



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

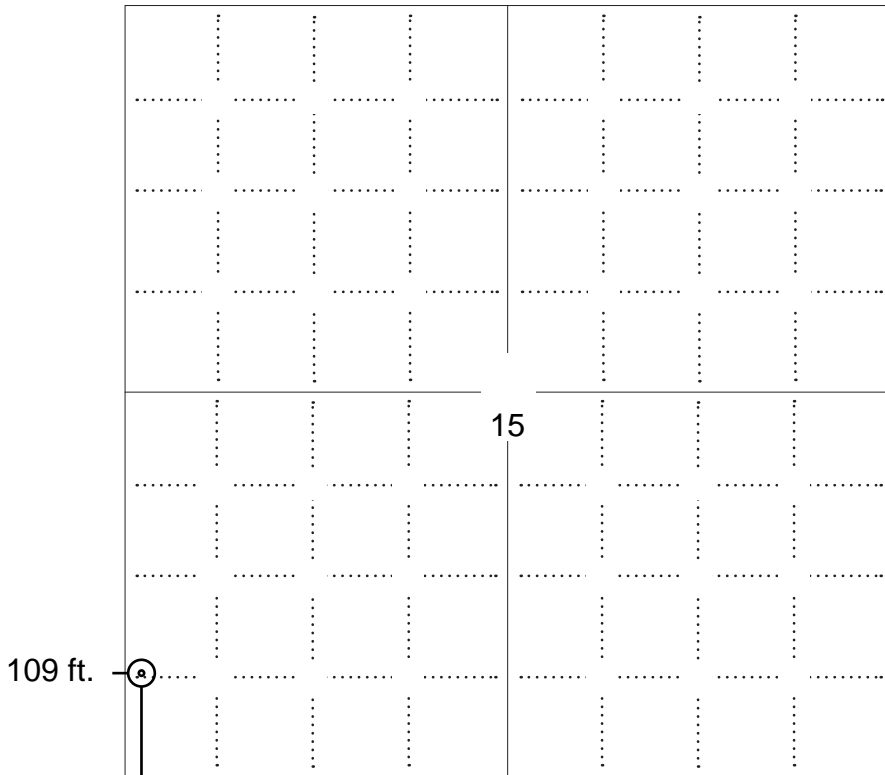
Is Section:  Regular or  Irregular

**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.**

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

**KCC OFFICE USE ONLY**

Liner     Steel Pit     RFAC     RFAS

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



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

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

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

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

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

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

**Surface Owner Information:**

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

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

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

**Select one of the following:**

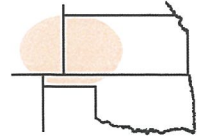
- I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this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



**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



**072034L**  
 PLAT NO.

**11515**  
 INVOICE NO.

**Palomino Petroleum, Inc.**

**#1 Minnix-Rocking R**

OPERATOR

LEASE NAME

**Scott County, KS**

**15 20s 34w**  
 Sec. Twp. Rng.

**716' FSL - 109' FWL**

COUNTY

LOCATION SPOT

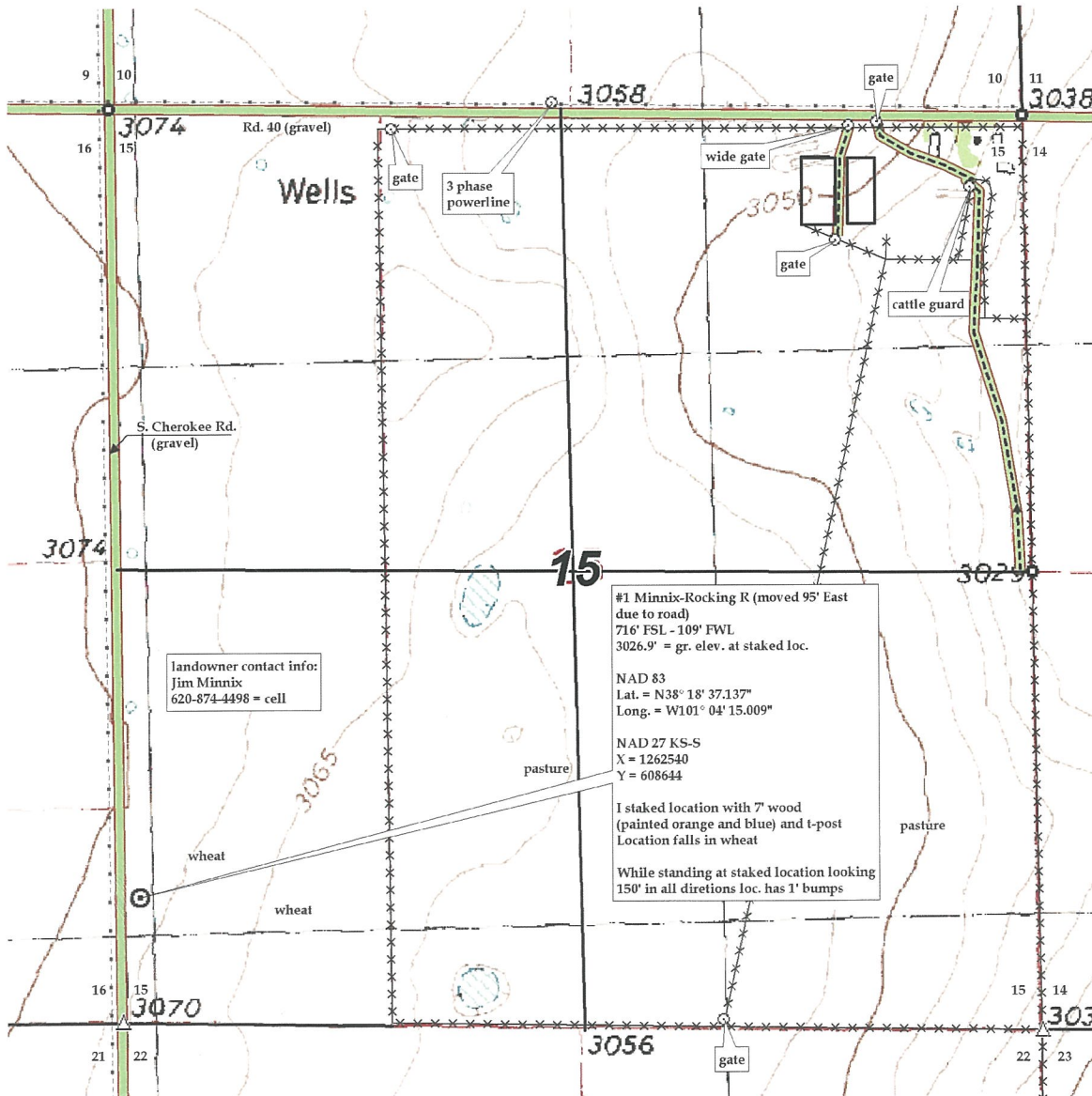
SCALE: **1" = 1000'**  
 DATE STAKED: **Feb. 5<sup>th</sup>, 2014**  
 MEASURED BY: **Kent C.**  
 DRAWN BY: **Norby S.**  
 AUTHORIZED BY: **Klee W.**



GR. ELEVATION: **3026.9'**

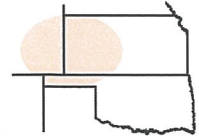
**Directions:** From approx. 0.5 East of Friend Ks at the intersection of Hwy 83 & Finney-Scott Rd – Now go 9.6 mile West on Finney Scott Rd – Now go 3 miles North on Cherokee Rd to the SW corner of section 15-20s-34w – Now go 0.1 mile North on Cherokee Rd. – Now go 109' East through wheat into staked 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.*





**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



**072034L**  
 PLAT NO.

**11515**  
 INVOICE NO.

**Palomino Petroleum, Inc.**  
 OPERATOR  
**Scott County, KS**  
 COUNTY

**#1 Minnix-Rocking R**  
 LEASE NAME  
**716' FSL - 109' FWL**  
 LOCATION SPOT

**15 20s 34w**  
 Sec. Twp. Rng.

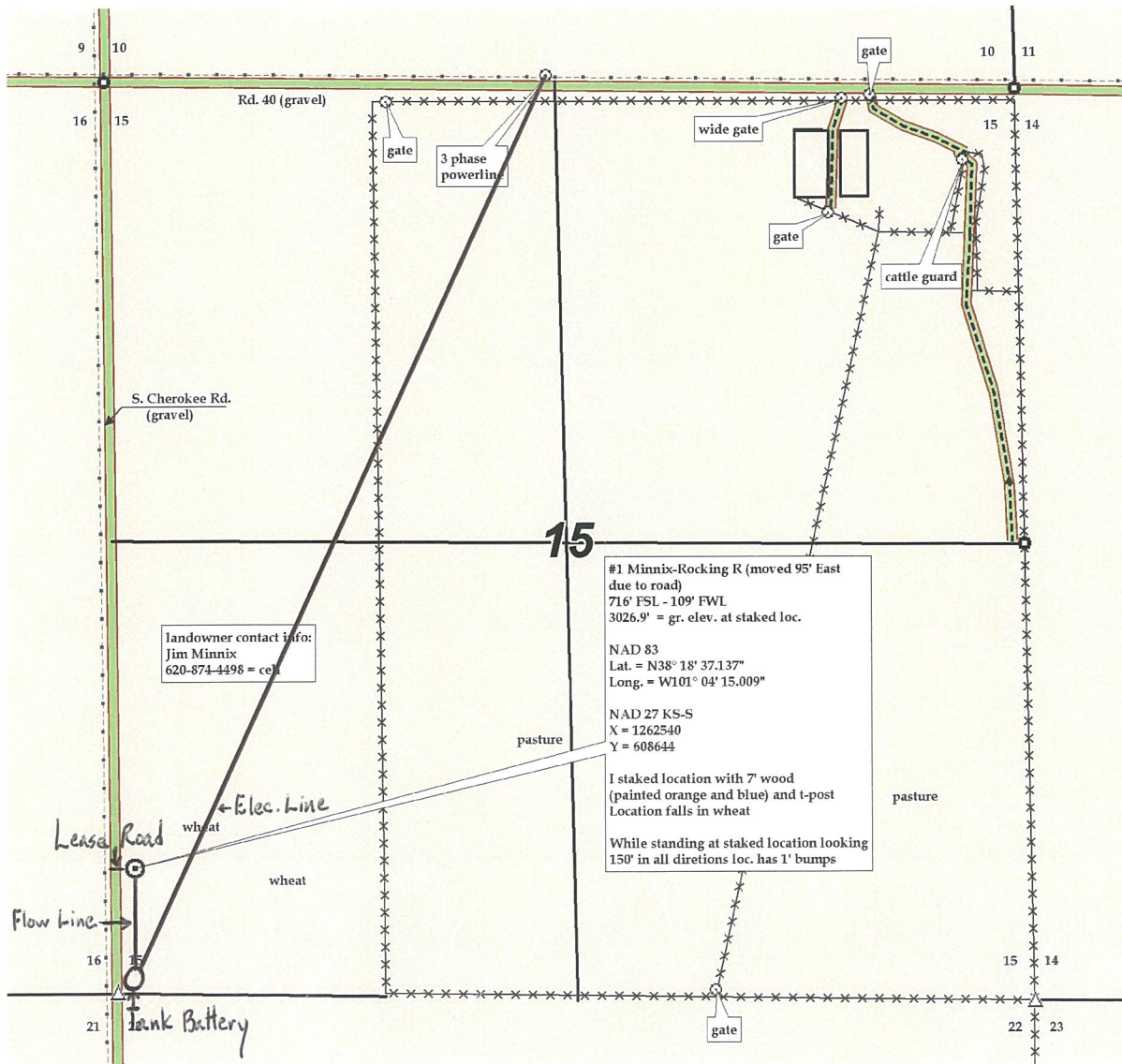
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OIL AND GAS LEASE



AGREEMENT, Made and entered into the 16th day of October 2013 by and between James M. Minnix, Managing Member, Minnix Farms 5.0, LLC

8101 West Road 40 Scott City, KS 67871 whose mailing address is hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc.

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 Scott State of Kansas described as follows to-wit:

Township 20 South, Range 34 West Section 14: NW/4 Section 15: NW/4 Section 15: SW/4

In Section Township Range and containing 480 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) 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 80 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.

This lease is comprised of three (3) separate leases described as the following tracts:

- Township 20 South, Range 34 West Tract 1) Section 14: NW/4 Tract 2) Section 15: NW/4 Tract 3) Section 15: SW/4

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

COMPUTER NUMERICAL STATE OF KANSAS, SCOTT COUNTY, KS This instrument was filed for record on the 23 day of October A.D. 2013 10 o'clock A.M., and duly recorded in book 263 page 207 \$ 12.00 Register of Deeds

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

Witnesses: James M. Minnix, Managing Member, Minnix Farms 5.0, LLC







**ADDENDUM To Oil and Gas Lease, dated June 24, 2013, by and between Rocking R Farms LLC, a Kansas Limited Liability Company hereinafter referred to as Lessor and Palomino Petroleum, Inc. 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 the property described as SE/4 Section 16, Township 20 South, Range 34 West, located in Scott County, Kansas and containing 160 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 this 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. CONSTRUCTION AND LOCATION OF EQUIPMENT.** No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purposes of producing and saving any oil and gas upon the above described premises or adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures. A sufficient dike shall be placed around tank batteries. Also all tank batteries and pumping units shall be fenced to restrain cattle in pastures or on ground that Lessor or his tenants graze cattle such as milo or wheat.

**2. ACCESS ROADS AND PIPELINES.** 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. Final determination for the location of the above described equipment shall be a joint decision between Lessee and Lessor. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.

(a) Lessee shall consult Lessor and his tenant as to location of lease roads, tank batteries, utility poles, and other production facilities. Lessee shall maintain all lease roads in good condition and keep all potholes filled, and Lessee shall keep all lease roads, tank batteries and other facilities maintained and free of weed growth.

(b) When preparing development locations the topsoil shall be segregated to be replaced on the surface upon completion of drilling activities. Additionally, manure will be spread on top of the top soil and worked into the surface at a rate of ten (10) tons per acre. Any terraces driven over or altered for drilling or tank locations shall be restored to original height.

(c) The drilling site shall be returned to its original surface topography. Lessee shall reseed native pasture upon completion of drilling activities.

**3. RESERVATION OF MINERALS.** Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.

**4. TERMINATION.** Failure to produce and sell oil for a sixth month period shall be considered termination of production of this lease. Upon the termination of production on the lease, all equipment shall be removed within six months and all sites shall be restored to their original condition.

**5. PROTECTION AGAINST POLLUTION.** The Lessee agrees with the Lessor 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 Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.

**6. SALT WATER DISPOSAL.** The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water or injecting salt water without the written consent of Lessor and without compensating Lessor for the use thereof.

7. **ABSTRACT CHARGES.** Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.

8. **DAMAGES.**

(a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. In this regard, in the event Lessor or Lessor's tenant pastures livestock on the leased premises, Lessee shall, weather permitting, upon thirty (30) days prior notice, construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. The first time cattle are moved onto the leased premises following the drilling of a well, Lessor or Lessor's tenant shall provide Lessee with thirty (30) days prior notice, in order to allow Lessee sufficient time to construct fencing. Thereafter, no notice shall be required from Lessor or Lessor's tenant with regard to the placement of cattle on the leased premises. All pits shall be filled and leveled in accordance with the rules and regulations as set forth by the Kansas Corporation Commission. In any event, within six (6) months following well completion or abandonment. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.

(b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of \$2,000 per acre. Lessee further agrees to pay the sum of Fifteen dollars (\$15) per rod for installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of \$20 per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

9. **INDEMNIFICATION.** Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor 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 impliedly authorized or required by this Lease.

(b) Plugging and abandonment of well bores 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, any 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 (33) (1988).

(e) Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

10. **LIMITATION ON SHUT-IN ROYALTY.** If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (i.e., a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessors a shut-in royalty at the rate of Ten Dollars (\$10.00) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.

11. **UNITIZATION AND POOLING.** In the event that part of the base lease should be included in a unit producing oil and/or gas, it is understood and agreed that the unit will become a separate lease and that production on the unitized acreage will not hold the base oil and gas lease beyond the primary term without production on the non-unitized area.

12. **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 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 Lessor 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 Lessor for such damages.

13. **BREACH OR DEFAULT.** In the event, any matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.

14. **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 heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

15. **ROYALTY.** It is agreed by the Lessor and Lessee that where the term "1/8" appears in the Lease, it should read "3/16<sup>th</sup>" in each case.

## NOTICE

### Nearest Lease or Unit Boundary Line

K.A.R. 82-3-108 provides that all oil and gas well locations must comply with setback requirements, unless an exception has been granted by the Commission. Depending upon whether the subject well is an oil well or gas well, and also depending upon the county in which the well is located, the setback may be 330 feet or 165 feet from the nearest lease or unit boundary.

This Intent to Drill (“C-1”) form indicates that the distance between the well and the nearest lease or unit boundary will comply with the setback requirement. Accordingly, the C-1 has been approved. However, the C-1 also stated that the well location is very near a boundary line of a Section or a Quarter-Section. This notice is being sent as a courtesy reminder, in case an error was made on the C-1.

As the operator of the proposed well, you must independently verify that the proposed well location complies with the applicable regulatory setback. If at any time it should appear that a well does not comply with the regulatory setback, the well may be subject to being shut-in pending Commission approval of an application for a well location exception. In addition, if such an application is not granted by the Commission, you may be required to plug the well.

If the proposed well location will comply with the regulatory setback, this notice may be disregarded. Please contact the KCC Production Department with any questions or concerns.