

Well will not be drilled or Permit Expired Date: \_

Signature of Operator or Agent:

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

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

1190354

Form C-1

March 2010

Form must be Typed

Form must be Signed

All blanks must be Filled

#### NOTICE OF INTENT TO DRILL

Expected Spud Date:	Spot Description:
month day year	Sec Twp S. R
DPERATOR: License#	(0/0/0/0) feet from N / S Line of Section
Name:	feet from E / W Line of Section
ddress 1:	Is SECTION: Regular Irregular?
ddress 2:	(Note: Locate well on the Section Plat on reverse side)
City: State: Zip: +	County:
Contact Person:	Lease Name: Well #:
hone:	Field Name:
CONTRACTOR: License#	Is this a Prorated / Spaced Field?
lame:	Target Formation(s):
Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage):
Oil Enh Rec Infield Mud Rotary	Ground Surface Elevation:feet MS
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile:
Disposal Wildcat Cable	Public water supply well within one mile:
Seismic ; # of Holes Other	Depth to bottom of fresh water:
Other:	Depth to bottom of usable water:
If OWWO: old well information as follows:	Surface Pipe by Alternate: I II
	Length of Surface Pipe Planned to be set:
Operator:	Length of Conductor Pipe (if any):Projected Total Depth:
Well Name: Original Total Depth:	Frojected Total Deptin Formation at Total Depth:
Original Completion Bate Original Total Beptil	Water Source for Drilling Operations:
irectional, Deviated or Horizontal wellbore?	Well Farm Pond Other:
Yes, true vertical depth:	DWR Permit #:
Bottom Hole Location:	( <b>Note:</b> Apply for Permit with DWR )
(CC DKT #:	Will Cores be taken?
	If Yes, proposed zone:
AFF	
	IDAVIT
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SEWARD CO. 3390' FEL

1980' FSL

For KCC Use ONLY	
API # 15	

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

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

Operator:		Location of	of Well: County:
			feet from N / S Line of Section  feet from E / W Line of Section
			Twp S. R
	ble to well:creage:	is section	n: Regular or Irregular
			n is Irregular, locate well from nearest corner boundary.  orner used: NE NW SE SW
	ank batteries, pipelines and elec		oundary line. Show the predicted locations of Kansas Surface Owner Notice Act (House Bill 2032). desired.
			LEGEND
			O Well Location  Tank Battery Location
			Pipeline Location Electric Line Location Lease Road Location
	15		EXAMPLE

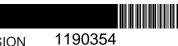
NOTE: In all cases locate the spot of the proposed drilling locaton.

#### 716 ft.

109 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.



### Kansas Corporation Commission Oil & Gas Conservation Division

Form CDP-1 May 2010 Form must be Typed

#### **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:  Emergency Pit  Burn Pit  Settling Pit  Drilling Pit  Haul-Off Pit  (If WP Supply API No. or Year Drilled)  Is the pit located in a Sensitive Ground Water A	Pit is:  Proposed  If Existing, date col  Pit capacity:  urea?  Yes	Existing nstructed: (bbls)	SecTwp R East WestFeet from North / South Line of Section Feet from East / West Line of Section County Chloride concentration: mg/l mg/l mg/l reference from reference from mg/l mg/l mg/l reference from
Is the bottom below ground level?  Yes No	Artificial Liner?	No	How is the pit lined if a plastic liner is not used?
Pit dimensions (all but working pits):	Length (fee		
If the pit is lined give a brief description of the li material, thickness and installation procedure.			dures for periodic maintenance and determining acluding any special monitoring.
Distance to nearest water well within one-mile of pit:  Depth to shallo Source of infor		west fresh water feet. nation:	
feet Depth of water well	feet	measured	well owner electric log KDWR
Producing Formation: Type of material Number of producing wells on lease: Number of wor		over and Haul-Off Pits ONLY:  all utilized in drilling/workover:  king pits to be utilized:  procedure:	
flow into the pit? Yes No  Drill pits must be closed within 365 days of spud date.  Submitted Electronically			
	KCC	OFFICE USE O	NLY  Liner Steel Pit RFAC RFAS
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No



1190354

Form KSONA-1
January 2014
Form Must Be Typed
Form must be Signed
All blanks must be Filled

# 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 #	Well Location:
Name:	SecTwpS. R East West
Address 1:	County:
Address 2:	Lease Name: Well #:
City:	If filing a Form T-1 for multiple wells on a lease, enter the legal description of
Contact Person:	the lease below:
Phone: ( ) Fax: ( )	
Email Address:	
Surface Owner Information:	
Name:	When filing a Form T-1 involving multiple surface owners, attach an additional
Address 1:	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
Address 2:	county, and in the real estate property tax records of the county treasurer.
City:	
the KCC with a plat showing the predicted locations of lease roads, tar are preliminary non-binding estimates. The locations may be entered a Select one of the following:  I certify that, pursuant to the Kansas Surface Owner Notice owner(s) of the land upon which the subject well is or will be CP-1 that I am filing in connection with this form; 2) if the form form; and 3) my operator name, address, phone number, fax,  I have not provided this information to the surface owner(s). I KCC will be required to send this information to the surface of task, I acknowledge that I must provide the name and address that I am being charged a \$30.00 handling fee, payable to the	acknowledge that, because I have not provided this information, the owner(s). To mitigate the additional cost of the KCC performing this as of the surface owner by filling out the top section of this form and KCC, which is enclosed with this form.
form and the associated Form C-1, Form CB-1, Form T-1, or Form CF	g fee with this form. If the fee is not received with this form, the KSONA-1 P-1 will be returned.
Submitted Electronically	

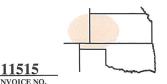


#### Pro-Stake LLC

Oil Field & Construction Site Staking

P.O. Box 2324

Garden City, Kansas 67846 Office/Fax: (620) 276-6159 Cell: (620) 272-1499



072034I PLAT NO.

burt@pro-stakellc.kscoxmail.com #1 Minnix-Rocking R Palomino Petroleum, Inc. LEASE NAME

716' FSL - 109' FWL Scott County, KS 15 **20s** 34w LOCATION SPOT Rng. COUNTY

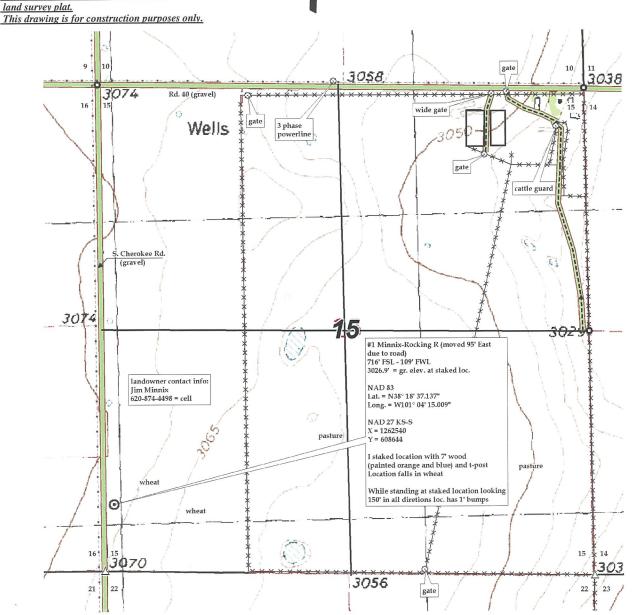
1" = 1000 SCALE: Feb. 5<sup>th</sup>, 2014 DATE STAKED: Kent C. MEASURED BY: Norby S. DRAWN BY: AUTHORIZED BY: Klee W.

This drawing does not constitute a monumented survey or a land survey plat.

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.



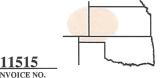


#### Pro-Stake LLC

Oil Field & Construction Site Staking

P.O. Box 2324

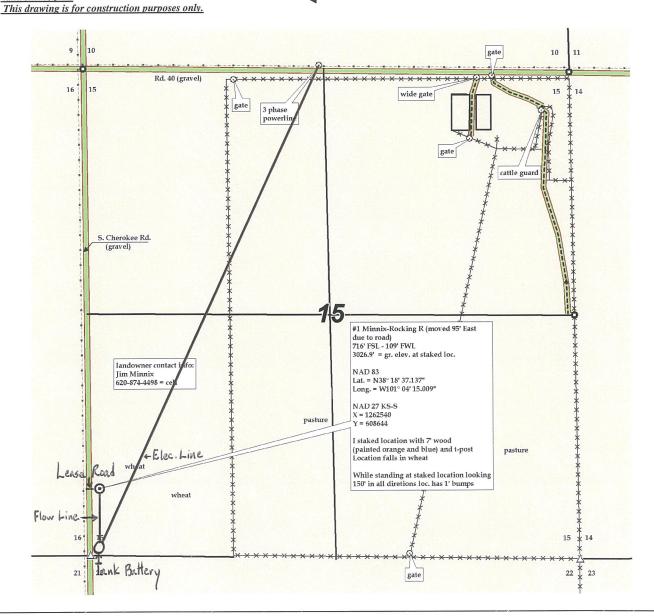
Garden City, Kansas 67846 Office/Fax: (620) 276-6159 Cell: (620) 272-1499



072034I PLAT NO.

burt@pro-stakellc.kscoxmail.com

#1 Minnix-Rocking R Palomino Petroleum, Inc. LEASE NAME 716' FSL - 109' FWL Scott County, KS **20s** 34w LOCATION SPOT Rng. COUNTY GR. ELEVATION: 3026.9° 1" = 1000 SCALE: **Directions**: From approx. 0.5 East of Friend Ks at the intersection Feb. 5th, 2014 DATE STAKED: 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 Kent C. MEASURED BY: of section 15-20s-34w - Now go 0.1 mile North on Cherokee Rd. -Norby S. DRAWN BY: Now go 109' East through wheat into staked location. Klee W. AUTHORIZED BY:\_\_ Final ingress must be verified with land owner or Operator. This drawing does not constitute a monumented survey or a land survey plat.



63U (Rev. 1993)

#### OIL AND GAS LEASE



James M. Minnix, Managing Member, Minnix Farms 5.0, LLC	201	<u> </u>
and between		
	A Company of the Comp	
8101 West Road 40 Scott City, KS 67871		
	hereinafter called Lessor (whether one or me	ore)
ose mailing address is	nereinanter canad Lessor (whether one of the	ore,
	, hereinafter caller Les	ssee:
Lessor, in consideration of One and More  Dollars	One (64 00)	
nere acknowledged and of the royalties herein provided and of the agreements of the lesses herein contained, hereby gi investigating, exploring by geophysical and other means, prospecting drilling, mining and operating for and product instituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building dithings thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbo ducts manufactured therefrom, and housing and otherwise caring for its employees, the following described land, toget	rants, leases and lets exclusively unto lessee for the purp- ing oil, liquid hydrocarbons, all gases, and their respec ; tanks, power stations, telephone lines, and other structures, and other structures, gases and their respective constituent products and of	clive ures ther rest,
	4004.1502.25.151.5.16	
ownship 20 South, Range 34 West		
ection 14: NW/4		
ection 15: NW/4 ection 15: SW/4		
ection 15, 500/4		
Section, Township, Range, and containing	480 acres, more or less, and	
retions thereto.  Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years field, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or lan	rom this date (called "primary term"), and as long there ad with which said land is pooled.	after
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		
m the leased premises.	the manufacture of any products therefrom, one-eighth	(W),
the market price at the well, (but, as to gas sold by lessee, in no event more than one-signing well to be used in mises, or in the manufacture of products therefrom, and payments to be made monthly. Where gas from a well product royalty One Dollar (81.00) per year per net mineral acre retained hereunder, and if such payment or tender is made colors of the according approach.	ucing gas only is not sold or used, lessee may pay or te e it will be considered that gas is being produced within	nder n the
This lease may be maintained during the primary term hereof without further payment or drilling operations, this lease or any extension thereof, the leases shall have the right to drill such well to completion with reasonable di- ductions are acceptable that here shall continue and be in force with like affect as if such well had been completed with	ithin 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 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 the	reon, except water from the wells of lessor.	
When requested by lessor, lesses shall bury lesses'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 o	of lessor.	
Lesses shall nev for damages caused by lessee's operations to growing crops on said land.		
Lesses shall have the right at any time to remove all machinery and fixtures placed on said premises, including If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expresal to the content of the land or assignment of rontal see has been furnished with a written transfer or assignment or a true copy thereof. In case lesses assigns this lease,	ly allowed, the covenants hereof shall extend to their i	heirs, r the tions
th respect to the assigned portion or portions arising subsequent to the date of assignment.  Legger may at any time execute and deliver to legger or place of record a release or releases covering any port		
render this lease as to such portion or portions and so relieved of all congautions all the traceage sufficient All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, whole or in part, nor leases held liable in damages, for failure to comply therewith, if compliance is prevented by, or	Pulse or Regulations and this lease shall not be termin	ated,
Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lesses shay mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be need lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of down	r and homestead in the premises described herein, in a	ment inder- so far
said right of dower and homestead may in any way affect the purposes for which this lesse 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 lesse; mediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly devaneervation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 60 acres each in ord in the conveyance records of the county in which the land herein leased is situated an instrument identifying old into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the po	or any portion thereof with other fand, tense or reases, is welop and operate said lease premises so as to promot be of tracts contiguous to one another and to be into a the event of a gas well. Lessee shall exceed in writing ig and describing the pooled acreage. The entire acrea oled unit, as if it were included in this lease. If product ted on the premises covered by this lesse or not. In lieu the covality stipulated herein as the amount of his ac	a unit g and ige so ion is
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63U (Rev. 1993)

#### OIL AND GAS LEASE



24th June		0040
AGREEMENT, Made and entered into the AGREEMENT, Made and entered into the Agreement Aday of Rocking R Farms LLC, a Kansas Limited Liability Com		2013
by and between tooking K rams LLC, a Kansas Limited Liability Com	pany	
whose mailing address is 3681 Haskell Road, Princeton, KS 66078		hereinafter called Lessor (whether one or more),
Palomino Petroleum, Inc.		
		, hereinafter caller Lessee:
Lessor, in consideration of One and More	· Dollars (\$_On	
is nere acknowledged and or the reyatures herein provided and or the agreements of the less of investigating, exploring by goophysical and other means, prospecting drilling, mining a constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying 1 and things thereon to produce, save, take care of, treat, manufacture, process, store and transproducts manufactured therefrom, and housing and otherwise caring for its employees, the f	ee herein contained, hereby grants, l and operating for and producing oil, pipe lines, storing oil, building tanks, port said oil, liquid hydrocarbons, gas	eases and lets exclusively unto lessee for the purpose liquid hydrocarbons, all gases, and their respective power stations, telephone lines, and other structures ses and their respective constituent products and other
	ani	
Township 20 South, Range 34 We Section 16: SE/4	<u> </u>	
	160	acres, more or less, and all
In Section Township Range accretions thereto.	3 (three)	
Subject to the provisions herein contained, this lease shall remain in force for a tern as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is p In consideration of the premises the said leases covenants and agrees:	n of years from thi	s date (called "primary term"). and as long thereafter which said land is pooled.
lst. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee n from the lessed premises.	nay connect wells on said land, the e	qual one-eighth (%) part of all oil produced and saved
2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or use at the market price at the well, (but, as to gas sold by leasee, in no event more than one-ei premisea, or in the manufacture of products therefrom, said payments to be made monthly as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if suc	ghth (%) of the proceeds received by . Where gas from a well producing s	lessee from such sales), for the gas sold, used off the gas only is not sold or used, lessee may pay or tender
meaning of the preceding paragraph.  This lease may be maintained during the primary term hereof without further pa of this lease or any extension thereof, the lessee shall have the right to drill such well to found in paying quantities, this lease shall continue and be in force with like effect as if suc	completion with reasonable diligence	and dispatch, and if oil or gas, or either of them, be
If said lessor owns a less interest in the above described land than the entire an the said lessor only in the proportion which lessor's interest bears to the whole and undivide Lessee shall have the right to use, free of cost, gas, oil and water produced on said l	ed fee.	
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 premi	issa without written concept of lesson	
Lessee shall pay for damages caused by lessee's operations to growing crops on said	i land.	
Lesses shall have the right at any time to remove all machinery and fixtures placed if the estate of either party hereto is assigned, and the privilege of assigning in executors, administrators, successors or assigns, but no change in the ownership of the leases has been furnished with a written transfer or assignment or a true copy thereof. In a	whole or in part is expressly allow land or assignment of rentals or ro	red the covenants hereof shall extend to their heirs.
with respect to the assigned portion or portions arising subsequent to the date of assignment	or releases covering any portion or	
surrender this lease as to such portion or portions and be releved of all onligations as to the All express or implied covenants of this lease shall be subject to all Pederal and S in whole or in part, nor leasee held liable in damages, for failure to comply therewith, if co	acreage surrounding.	Desulations and this lease shall not be terminated,
Regulation.  Lessor hereby warrants and agrees to defend the title to the lands herein described, any mortgages, taxes or other liens on the above described lands, in the event of default or mortgages, taxes or other liens on the above described lands, in the event of default or mortgages.	and agrees that the lessee shall have f payment by lessor, and be subrog and relesse all right of dower and h	the right at any time to redeem for lessor, by payment
signed teasors, for temesleves aim their letting, accessors are bagger as as as as as as aid right of dower and homestead may in any way affect the purposes for which this let immediate vionity thereof, when in leasees's judgment it is necessary or advisable to do conservation of oil, gas or other minerals in and under and that may be produced from a resort in the conveyance records of the county in which the land herein leased is situe pooled into a tract or unit shot pooled acreaged; and the vert of an oil well, or into a unit or units no record in the conveyance records of the county in which the land herein leased is situe pooled into a tract or unit shall be treated, for all purposes except the payment of royaltif found on the pooled acreage, it shall be treated as if production is had from this lease, whe placed in the unit or his royalty interest therein on an acreage basis bears to the total acres	creage covered by this lease or any oso in order to properly develop a aid premises, such pooling to be of at exceeding 640 acres each in the evited an instrument identifying and so on production from the pooled on the well as be located on the pooled only such portion of the roy	portion thereof with other land, lease or leases in the nd operate said lease premises ao as to promote the racta contiguous to ne another and to be into a unit ent of a gas well. Lesses shall execute in writing and describing the pooled creage. The entire acreage so it, as if it were included in this leans. If production is he premises covered by this lease or not. In lieu of the valy stipulated herein as the amount of his acreage wolved.
		MI MEDIOA
See ADDENDUM dated June 24, 2013 between lessor and lessee a	attached hereto and made	a part liereor.
	PAIN A STATE OF STATE	STATE OF MANSAS, SCOTT COUNTY, SS This instrument was filed for record on the day of A.D. 20 o'slock A.M., and duly recorded in bool page Dage Dage Dage Dage Dage Dage Dage D
	.*	negister of needs
	V	A
IN WITNESS WHEREOF, the undersigned execute this instrument as of the day a Witnesses:	and year first above written.	Å a
A Solon They lue	Donna R	Damples
Linda Jo Weatherbie, Manager	Donna R. Samples, Man	ager
Rocking R Farms LLC, a Kansas Limited Liability Company	Rocking R Farms LLC, a	Kansas Limited Liability Company

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 mile 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 mineralsfrom 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.

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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 shutin 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" in each case.

Conservation Division Finney State Office Building 130 S. Market, Rm. 2078 Wichita, KS 67202-3802



Phone: 316-337-6200 Fax: 316-337-6211 http://kcc.ks.gov/

Sam Brownback, Governor

Shari Feist Albrecht, Chair Thomas E. Wright, Commissioner Jay Scott Emler, Commissioner

## **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.