drilled by Lessee.  
(c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.  
(d) 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).

8. **CRP PROVISIONS.** 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 used by Lessee during its operations, to the same condition as nearly as practicable to its original 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 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 owner for such damages.  
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 Lessee terminates or otherwise ceases to burden the leased premises.

9. TWO-YEAR EXTENSION OF LEASE. If at the end of the primary term, this lease is not otherwise 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 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 payment of delay rental beyond the expiration of the primary term.

10. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the Lessor, the Lessee and the surface owner, together with the Heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor, Lessee and surface owner.

Lane County Feeders, Inc.

By: *J. M. E. Clark*  
Kendall E. Clark, President



NUMERICAL  
DIRECT  
INDIRECT  
/COMP ORIG.  
COMPUTER

**OIL AND GAS LEASE  
KANSAS (PAID UP)**

INSTRUMENT WAS FILED FOR RECORD ON THE  
7 DAY OF March  
A.D. 2012 AT 12:50 O'CLOCK P.M. AND  
DULY RECORDED IN BOOK 138 ON PAGE 93  
1600  
Oletha Bullen  
Deputy

THIS AGREEMENT, made and entered into this 3<sup>rd</sup> day of January, 2012, by and between  
Grace Elaine Snider, Trustee of the Grace Elaine Snider Trust No. 1 dated February 23, 1995

221 N. Ike Road  
Healy, KS 67850

hereinafter called Lessor, (whether one or more) and  
CREDO PETROLEUM CORPORATION  
1801 Broadway, Suite 900, Denver, Colorado 80202  
hereinafter called Lessee:

**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, 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 the exclusive right of injecting water, brine and other fluids into subsurface strata, and the building of structures, tanks, roadways and any and all other rights and privileges necessary, incident to, or convenient for the economical operation alone, or conjointly with neighboring land, for the production, saving and taking care of all said products on that certain tract of land situated in the County of Lane State of Kansas, described as follows, to-wit:

**TOWNSHIP 17 SOUTH, RANGE 29 WEST OF THE 6<sup>TH</sup> P.M.**  
**Section 10: S1/2**

containing 320 acres, more or less.

2. It is agreed that this lease shall remain in full force and effect for a primary term of Three (3) years from the effective date of January 22, 2013 and as long thereafter as oil, gas or the products of oil or gas are produced from said leased premises, or drilling operations are continued as hereinafter provided.

3. This is a PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term, or to make any rental payments during the primary term. Lessee may at any time or times during or after the primary term hereof surrender this lease as to all or a portion of the lands covered herein by delivering to Lessor, or by filing for record a release or releases, and thereafter be relieved of all obligations accruing hereunder as to the acreage surrendered. The lease shall continue in force and effect as to all of the acreage not surrendered.

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 **Pay Directly to Lessor** Bank (depository bank at \_\_\_\_\_ or successors, 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.

5. Lessee agrees to pay Lessor a royalty on production covered hereby as follows:  
1<sup>st</sup>. Lessee shall deliver to the credit of Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal one-eighth part of all oil produced and saved from the leased premises, or at Lessee's option, may pay to the Lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline, or into storage tanks.  
2<sup>nd</sup>. 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 Lessee, off the leased premises, then one-eighth of its market value at the well.  
3<sup>rd</sup>. Lessee shall pay Lessor one-eighth of the proceeds received by the Lessee from the sale of casinghead gas produced from any oil well and one-eighth of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well and used by Lessee off the leased premises for any purpose or used on the leased premises by Lessee for purposes other than the development and operation thereof.

4<sup>th</sup>. 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 hereinabove.

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 during the period such wells are shut-in, and upon such payment it shall be considered that this Lease is maintained in full force and effect.  
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.

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.

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 on said land or acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or reworking operations, (including but not limited to drilling, testing, completing, reworking, recompleting, deepening, or plugging back) within ninety (90) days from the date of cessation of production or from date of completion of a dry hole. If oil, 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 shall continue in force so long as oil, gas, or products of oil and 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 premises as of the date of this lease without written consent of the Lessor. Lessee shall pay for all damages caused by Lessee's operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing, but shall not have the obligation to do so.

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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 conform to any spacing 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 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 the completion thereon of a well as a shut-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 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 elsewhere herein specified, including shut-in gas royalties, Lessor shall receive 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.

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 hereinto an additional One (1) 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 Ten and No/100ths DOLLARS (\$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.

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.

15. 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.

16. All the provisions of this Lease shall be binding on the heirs, successors, assigns, and legal representatives of the Lessor and Lessee.

**REFER TO ADDENDUM TO OIL AND GAS LEASE ATTACHED HERETO.**

IN WITNESS WHEREOF this instrument is executed on the day and year first hereinabove set out.

**GRACE ELAINE SNIDER TRUST #1**

*Grace Elaine Snider*

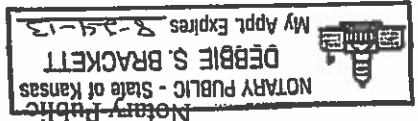
Grace Elaine Snider, Trustee

STATE OF Kansas )  
) SS )  
COUNTY OF Lane )  
(INDIVIDUAL ACKNOWLEDGMENT)

Before me the undersigned, a Notary Public, within and for said county and state, on this 21<sup>st</sup> day of January, 2012, personally appeared Grace Elaine Snider, Trustee of the Grace Elaine Snider Trust #1 dated February 23, 1995, and to me personally to be the identical person who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and 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 written.

My commission expires 8-24-2013



STATE OF \_\_\_\_\_ )  
) SS )  
COUNTY OF \_\_\_\_\_ )  
(CORPORATION ACKNOWLEDGMENT)

On this \_\_\_\_\_ day \_\_\_\_\_ before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared \_\_\_\_\_ and acknowledged to me that \_\_\_\_\_ executed the same as instrument as its \_\_\_\_\_ and acknowledged to me that \_\_\_\_\_ executed the same as free and voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

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

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

Notary Public

ADDENDUM to and made a part of that certain oil and gas lease dated January 3, 2012 by and between Grace Elaine Snider, Trustee of the Grace Elaine Snider Trust No. 1 dated February 23, 1995 as Lessor and Credo Petroleum Corporation, as Lessee.

## ADDENDUM TO OIL AND GAS LEASE

17. Notwithstanding that Lessee will require ingress and egress for operations without delay, Lessee shall consult with the Lessor (surface owner and/or tenant) as to the location, direction and designation of any roadway or access route on the leased premises, provided that such designated and/or access route shall be sufficient in width for normal operations. Furthermore prior to the construction of any roads, pipelines, tank battery installations, or installations of other equipment on the leased premises, Lessee shall consult with the surface owner and/or tenant as to the locations of same. Notwithstanding, all storage tanks and tank battery installations shall be installed in any of the four (4) corners of the leased premises.

18. Lessee shall reasonably restore the premises as nearly as practicable to its original contours and condition, including but not limited to the filling of all pits, ponds, and removal of all structures, including roadway surface material, if any, placed thereon during the term of said lease; and upon abandonment, Lessee shall similarly comply with the provisions of restoration herein set forth within six (6) months from the date of abandonment.

19. Lessee shall agree to conduct its operations on the leased premises in such a way as to minimize interference with irrigation activities that are now being conducted or hereinafter are conducted on the surface. In the event a test well(s) is drilled on the leased premises and completed for production of oil and/or gas, Lessee agrees to install low-profile pumping equipment and any other equipment required for production of oil and gas shall be placed on the land at such a level, which will permit a circular irrigation system to traverse said land.

20. This lease is subordinate to that certain Oil and Gas Lease dated January 22, 2008 and recorded at Book 122, Page 05. Lessor hereby agrees not to revise, modify or extend the said lease.

21. In the event a well is drilled on the leased premises by the current Lessee, its successors or assigns, Credo Petroleum Corporation shall have the option to release this Lease prior to the effective date referenced herein.

Signed for Identification

*Grace Elaine Snider*  
Grace Elaine Snider, Trustee

**AFFIDAVIT OF OIL AND GAS LEASE EXTENSION**

) STATE OF KANSAS  
 )  
 ) COUNTY OF LANE

Michael D. Davis, Chief Operating Officer of Credo Petroleum Corporation, being first duly sworn deposes and says:

My name is Michael D. Davis, that I am of lawful age and reside in Denver County, Colorado. Whereas, the following described oil and gas lease:

Date: October 29, 2009

Lessor: Lane County Feeders, Inc., a Kansas corporation

Lessee: Credo Petroleum Corporation

Recording Data: Book 130 at Page 13

Legal Description: Township 16 South, Range 29 West

Section 26: SW/4

Section 33: SE/4

Township 17 South, Range 29 West

Section 3: SW/4

Section 10: NE/4

Section 10: NW/4

Section 11: NE/4

Section 11: NW/4


Lane County, Kansas, containing 1,120.00 acres more or less,

containing an option to extend the primary term of the referenced lease for an additional two (2) year period by tendering to the Lessor the sum of \$10.00 per net mineral acre covered by the oil and gas lease.

Affiant knows of his knowledge that the above sum and consideration has been paid to the Lessor(s) and that the primary term of the lease has been extended as aforesaid.

Further affiant saith not.

Executed this 11 day of October, 2012

  
 Michael D. Davis, C.O.O.

NUMERICAL  
 DIRECT  
 INDIRECT  
 COMP ORIG.  
 COMPUTER

STATE OF KANSAS, LANE COUNTY, SS  
 This instrument was filed for record on the  
 29 day of October  
 A.D. 2012 at 2:10 o'clock P.M. and  
 duly recorded in Book 143 on page 219  
 Fee 1.00  
*James M. Kowalski*  
 Register of Deeds

The foregoing instrument was acknowledged before me this 11 day of October, 2012, by Michael D. Davis.

My appointment expires: 09/27/14

MARIE D. HEUSER  
 NOTARY PUBLIC  
 STATE OF COLORADO

  
 Notary Public

) STATE OF COLORADO  
 )  
 ) COUNTY OF DENVER





**Fall & Associates**  
 Stake and Elevation Service  
 719 W. 5<sup>th</sup> Street  
 P.O. Box 404  
 Concordia, KS. 66901  
 1-800-536-2821

Date 1-9-14

Invoice Number 0106142

FORESTAR PETROLEUM CORP.  
 Operator

1-11  
 Number

LCF  
 Farm Name

Lane-KS  
 County-State

11 17s 29w  
 S T R

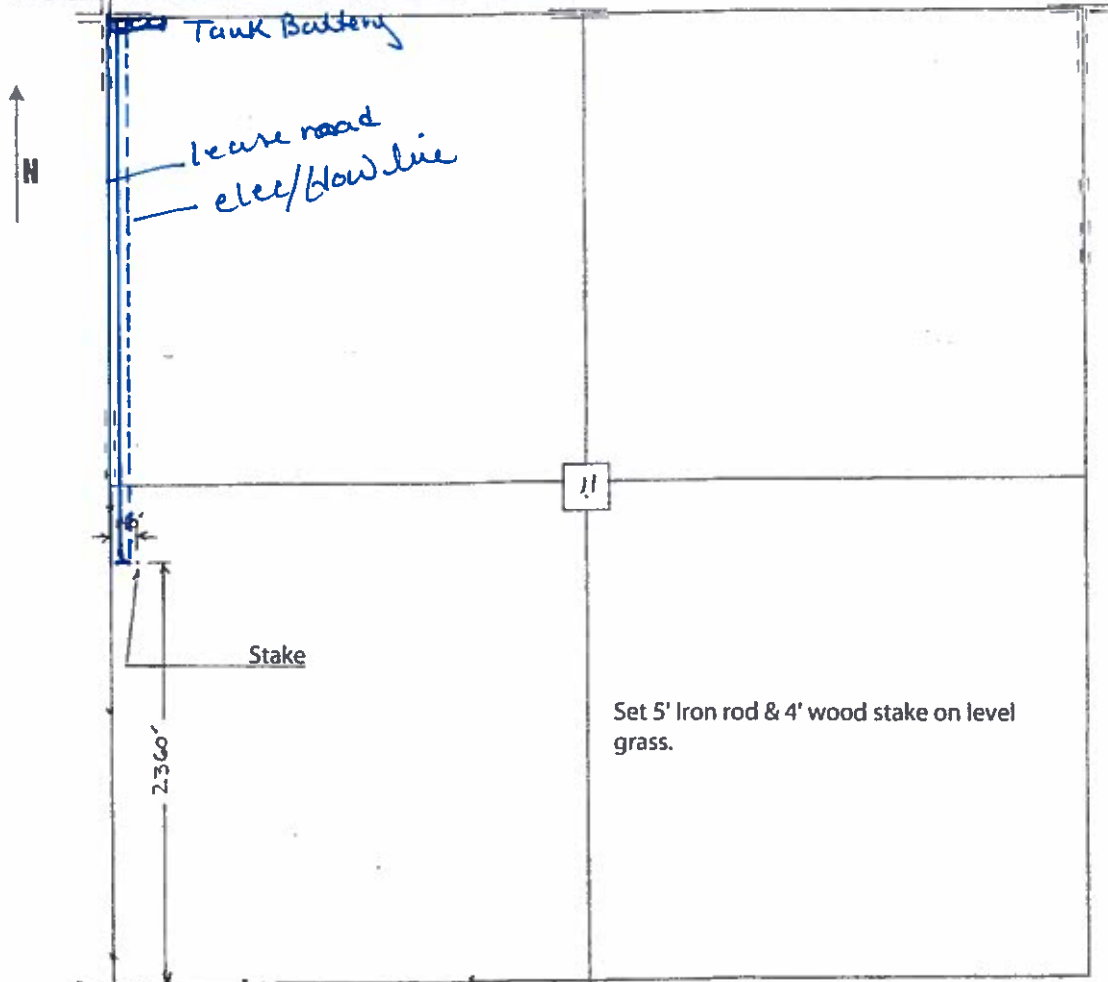
2360'FSL 140'FWL  
 Location

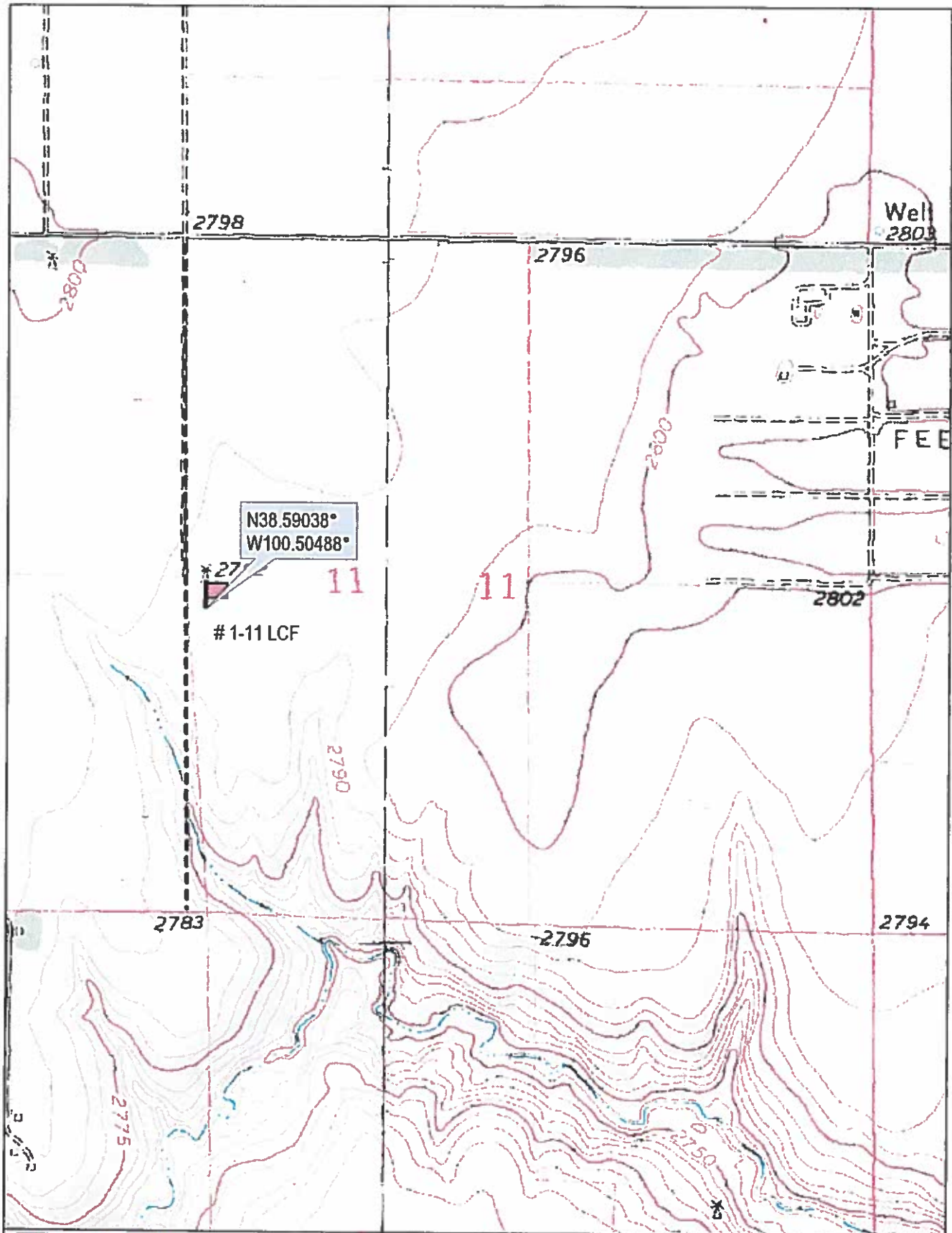
Forestar Petroleum Corp.  
 1801 Broadway  
 Suite 600  
 Denver, CO. 80202

Elevation 2789 Gr.

Ordered By: Justin

Scale 1"=1000'





**DELORME**

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