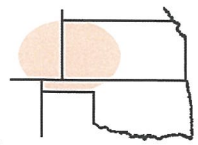




Pro-Stake LLC
 Oil Field & Construction Site Staking
 P.O. Box 2324
 Garden City, Kansas 67846
 Office/Fax: (620) 276-6159
 Cell: (620) 272-1499
 burt@pro-stakellc.kscoxmail.com



052025bar
 PLAT NO.

11497
 INVOICE NO.

Palomino Petroleum, Inc.

#1 Schlegel-Grumbein

OPERATOR

LEASE NAME

Ness County, KS

1190' FNL - 2231' FWL

COUNTY

5 20s 25w
 Sec. Twp. Rng.

LOCATION SPOT

SCALE: **1" = 1000'**
 DATE STAKED: **Jan. 25th, 2014**
 MEASURED BY: **Ben R.**
 DRAWN BY: **Drew H.**
 AUTHORIZED BY: **Klee W.**

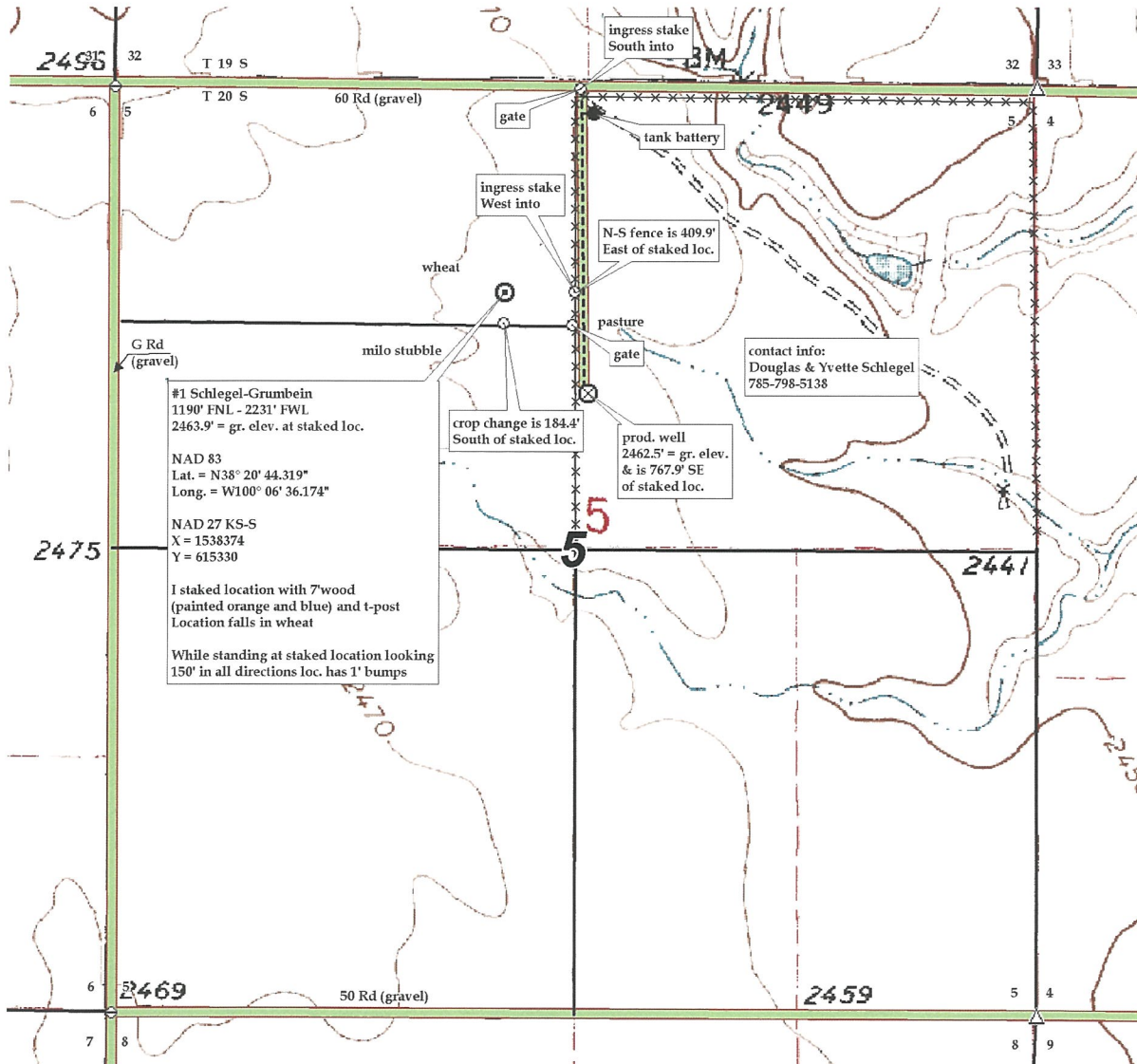


GR. ELEVATION: **2463.9'**

Directions: From approx. 0.5 mile East of Beeler, KS at the intersection of Hwy 96 & Rd C – Now go 7 miles South on Rd C – Now go 3.9 miles East on 60 Rd to the NW corner of section 5-20s-25w – Now go 0.5 mile East on 60 Rd to ingress stake South into – Now go 0.3 mile South on trail – Now go 410' West through wheat into staked location.

Final ingress must be verified with land owner or Operator.

This drawing does not constitute a monumented survey or a land survey plat.
This drawing is for construction purposes only.



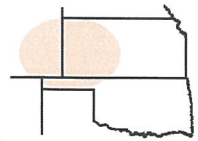


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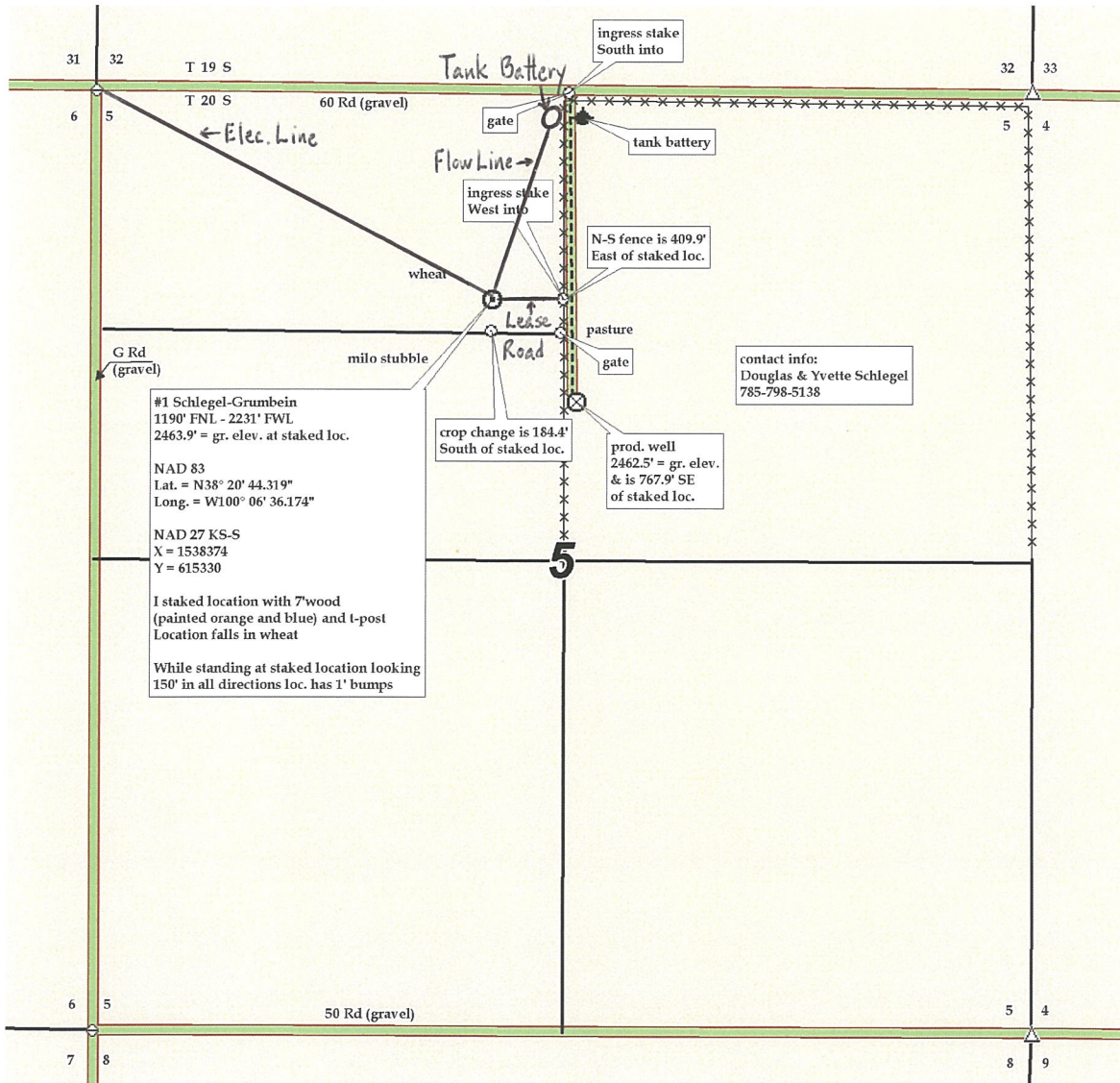


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State of Kansas - Ness County
 Book: 361 Page: 278
 Receipt #: 42381 Recording Fee: \$12.00
 Pages Recorded: 2
 Cashier Initials: MH
 Date Recorded: 1/30/2013 9:40:00 AM

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

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print
 700 S. Broadway PO Box 703
 Wichita, KS 67201-0703
 316-264-2344 264-5105 fax
 www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 14th day of January, 2013
 by and between Douglas K. Schlegel and Yvette Schlegel, his wife

whose mailing address is 10466 60 Road Ness City, KS 67560 hereinafter called Lessor (whether one or more),
 and Palomino Petroleum, Inc. hereinafter called Lessee:

Lessor, in consideration of One and More Dollars (\$ One (\$1.00)) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring by geophysical and other means, prospecting drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Ness State of Kansas described as follows to-wit:

Township 20 South, Range 25 West
Section 5: N/2 NW/4

In Section _____ Township _____ Range _____ and containing 80 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 2 (two) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for 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.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee 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.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, 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 oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage pooled in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

In the event a well is drilled on leased acreage, at least 650 feet of surface pipe shall be installed. Lessee shall consult with Lessor regarding all routes of egress and ingress and placement of tank batteries. Lessee shall restore the surface to its original contour and condition as nearly as practicable. No oil shall be placed on any roads, only sand or rock may be used. All electrical and/or flow lines shall be buried below plow depth. No horizontal drilling shall be performed on leased premises. Payment of shut-in gas royalty shall be paid at \$10.00 per acre and shall not extend this lease longer than two years beyond the primary term hereof without the written consent of Lessor, provided, however, said consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.
 Witnesses:

Douglas K. Schlegel
 Douglas K. Schlegel

Yvette Schlegel
 Yvette Schlegel



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

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print
700 S. Broadway, PO Box 703
Wichita, KS 67201-0703
316-264-9344-264-4165 fax
www.kbp.com · kbp@kbp.com

AGREEMENT, Made and entered into the 14th day of January 2013
by and between Darwin Grumbein, Trustee of the Darwin Grumbein Revocable Living Trust, 6-15-05 and Lynette Grumbein, Trustee of the Lynette Grumbein Revocable Living Trust, 6-15-05

whose mailing address is 300 W. Kepner Alexander, KS 67513 hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc. hereinafter called Lessee:

Lessor, in consideration of One and More Dollars (\$ One (\$1.00)) in hand paid, receipt of which is here acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring by geophysical and other means, prospecting drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land, together with any reversionary rights and after-acquired interest, therein situated in County of Ness State of Kansas described as follows to-wit:

Township 20 South, Range 25 West
Section 5: N/2 NE/4; S/2 N/2

In Section Township Range and containing 240 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 2 (two) years from this date (called "primary term"). and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for 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.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee 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.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, 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 oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

In the event a well is drilled on leased acreage, at least 650 feet of surface pipe shall be installed.

Lessee shall consult with Lessor regarding all routes of egress and ingress and placement of tank batteries.

Lessee shall restore the surface to its original contour and condition as nearly as practicable.

No oil shall be placed on any roads, only sand or rock may be used.

All electrical and/or flow lines shall be buried below plow depth.

No horizontal drilling shall be performed on leased premises.

Payment of shut-in gas royalty shall be paid at \$10.00 per acre and shall not extend this lease longer than two years beyond the primary term hereof without the written consent of Lessor, provided, however, said consent shall not be unreasonably withheld.

This lease is comprised of two (2) separate leases described as the following tracts:

Township 20 South, Range 25 West

Tract 1) Section 5: N/2 NE/4

Tract 2) Section 5: S/2 N/2

This lease shall be considered for all purposes a separate lease on each tract.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Witnesses:

Darwin Grumbein, Trustee

Darwin Grumbein Revocable Living Trust, 6-15-05

Lynette Grumbein, Trustee

Lynette Grumbein Revocable Living Trust, 6-15-05