



KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

1193126

Form C-1
March 2010

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

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

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: _____

Well Drilled For: Oil Gas Seismic ; _____ # of Holes Other: _____
Well Class: Enh Rec Storage Disposal Infield Pool Ext. Wildcat Other
Type Equipment: Mud Rotary Air Rotary Cable

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

For KCC Use ONLY
API # 15 - _____
Conductor pipe required _____ feet
Minimum surface pipe required _____ feet per ALT. I II
Approved by: _____
This authorization expires: _____
(This authorization void if drilling not started within 12 months of approval date.)
Spud date: _____ Agent: _____

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: _____

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

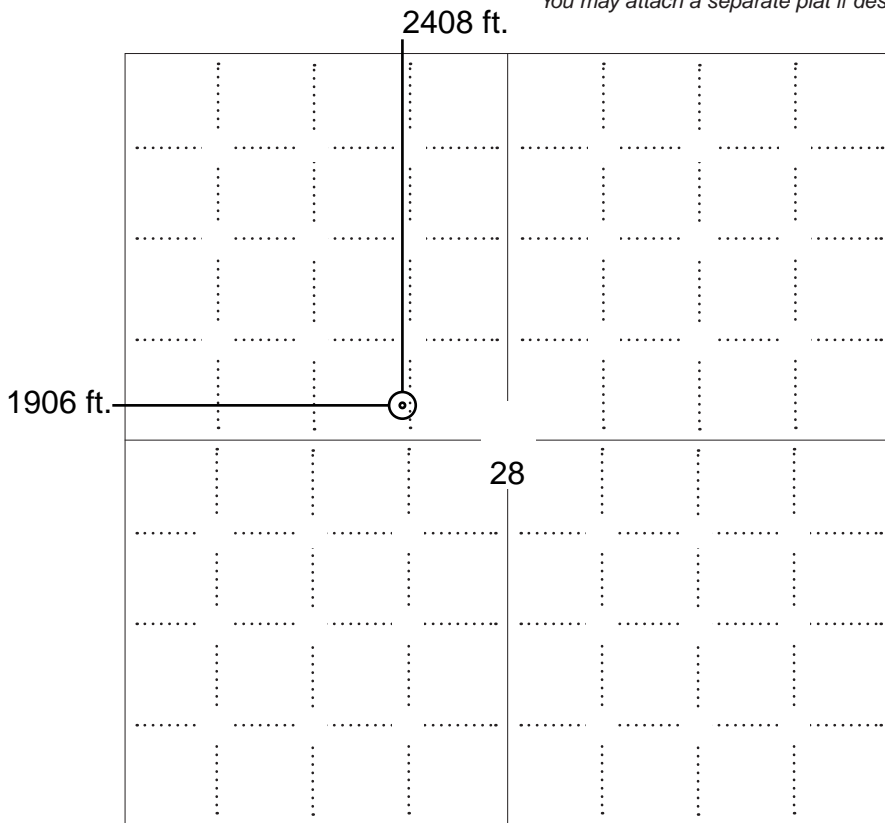
Is Section: Regular or Irregular

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.

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	
Emergency, Settling and Burn Pits ONLY: 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		Drilling, Workover and Haul-Off Pits ONLY: 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 RFASDate 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

I

MEMORANDUM of OIL and GAS LEASE

This Memorandum of an Oil and Gas lease is entered into this day by Texas MSJ Investments, LLC, a Texas Limited Liability Company, Monty S. James, Managing Member, ("Lessor") whose address is P.O. Box 284, Booker, TX 79005, and Paramount Land, Inc., ("Lessee"), whose address is P.O. Box 1278, Cimarron, KS 67835.

For value received, Lessor leased to Lessee, subject to the terms of the Oil and Gas Lease dated the 23rd day of April, 2012, the exclusive right to explore for, produce and sell oil and gas located on the following described property in Gove County, Kansas:

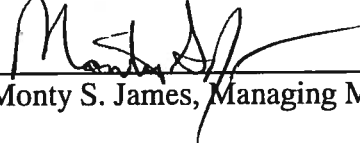
Township 14 South, Range 30 West
Section 28: The Northwest Quarter (NW/4)

The term of the lease is Three (3) years from the date of the Oil and Gas Lease and as long thereafter as oil or gas is produced in paying quantities from the leased premises.

The Oil and Gas Lease and all its terms and provisions are incorporated in and made a part hereof in all respects as though fully set forth herein, reference being made to a fully executed copy of the Oil and Gas Lease in Lessor's possession and a fully executed original of the Oil and Gas Lease in the possession of Lessee.

IN WITNESS WHEREOF, we sign the 14th day of May, 2012.

Texas MSJ Investments, LLC



(Monty S. James, Managing Member)

State of Texas

ACKNOWLEDGEMENT FOR CORPORATE OR TRUST

County of Lipscomb

This instrument was acknowledged to me this 14th day of May, 2012, by Monty S. James, to me personally known to be the identical persons who executed the within and forgoing instrument as Managing Member of Texas MSJ Investments, LLC and acknowledged and acknowledged to me that they executed the same as their 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:

3-7-16



Notary Public

Jerilyn Ragan

Type or Print Name



STATE OF KANSAS, GOVE COUNTY SS
REGISTER OF DEEDS
Book: 180 Page: 134

Receipt #: 15376
Pages Recorded: 1

Recording Fee: \$8.00
Cristy of Little

Date Recorded: 6/25/2012 10:05:44 AM

COPY

PAID UP OIL AND GAS LEASE

PROD 88 (REV 10/92)

THIS LEASE AGREEMENT is made as of the 23rd day of April, 2012, between Texas MSI Investments, LLC, a Texas Limited Liability Company, Monty S. James, Managing Member, P.O. Box 284, Booker, TX 79005, as Lessor (whether one or more) and Paramount Land, Inc., P.O. Box 1278, Cimarron, KS 67835, as Lessee.

1. **Description.** Lessor in consideration of Ten (\$10.00) and more dollars and other good and valuable consideration, in hand paid and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Township 14 South, Range 30 West
Section 28: The Northwest Quarter (NW/4)

in the county of **GOVE**, State of **KANSAS**, containing 160.00 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **Three (3)** years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **three-sixteenths (3/16)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of ad valorem taxes and production, severance or other excise taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil or other liquid hydrocarbons, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **three-sixteenths (3/16)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. **Depository Agent.** All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor or to Lessor's credit at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, as Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well (other than a horizontal completion) shall not exceed 80 acres plus a maximum acreage tolerance of 10% and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 15,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 15,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in

COPY

the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the exclusive right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

~~14. **Additional Term of Lease.** Lessee shall have the right, but not the obligation, to extend the primary term (as set out in Paragraph 2) for an additional period of two (2) years, by paying to Lessor or to Lessor's credit prior to the expiration of the primary term, a bonus consideration equal to \$100.00 per net mineral acre covered by this lease.~~

15. **Notice.** LESSOR SHALL NOT EXECUTE ANY OIL AND GAS LEASE OR AGREEMENT, WHILE THIS LEASE IS IN EFFECT, THAT MAY IN ANY WAY AFFECT THOSE RIGHTS GRANTED HEREIN TO LESSEE.

~~16. If during the primary term of this lease, or any extension thereof, Lessor receives a bona fide written offer to enter into a new Oil and Gas Lease from any third party and such offer is acceptable to Lessor, Lessee shall have the right to have the new lease executed in its favor, upon the same terms and conditions. Said right shall be exercised by Lessee within thirty (30) days from the date Lessee receives written notice from Lessor or said right shall terminate.~~

Please See "Exhibit A" attached hereto and made part of.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

Texas MSJ Investments, LLC

Lessor: Monty S. James
(Monty S. James, Managing Member)

ACKNOWLEDGMENT FOR CORPORATION OR TRUST

STATE OF Texas)
) ss.
COUNTY OF Lipscomb)

On this 14th day of May, A.D., 2011, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared Monty S. James, to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing Instrument as the Managing Member of Texas MSJ Investments, LLC, 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 limited liability company, for the uses and purposes therein set forth.

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

My commission expires 3-7-16

Jerilyn Ragan
Notary Public

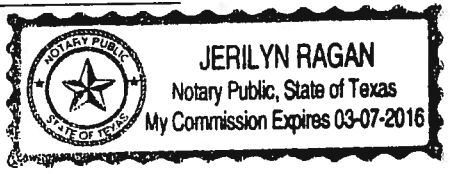


EXHIBIT "A"

ADDENDUM TO OIL AND GAS LEASE DATED APRIL 23, 2012,
BETWEEN TEXAS MSJ INVESTMENTS, LLC, LESSOR, AND
PARAMOUNT LAND, INC., LESSEE

Notwithstanding anything contained to the contrary in the printed form of Oil and Gas Lease, to which this Addendum is attached and incorporated, should there be conflict in the terms, conditions and provisions in the printed form of the lease and the terms, conditions and provisions hereinafter set forth, the following provisions are controlling. The following provisions are in addition to and not in lieu of any obligation, duty, covenant, or condition, express or implied, contained in the printed portion of this Lease.

RELEASE OF ZONES AND ACRES. a) Notwithstanding anything to the contrary herein, it is expressly agreed that this Lease shall automatically terminate at the expiration of the primary term, as to all zones below one hundred feet (100') below the stratigraphic equivalent of the base of deepest formation drilled; provided, however, that if LESSEE is then engaged in drilling, testing, completion or reworking operations on the Leased Premises this Lease shall remain in full force and effect as to all zones and all of the Leased Premises so long as such drilling, testing, completion or reworking operations or any additional operations are prosecuted with no cessation of more than ninety (90) consecutive days, with the exception of a new well which has never been fracture stimulated or otherwise completed in which case Lessee must continue operations with reasonable diligence and dispatch with no cessation of more than (180) consecutive days and the partial termination of this lease shall be deferred until such operations are completed. If a gas well is completed in a zone and is capable of producing gas in paying quantities but otherwise shut-in under the provisions of this Lease, such zone shall be considered a producing zone for the purposes of this Paragraph.

b) Notwithstanding anything to the contrary in this lease, all portions of this lease not included in a unit and not producing or upon which drilling operations have not commenced, shall be released at the expiration of the primary term of this lease. Should the unit as established by the terms of this Lease, or by the Kansas Corporation Commission, be changed after the expiration of the primary term, all portions of this lease not included in the newly prescribed unit will be released. Provided, however, partial termination of the lease under this sub-paragraph shall not terminate LESSEE's rights of ingress and egress to its well or wells within the confines of a proration unit within the herein Leased Premises.

c) Upon the expiration of this Lease as to any part of the Leased Premises, Lessee shall execute, acknowledge and file for record in Gove County, Kansas, a release of this Lease as to the applicable parts of the Leased Premises, within thirty (30) days of a written demand by LESSOR.

Notwithstanding any contrary provisions, this lease shall only cover oil, gas, casinghead gas, condensate and other liquid and gaseous hydrocarbons produced in association with oil, gas and other hydrocarbons. LESSOR EXCEPTS and RESERVES unto themselves, their heirs and assigns, all minerals other than oil, gas, casinghead gas, condensate, other liquid and gaseous hydrocarbons and other minerals produced in association with such oil, gas and other hydrocarbons.

COMMENCEMENT. Commencement of a well according to the terms of this lease will require that a drilling rig capable of drilling to total depth be on location and drilling on or before expiration of the primary term, and that the drilling of said well be continued with due diligence until completion. Construction of a well location without actual drilling as detailed above will not be deemed commencement of a well.

SHUT-IN LIMITATION. It is expressly understood and agreed that subsequent to first sales, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty for a cumulative total of more than two (2) years. The shut-in royalty payments shall be in the amount of \$10.00 per net mineral acre.

ROYALTY FREE OF CHARGES. LESSEE shall not charge LESSOR's royalty on gas or oil for any expense associated with any production, compression, transportation, gathering and marketing charges, including, without limitation, the costs of treating, stripping or compressing any oil or gas produced under the terms of this lease. In no event, however, shall LESSOR receive a price that is less than, nor more than, the price received by LESSEE.

PAYING QUANTITIES. To hold this lease by production after the primary term, said production must be in paying quantities. The words "in paying quantities", "producing in paying quantities" and "production in paying quantities", or words of similar import and the respective meaning of such words shall mean only oil and/or gas in such quantity that the portion thereof allocable to the leasehold estate (i.e., working interest, excluding any overriding royalty interests carved out of the working interest) created by this lease is of such quantum as to produce a profit (determined in accordance with accounting principles generally recognized and applied in the oil and gas industry). Notwithstanding such accounting principles, "reworking costs" incurred by LESSEE on any well or wells, royalty (including minimum royalty payable hereunder) and overriding royalty payments to an entity other than operator, depreciation on salvable equipment, and LESSEE'S administrative overhead for its local office allocable to the well or wells shall be included as "operating expenses". Provided, however, the words "reworking costs" shall include only normal lifting costs associated with the well or wells, such as reworking costs associated with the parting of rods and the repair or replacement of the down-hole pump and such words shall not include capital expenditures.

SPLIT STREAM CONNECTIONS. In the event of an assignment of this lease to more than one LESSEE the Operator of each and every well drilled on the leased premises or from lands with which the leased premises are pooled or unitized shall nevertheless pay to the LESSOR the full royalty fraction as provided herein (.1875) not proportionately reduced by LESSEE'S percentage working interest in this lease. It is the intent of this paragraph to prevent multiple LESSEES from issuing multiple royalty checks to the LESSOR and to place the responsibility for the payment of royalty on the operator alone.

DAMAGES. LESSEE shall pay SURFACE OWNER a reasonable sum for each well location upon the leased premises and shall compensate SURFACE OWNER for the location damages for each well drilled on said land prior to doing any dirt work to build the location, and additional damages for any of LESSEE'S pipelines crossing the land, whether connecting to the well on the premises or not, at a rate which is customary and normally incurred in operations conducted under the term of an oil and gas lease. All of the surface damages, whether from drilling location or pipelines will be re-seeded with 5 way native grass as soon as location abandoned or pipeline laid. These obligations of the LESSEE shall apply whether said operations are conducted by itself or by an independent contractor performing operations for LESSEE. LESSEE shall also pay for damages caused by negligent and excessive operations on said land whether said operations are conducted by LESSEE or by an independent contractor performing operations for LESSEE on said land. LESSEE agrees to pay for any and all damages caused by its operations, including but not limited to any harm done to the owner and tenant of the surface of the ground or to his or her personal property.

USE OF WATER FOR OPERATIONS. LESSEE shall not have the right to use fresh water underlying the lands covered by this lease in connection with any water-flooding, secondary recovery, or other operations where water or other substance is to be injected into the producing formation or formations for the purpose of stimulating or increasing the production of hydrocarbons. LESSEE may use for such purposes salt water or any other water which is unsuitable for human consumption, agricultural, or livestock-raising purposes. LESSEE shall pay a reasonable fee for use of water from LESSEE'S wells.

WATER WELL. In the event LESSEE or LESSEE'S contractors drill water wells on the leased premises in connection with LESSEE'S exploration and development of the leased premises, LESSEE or its contractor shall leave the water well or wells intact with casing in place and such water well or wells shall become the property of the SURFACE OWNER and SURFACE OWNER shall assume and be responsible for the obligation to

plug and abandon such well in accordance with applicable laws and agreements and shall indemnify and hold LESSEE harmless from and against any failure to properly do so. The SURFACE OWNER and SURFACE OWNER'S surface tenant shall have the right, exercisable at their sole risk and expense, to use water produced therefrom when not needed by LESSEE or its contractors. LESSEE or its contractors shall consult with the SURFACE OWNER in the selection of the location of any water well or wells drilled on the leased premises, which water wells shall be situated in the general proximity of the well location. LESSEE shall comply with the federal and state laws and the rules of the North Plains Groundwater Conservation District regarding the drilling, equipping and operation of water wells.

SALT WATER DISPOSAL. LESSEE agrees that no salt water produced from wells not situated on the lands covered by this lease shall be disposed of on the leased premises without SURFACE OWNER'S written consent.

REMOVAL OF EQUIPMENT. After the expiration of this lease, LESSEE shall remove any property and fixtures on the leased premises within 180 days after such expiration, and upon LESSEE failing to do so, the property and fixtures shall belong to SURFACE OWNER. Any oil or gas well shall be properly and carefully plugged and sealed under the laws of this state and under the rules and regulations of the state agency having authority thereof (this shall include a proper and careful sealing and closing of "dry holes"), all work to be done in such manner as to prevent the pollution of fresh water strata by salt water or by escaping oil or gas from other strata.

LOCATION OF APPURTENANCES. LESSEE shall confer with SURFACE OWNER regarding the laying of pipelines and the selection of road locations, and places for tank batteries and other aboveground appurtenances on said leased land so that there will be as little interference as reasonably possible with the existing agricultural uses of said land. Any tank battery or similar equipment will be placed on drill-site location, or adjacent to fence lines or property lines, or at other reasonable locations designated by the SURFACE OWNER, if such locations will not unreasonably burden LESSEE'S operations. Where possible, all electrical lines shall be buried. LESSEE will locate all drilling operations outside the flood plain of any creek and in no event within 200 feet from the center of any creek without SURFACE OWNER'S written consent.

CLEAN UP AND UPKEEP. While conducting any operations on the leased premises, the premises will be kept by LESSEE free of all rubbish, cans bottles, paper cups, or garbage. Tanks and equipment shall be kept painted and presentable. LESSEE shall control all weeds surrounding its equipment.

LOCATION FENCING. After the location and pits are prepared for the drilling of a well on said leased premises and prior to moving drilling equipment on said location, LESSEE shall fence all slush pits and areas containing equipment, chemicals or other substances which may be harmful to the livestock of SURFACE OWNER and/or SURFACE OWNER'S tenant with a five barbed wire fence with H braces at all corners. Said fence shall be maintained by Lessee during the drilling operations on each location on the leased premises. It is the intention of this paragraph to protect SURFACE OWNER'S cattle from operations on the leased premises by LESSEE and not to impose undue hardship or restraint in LESSEE'S operations.

CATTLE GUARDS AND FENCES. If LESSEE commences the drilling of any well on the property, LESSEE shall install and maintain a substantial iron cattle guard capable of turning cattle at the entrance to the property and to any separately fenced pasture of SURFACE OWNER. Any cattle guard so installed shall be left on the property and shall become the property of SURFACE OWNER. LESSEE will not cut or go over any fence or fences of SURFACE OWNER at any time or in connection with any operations of the leased premises without first obtaining SURFACE OWNER'S express consent thereto which consent will not be unreasonably withheld. If SURFACE OWNER consents to the cutting of a fence, the cut must be made at the place designated by SURFACE OWNER, and prior to cutting any fence of SURFACE OWNER, LESSEE will brace the existing fence adequately on both sides of the proposed cut so that there will be no slackening of the wires. If the cut in such fence is an outside fence of SURFACE OWNER, promptly after

making such cut, LESSEE shall install and maintain a substantial iron cattle guard capable of turning cattle. If the cut in such fence is an inside fence of SURFACE OWNER, LESSEE shall install a substantial cattle guard or metal gate in such opening. LESSEE shall promptly close all gates which LESSEE, its agents, servants and/or employees may use in LESSEE'S operations on the leased premises, to prevent the escape of cattle or stock of SURFACE OWNER through any open gates. LESSEE further agrees to comply with all reasonable rules and regulations imposed by SURFACE OWNER with regard to opening and closing and locking all such gates.

LOCATION AND RESTORATION OF DRILLING SITE. LESSEE agrees to fill in and cover all slush pits and smooth and restore the area around the drilling site and the leased premises within a reasonable time and as nearly as practicable to the condition existing prior to the commencement of operations, including reseeding and establishment of improved grasses where appropriate, or reseeding with grasses native to the area. When a location is built and the slush pit is dug on the leased premises, LESSEE shall separate and separately store topsoil, subsoil and caliche removed from the location and pit. LESSEE shall stockpile the top soil so the top soil shall not be damaged by drilling mud or other fluids. When the pit is back-filled and the location restored, LESSEE shall first return the caliche, then return the subsoil and finally return the top soil.

ROADS. LESSEE will consult with SURFACE OWNER as to location of any new road, or the use of any existing road. LESSEE shall maintain the road to the location, and shall not travel off said road onto the surrounding surface of the leased premises. Material used for road surfacing must meet LESSEE'S specifications for maintaining an all weather road. Upon the request of the SURFACE OWNER or their heirs or assigns, LESSEE shall install a metal gate or gates at the point where LESSEE'S lease service road or roads cross the exterior fence constructed and maintained along the boundary lines of the leased premises. LESSEE shall also provide a lock for each gate upon the request of the SURFACE OWNER or such SURFACE OWNER'S heirs or assigns and LESSEE, its agents, employees and contractors, shall keep the gate or gates locked when not in use. In such event, LESSEE shall provide the SURFACE OWNER with a duplicate copy of the key to all locks so installed by LESSEE. LESSEE will also maintain roads in such a manner that they will not unreasonably interfere with the farming and ranching operations of SURFACE OWNER or tenant and, said road shall be maintained level with the lay of the land with no barrow ditches on either side of said road.

PIPELINES. All pipelines which shall be constructed under this lease shall be buried to a depth of thirty-six inches (36") and so laid as not to interfere with farming operations. LESSEE further agrees to "double-ditch" so as to replace topsoil with topsoil.

NO HIKING, EXPLORING, HUNTING, FISHING OR USE OF DRUGS. While on the leased premises, LESSEE, its agents, contractors, or employees shall not hike, explore, hunt, fish, kill any animal, use recreational drugs or perform any illegal activity.

NO WARRANTY. This Lease is executed without warranty of title, express or implied, and without recourse of any kind against LESSOR, and LESSOR'S successors and assigns; provided however, if LESSOR receives any overpayment of royalty as a result of failure, in whole or in part, of LESSOR'S title and right to receive such royalty, LESSOR shall be obligated to reimburse LESSEE for any such overpaid royalty upon request.

NO WAIVER OF IMPLIED COVENANTS. It is expressly agreed that no express statement of a covenant contained herein shall constitute a waiver or abandonment of any covenant implied in equity or at law, and LESSOR shall have the benefit of all of such implied covenants, just as if no express covenant were set out herein. In the event of a conflict between an express covenant set out herein and a covenant implied at law or in equity, the express covenant set out herein shall govern the rights of the parties to the extent of the express covenant, insofar as there is a conflict between it and the implied covenant, but without such a conflict, both express covenants and implied covenants shall govern the rights and relationship of the parties.

INDEMNIFICATION. The LESSEE does hereby agree to fully indemnify, hold harmless, and defend the LESSOR, and their successor's and assigns, and the agents,

servants and employees of LESSOR and their successors and assigns (collectively the "LESSOR Group") from any and all claims, causes of action, demands, liabilities, damages, costs or expenses for any and all environmental damage or liabilities, the death or injury of any persons whomsoever or for damage to or loss of property (including loss or use thereof) (collectively "Losses"), directly or indirectly attributable to, arising out of, or relating to the building of locations, drilling and completion of any wells or any other activities relating to the drilling and production operations on the lands herein described, by LESSEE, its employees, agents, contractors, assignees, sublessees, licensees or invitees, (collectively the "LESSEE Group") even though caused without negligence or fault of LESSEE Group except LESSEE shall not be liable for such losses caused solely by the gross negligence or willful misconduct of the LESSOR Group.

FORCE MAJUERE. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of the government, or as a result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against LESSEE, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation. And if from such cause LESSEE is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises or land pooled therewith, the time while lessee is so prevented shall not be counted against LESSEE, and this lease shall be extended for a period of time equal to that during which such LESSEE is so prevented from conducting drilling or reworking operations on, or producing oil or gas from, such leased premises or land pooled therewith, notwithstanding any other provision hereof. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation.


PARTIES BOUND. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as LESSOR fail to execute this lease, or should any party execute this lease who is not named above as a LESSOR, it shall nevertheless be binding upon the party or parties executing the same.

HEADINGS FOR CONVENIENCE. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

SIGNED FOR IDENTIFICATION PURPOSES ONLY:

Texas MSJ Investments, LLC



Monty S. James, Managing Member

MEMORANDUM of OIL and GAS LEASE

This Memorandum of an Oil and Gas lease is entered into this day by Ervin A. Penner and Judith Kay Penner, also known as Judy Kay Penner, husband and wife, ("Lessor") whose address is 16888 Prairie Circle, El Reno, OK 73036-9164, and Paramount Land, Inc., ("Lessee"), whose address is P.O. Box 1278, Cimarron, KS 67835.

For value received, Lessor leased to Lessee, subject to the terms of the Oil and Gas Lease dated the 10th day of May, 2012, the exclusive right to explore for, produce and sell oil and gas located on the following described property in Gove County, Kansas:

Township 14 South, Range 30 West
Section 28: The Northwest Quarter (NW/4)

The term of the lease is Three (3) years from the date of the Oil and Gas Lease and as long thereafter as oil or gas is produced in paying quantities from the leased premises.

The Oil and Gas Lease and all its terms and provisions are incorporated in and made a part hereof in all respects as though fully set forth herein, reference being made to a fully executed copy of the Oil and Gas Lease in Lessor's possession and a fully executed original of the Oil and Gas Lease in the possession of Lessee.

IN WITNESS WHEREOF, we sign the 21 day of May, 2012.

Ervin A. Penner
(Ervin A. Penner)

Judy Kay Penner
(Judith Kay Penner)

INDIVIDUAL ACKNOWLEDGEMENTS

STATE OF Oklahoma
COUNTY OF Canadian

On this 21 day of May, 2012, before me, the undersigned Notary Public in and for said county and state, personally appeared

Ervin A. Penner and Judith Kay Penner, husband and wife, known to me to be the person(s) whose name(s) are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof, I hereunto set my hand and official seal and of the date hereinabove stated.

My Commission Expires: 07/19/12
00009629

K Chadwick
Notary Public



STATE OF KANSAS, GOVE COUNTY SS
REGISTER OF DEEDS
Book: 180 Page: 39

Receipt #: 15314
Pages Recorded: 1

Recording Fee: \$8.00
City of Tuttle

Date Recorded: 6/15/2012 11:17:26 AM

PAID UP OIL AND GAS LEASE

PROD 88 (REV 10/92)

THIS LEASE AGREEMENT is made as of the 10th day of May, 2012, between Ervin A. Penner and Judith Kay Penner, also known as Judy Kay Penner, husband and wife, 16888 Prairie Circle, El Reno, OK 73036-9164, as Lessor (whether one or more) and Paramount Land, Inc., P.O. Box 1278, Cimarron, KS 67835, as Lessee.

1. **Description.** Lessor in consideration of Ten (\$10.00) and more dollars and other good and valuable consideration, in hand paid and the covenants herein contained, hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

**Township 14 South, Range 30 West
Section 28: The Northwest Quarter (NW/4)**

in the county of GOVE, State of KANSAS, containing 160.00 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **Three (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **three-sixteenths (3/16)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of ad valorem taxes and production, severance or other excise taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil or other liquid hydrocarbons, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **three-sixteenths (3/16)** of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. **Depository Agent.** All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor or to Lessor's credit at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, as Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. **Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well (other than a horizontal completion) shall not exceed 80 acres plus a maximum acreage tolerance of 10% and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 15,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 15,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in

the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. **Ancillary Rights.** In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the exclusive right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. **Regulation and Delay.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. If this lease is cancelled for any cause, it shall nevertheless remain in force and effect as to (1) sufficient acreage around each well as to which there are operations to constitute a drilling or maximum allowable unit under applicable governmental regulations, (but in no event less than forty acres), such acreage to be designated by Lessee as nearly as practicable in the form of a square centered at the well, or in such shape as then existing spacing rules require; and (2) any part of said land included in a pooled unit on which there are operations. Lessee shall also have such easements on said land as are necessary to operations on the acreage so retained.

13. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

14. **Additional Term of Lease.** Lessee shall have the right, but not the obligation, to extend the primary term (as set out in Paragraph 2) for an additional period of two (2) years, by paying to Lessor or to Lessor's credit prior to the expiration of the primary term, a bonus consideration equal to \$100.00 per net mineral acre covered by this lease.

15. **Notice.** LESSOR SHALL NOT EXECUTE ANY OILAND GAS LEASE OR AGREEMENT, WHILE THIS LEASE IS IN EFFECT, THAT MAY IN ANY WAY AFFECT THOSE RIGHTS GRANTED HEREIN TO LESSEE.

Please See "Exhibit A" attached hereto and made part of.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

Lessor: Ervin A. Penner
(Ervin A. Penner)

Lessor: Judith Kay Penner
(Judith Kay Penner)

INDIVIDUAL ACKNOWLEDGEMENTS

STATE OF Oklahoma
COUNTY OF Canadian

On this 21 day of MAY, 2012, before me, the undersigned Notary Public in and for said county and state, personally appeared

Ervin A. Penner and Judith Kay Penner, husband and wife, known to me to be the person(s) whose name(s) are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as their free and voluntary act for the purposes therein set forth. In witness whereof, I hereunto set my hand and official seal and of the date hereinabove stated.

My Commission Expires: 2/19/12
00009629



Karen Chadwick
Notary Public

"Exhibit A"

This Exhibit A is a part of the attached Oil and Gas Lease dated the 10th day of May, 2012 between Ervin A. Penner and Judith Kay Penner, also known as Judy Kay Penner, husband and wife, 16888 Prairie Circle, El Reno, OK 73036-9164, Lessor, and Paramount Land, Inc. P.O. Box 1278 Cimarron, KS 67835, Lessee, covering:

Notwithstanding anything contained to the contrary in the printed form of Oil and Gas Lease, to which this Addendum is attached and incorporated, should there be conflict in the terms, conditions and provisions in the printed form of the lease and the terms, conditions and provisions hereinafter set forth, the following provisions are controlling. The following provisions are in addition to and not in lieu of any obligation, duty, covenant, or condition, express or implied, contained in the printed portion of this Lease.

RELEASE OF ZONES AND ACRES. a) Notwithstanding anything to the contrary herein, it is expressly agreed that this Lease shall automatically terminate at the expiration of the primary term, as to all zones 100' below the stratigraphic equivalent of the base of the deepest formation drilled; provided, however, that if LESSEE is then engaged in drilling, testing, completion or reworking operations on the Leased Premises this Lease shall remain in full force and effect as to all zones and all of the Leased Premises so long as such drilling, testing, completion or reworking operations or any additional operations are prosecuted with no cessation of more than ninety (90) consecutive days, with the exception of a new well which has never been fracture stimulated or otherwise completed in which case Lessee must continue operations with reasonable diligence and dispatch with no cessation of more than (180) consecutive days and the partial termination of this lease shall be deferred until such operations are completed. If a gas well is completed in a zone and is capable of producing gas in paying quantities but otherwise shut-in under the provisions of this Lease, such zone shall be considered a producing zone for the purposes of this Paragraph.

b) Notwithstanding anything to the contrary in this lease, all portions of this lease not included in a unit and not producing or upon which drilling operations have not commenced, shall be released at the expiration of the primary term of this lease. Should the unit as established by the terms of this Lease, or by the Kansas Corporation Commission, be changed after the expiration of the primary term, all portions of this lease not included in the newly prescribed unit will be released. Provided, however, partial termination of the lease under this sub-paragraph shall not terminate LESSEE's rights of ingress and egress to its well or wells within the confines of a proration unit within the herein Leased Premises.

c) Upon the expiration of this Lease as to any part of the Leased Premises, Lessee shall execute, acknowledge and file for record in Gove County, Kansas, a release of this Lease as to the applicable parts of the Leased Premises, within thirty (30) days of a written demand by LESSOR.

Notwithstanding any contrary provisions, this lease shall only cover oil, gas, casinghead gas, condensate and other liquid and gaseous hydrocarbons produced in association with oil, gas and other hydrocarbons. LESSOR EXCEPTS and RESERVES unto themselves, their heirs and assigns, all minerals other than oil, gas, casinghead gas, condensate, other liquid and gaseous hydrocarbons and other minerals produced in association with such oil, gas and other hydrocarbons.

COMMENCEMENT. Commencement of a well according to the terms of this lease will require that a drilling rig capable of drilling to total depth be on location and drilling on or before expiration of the primary term, and that the drilling of said well be continued with due diligence until completion. Construction of a well location without actual drilling as detailed above will not be deemed commencement of a well.

SHUT-IN LIMITATION. It is expressly understood and agreed that subsequent to first sales, this lease cannot be maintained in force solely by the payment of shut-in gas well royalty for a cumulative total of more than two (2) years. The shut-in royalty payments shall be in the amount of \$10.00 per net mineral acre.

ROYALTY FREE OF CHARGES. LESSEE shall not charge LESSOR's royalty on gas or oil for any expense associated with any production, compression, transportation, gathering and marketing charges, including, without limitation, the costs of treating, stripping or compressing any oil or gas produced under the terms of this lease. In no event, however, shall LESSOR receive a price that is less than, nor more than, the price received by LESSEE.

PAYING QUANTITIES. To hold this lease by production after the primary term, said production must be in paying quantities. The words "in paying quantities", "producing in paying quantities" and "production in paying quantities", or words of similar import and the respective meaning of such words shall mean only oil and/or gas in such quantity that the portion thereof allocable to the leasehold estate (i.e., working interest, excluding any overriding royalty interests carved out of the working interest) created by this lease is of such quantum as to produce a profit (determined in accordance with accounting principles generally recognized and applied in the oil and gas industry). Notwithstanding such accounting principles, "reworking costs" incurred by LESSEE on any well or wells, royalty (including minimum royalty payable hereunder) and overriding royalty payments to an entity other than the operator, depreciation on salvable equipment, and LESSEE'S administrative overhead for its local office allocable to the well or wells shall be included as "operating expenses". Provided, however, the words "reworking costs" shall include only normal lifting costs associated with the well or wells, such as reworking costs associated with the parting of rods and the repair or replacement of the down-hole pump and such words shall not include capital expenditures.

SPLIT STREAM CONNECTIONS. In the event of an assignment of this lease to more than one LESSEE the Operator of each and every well drilled on the leased premises or from lands with which the leased premises are pooled or

unitized shall nevertheless pay to the LESSOR the full royalty fraction as provided herein (.1875) not proportionately reduced by LESSEE'S percentage working interest in this lease. It is the intent of this paragraph to prevent multiple LESSEES from issuing multiple royalty checks to the LESSOR and to place the responsibility for the payment of royalty on the operator alone.

DAMAGES. LESSEE shall pay SURFACE OWNER a reasonable sum for each well location upon the leased premises and shall compensate SURFACE OWNER for the location damages for each well drilled on said land prior to doing any dirt work to build the location, and additional damages for any of LESSEE'S pipelines crossing the land, whether connecting to the well on the premises or not, at a rate which is customary and normally incurred in operations conducted under the term of an oil and gas lease. All of the surface damages, whether from drilling location or pipelines will be re-seeded with 5 way native grass as soon as location abandoned or pipeline laid. These obligations of the LESSEE shall apply whether said operations are conducted by itself or by an independent contractor performing operations for LESSEE. LESSEE shall also pay for damages caused by negligent and excessive operations on said land whether said operations are conducted by LESSEE or by an independent contractor performing operations for LESSEE on said land. LESSEE agrees to pay for any and all damages caused by its operations, including but not limited to any harm done to the owner and tenant of the surface of the ground or to his or her personal property.

USE OF WATER FOR OPERATIONS. LESSEE shall not have the right to use fresh water underlying the lands covered by this lease in connection with any water-flooding, secondary recovery, or other operations where water or other substance is to be injected into the producing formation or formations for the purpose of stimulating or increasing the production of hydrocarbons. LESSEE may use for such purposes salt water or any other water which is unsuitable for human consumption, agricultural, or livestock-raising purposes. LESSEE shall pay a reasonable fee for use of water from LESSEE'S wells.

WATER WELL. In the event LESSEE or LESSEE'S contractors drill water wells on the leased premises in connection with LESSEE'S exploration and development of the leased premises, LESSEE or its contractor shall leave the water well or wells intact with casing in place and such water well or wells shall become the property of the SURFACE OWNER and SURFACE OWNER shall assume and be responsible for the obligation to plug and abandon such well in accordance with applicable laws and agreements and shall indemnify and hold LESSEE harmless from and against any failure to properly do so. The SURFACE OWNER and SURFACE OWNER'S surface tenant shall have the right, exercisable at their sole risk and expense, to use water produced therefrom when not needed by LESSEE or its contractors. LESSEE or its contractors shall consult with the SURFACE OWNER in the selection of the location of any water well or wells drilled on the leased premises, which water wells shall be situated in the general proximity of the well location. LESSEE shall comply with the federal and state laws and the rules of the North Plains Groundwater Conservation District regarding the drilling, equipping and operation of water wells.

SALT WATER DISPOSAL. LESSEE agrees that no salt water produced from wells not situated on the lands covered by this lease shall be disposed of on the leased premises without SURFACE OWNER'S written consent.

REMOVAL OF EQUIPMENT. After the expiration of this lease, LESSEE shall remove any property and fixtures on the leased premises within 180 days after such expiration, and upon LESSEE failing to do so, the property and fixtures shall belong to SURFACE OWNER. Any oil or gas well shall be properly and carefully plugged and sealed under the laws of this state and under the rules and regulations of the state agency having authority thereof (this shall include a proper and careful sealing and closing of "dry holes"), all work to be done in such manner as to prevent the pollution of fresh water strata by salt water or by escaping oil or gas from other strata.

LOCATION OF APPURTENANCES. LESSEE shall confer with SURFACE OWNER regarding the laying of pipelines and the selection of road locations, and places for tank batteries and other aboveground appurtenances on said leased land so that there will be as little interference as reasonably possible with the existing agricultural uses of said land. Any tank battery or similar equipment will be placed on drill-site location, or adjacent to fence lines or property lines, or at other reasonable locations designated by the SURFACE OWNER, if such locations will not unreasonably burden LESSEE'S operations. Where possible, all electrical lines shall be buried. LESSEE will locate all drilling operations outside the flood plain of any creek and in no event within 200 feet from the center of any creek without SURFACE OWNER'S written consent.

CLEAN UP AND UPKEEP. While conducting any operations on the leased premises, the premises will be kept by LESSEE free of all rubbish, cans bottles, paper cups, or garbage. Tanks and equipment shall be kept painted and presentable. LESSEE shall control all weeds surrounding its equipment.

LOCATION FENCING. After the location and pits are prepared for the drilling of a well on said leased premises and prior to moving drilling equipment on said location, LESSEE shall fence all slush pits and areas containing equipment, chemicals or other substances which may be harmful to the livestock of SURFACE OWNER and/or SURFACE OWNER'S tenant with a five barbed wire fence with H braces at all corners. Said fence shall be maintained by Lessee during the drilling operations on each location on the leased premises. It is the intention of this paragraph to protect SURFACE OWNER'S cattle from operations on the leased premises by LESSEE and not to impose undue hardship or restraint in LESSEE'S operations.

CATTLE GUARDS AND FENCES. If LESSEE commences the drilling of any well on the property, LESSEE shall install and maintain a substantial iron cattle guard capable of turning cattle at the entrance to the property and to any separately fenced pasture of SURFACE OWNER. Any cattle guard so installed shall be left on the property and shall become the property of SURFACE OWNER. LESSEE will not cut or go over any fence or fences of SURFACE OWNER at any time or in connection with any operations of the leased premises without first obtaining SURFACE OWNER'S express consent thereto which consent will not be unreasonably withheld. If SURFACE OWNER consents to the cutting of a fence, the cut must be made at the place designated by SURFACE OWNER, and prior to cutting any fence of SURFACE OWNER, LESSEE will brace the existing fence adequately on both sides of the proposed cut so that there will be no slackening of the wires. If the cut in such fence is an outside fence of SURFACE OWNER, promptly after making such cut, LESSEE shall install and

maintain a substantial iron cattle guard capable of turning cattle. If the cut in such fence is an inside fence of SURFACE OWNER, LESSEE shall install a substantial cattle guard or metal gate in such opening. LESSEE shall promptly close all gates which LESSEE, its agents, servants and/or employees may use in LESSEE'S operations on the leased premises, to prevent the escape of cattle or stock of SURFACE OWNER through any open gates. LESSEE further agrees to comply with all reasonable rules and regulations imposed by SURFACE OWNER with regard to opening and closing and locking all such gates.

LOCATION AND RESTORATION OF DRILLING SITE. LESSEE agrees to fill in and cover all slush pits and smooth and restore the area around the drilling site and the leased premises within a reasonable time and as nearly as practicable to the condition existing prior to the commencement of operations, including reseeded and establishment of improved grasses where appropriate, or reseeded with grasses native to the area. When a location is built and the slush pit is dug on the leased premises, LESSEE shall separate and separately store topsoil, subsoil and caliche removed from the location and pit. LESSEE shall stockpile the top soil so the top soil shall not be damaged by drilling mud or other fluids. When the pit is back-filled and the location restored, LESSEE shall first return the caliche, then return the subsoil and finally return the top soil.

ROADS. LESSEE will consult with SURFACE OWNER as to location of any new road, or the use of any existing road. LESSEE shall maintain the road to the location, and shall not travel off said road onto the surrounding surface of the leased premises. Material used for road surfacing must meet LESSEE'S specifications for maintaining an all weather road. Upon the request of the SURFACE OWNER or their heirs or assigns, LESSEE shall install a metal gate or gates at the point where LESSEE'S lease service road or roads cross the exterior fence constructed and maintained along the boundary lines of the leased premises. LESSEE shall also provide a lock for each gate upon the request of the SURFACE OWNER or such SURFACE OWNER'S heirs or assigns and LESSEE, its agents, employees and contractors, shall keep the gate or gates locked when not in use. In such event, LESSEE shall provide the SURFACE OWNER with a duplicate copy of the key to all locks so installed by LESSEE. LESSEE will also maintain roads in such a manner that they will not unreasonably interfere with the farming and ranching operations of SURFACE OWNER or tenant and, said road shall be maintained level with the lay of the land with no barrow ditches on either side of said road.

PIPELINES. All pipelines which shall be constructed under this lease shall be buried to a depth of thirty-six inches (36") and so laid as not to interfere with farming operations. LESSEE further agrees to "double-ditch" so as to replace topsoil with topsoil.

NO HIKING, EXPLORING, HUNTING, FISHING OR USE OF DRUGS. While on the leased premises, LESSEE, its agents, contractors, or employees shall not hike, explore, hunt, fish, kill any animal, use recreational drugs or perform any illegal activity.

NO WARRANTY. This Lease is executed without warranty of title, express or implied, and without recourse of any kind against LESSOR, and LESSOR'S successors and assigns; provided however, if LESSOR receives any overpayment of royalty as a result of failure, in whole or in part, of LESSOR'S title and right to receive such royalty, LESSOR shall be obligated to reimburse LESSEE for any such overpaid royalty upon request.

NO WAIVER OF IMPLIED COVENANTS. It is expressly agreed that no express statement of a covenant contained herein shall constitute a waiver or abandonment of any covenant implied in equity or at law, and LESSOR shall have the benefit of all of such implied covenants, just as if no express covenant were set out herein. In the event of a conflict between an express covenant set out herein and a covenant implied at law or in equity, the express covenant set out herein shall govern the rights of the parties to the extent of the express covenant, insofar as there is a conflict between it and the implied covenant, but without such a conflict, both express covenants and implied covenants shall govern the rights and relationship of the parties.

INDEMNIFICATION. The LESSEE does hereby agree to fully indemnify, hold harmless, and defend the LESSOR, and their successor's and assigns, and the agents, servants and employees of LESSOR and their successors and assigns (collectively the "LESSOR Group") from any and all claims, causes of action, demands, liabilities, damages, costs or expenses for any and all environmental damage or liabilities, the death or injury of any persons whomsoever or for damage to or loss of property (including loss or use thereof) (collectively "Losses"), directly or indirectly attributable to, arising out of, or relating to the building of locations, drilling and completion of any wells or any other activities relating to the drilling and production operations on the lands herein described, by LESSEE, its employees, agents, contractors, assignees, sublessees, licensees or invitees, (collectively the "LESSEE Group") even though caused without negligence or fault of LESSEE Group except LESSEE shall not be liable for such losses caused solely by the gross negligence or willful misconduct of the LESSOR Group.

FORCE MAJUERE. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of the government, or as a result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against LESSEE, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation. And if from such cause LESSEE is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises or land pooled therewith, the time while lessee is so prevented shall not be counted against LESSEE, and this lease shall be extended for a period of time equal to that during which such LESSEE is so prevented from conducting drilling or reworking operations on, or producing oil or gas from, such leased premises or land pooled therewith, notwithstanding any other provision hereof. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation.

PARTIES BOUND. This lease and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and his heirs, devisees, successors and assigns. Should any party named above as LESSOR fail to execute this lease, or should any party execute this lease who is not named above as a LESSOR, it shall nevertheless be binding upon the party or parties executing the same.

HEADINGS FOR CONVENIENCE. The paragraph headings herein are for convenience only and shall not be considered or construed to limit the subject matter of any paragraph.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

SIGNED FOR IDENTIFICATION PURPOSES ONLY:

Lessor: Ervin A. Penner
(Ervin A. Penner)

Lessor: Judy Kay Penner
(Judith Kay Penner)

63U (Rev. 1993)
8638

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 9th day of May, 2011
by and between, Robert A. McElfatrick and Carolyn J. McElfatrick, husband and wife.

whose mailing address is 35162 Red Rine Road, Deer River, MN 56636, hereinafter called Lessor (whether one or more),
and, O'Brien Resources LLC, P.O. Box 6149 Shreveport, LA 71136, hereinafter called Lessee:

Lessor, in consideration of ten and more Dollars (\$ 10.00+) 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 the County of Gove State of Kansas, described as follows, to-wit:

Township 14 South - 30 West
Section 28: SW/4

In Section XXX Township XXX Range XXX, and containing 160 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of three (3) 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 operations 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
mortgage, taxes or other liens on the above described lands, in the event of default of payment by the 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.

*See 'Rider' attached hereto and made a part hereof;

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

Witnesses:

X: Carolyn J. McElfatrick
Carolyn J. McElfatrick

X: Robert A. McElfatrick
Robert A. McElfatrick

X: _____

X: _____

X: _____



STATE OF KANSAS, GOVE COUNTY SS
REGISTER OF DEEDS
Book: 172 Page: 72

Receipt #: 12493
Pages Recorded: 3

Recording Fee: \$16.00
City of Tuttle

Date Recorded: 5/24/2011 11:19:09 AM

1019

STATE OF Minnesota

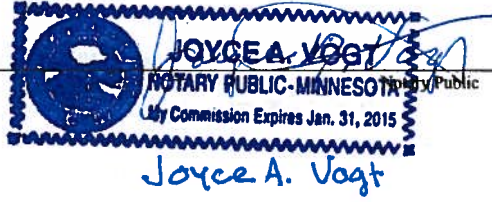
ACKNOWLEDGMENT FOR INDIVIDUAL

COUNTY OF RAMSEY

The foregoing instrument was acknowledged before me this 16th day of May, 2011

by, Robert A. McElfrick and Carolyn J. McElfrick, husband and wife.

My Commission Expires: Jan 31, 2015



STATE OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____

by, _____

My Commission Expires: _____, Notary Public

STATE OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____

By, _____

My Commission Expires: _____, Notary Public

STATE OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____

by, _____

My Commission Expires: _____, Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____ County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds

When recorded, return to: _____

STATE OF _____

ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____

by, _____

of _____

Corporation, on behalf of the Corporation. My Commission Expires: _____, Notary Public

Attached to and made a part hereof an Oil and Gas Lease dated May 9th, 2011, by and between Robert A. McElfatrick and Carolyn J. McElfatrick, husband and wife, as Lessor and O'Brien Resources LLC, as Lessee, covering the following described property in Gove County, Kansas, to wit;

Township 14 South -- Range 30 West
Section 28: SW/4

Rider

1. Any terraces driven over or altered for drilling or tank locations shall be restored to original *height and contour* as nearly as is practicable.
2. In the event of drilling operations on said land, Lessee or assigns agree to backfill all slush pits, level the location and restore the surface as nearly as is practicable. Lessee or assigns agrees to pay for all damages of any nature arising from its operations on the above-described land.
3. It is understood and agreed that upon the termination of production on the Lease, all equipment of Lessee shall be removed within six (6) months and all sites shall be restored to their original condition as nearly as is practicable.
4. A sufficient dike shall be placed around tank batteries. Also tank batteries and pumping equipment units shall be fenced to restrain cattle in pastures or on ground that Lessor grazes cattle on milo stalks or wheat. Lessee or assigns agrees to comply with all applicable Federal, State and Local laws and regulations.
5. If any part of the leased premises are subject to or enrolled in the Conservation Reserve Program, Lessee shall re-seed to grass all areas thereof affected by Lessee's operations and hold Lessor harmless from penalties or liquidated damages assessed the Department of Agriculture, the Soil Conservation Service or the Agricultural Stabilization and Conservation Services under the Conservation Reserve Program as a result of Lessee's operations.
6. 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 equal to the total original per acre bonus paid to Lessor under the initial primary term of said lease multiplied by the number of net mineral acres owned by Lessor in the land above described and then subject to this Lease; and subject to the 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.
7. It is the intention of the parties hereto to cause as little interference with farming operations on said land as possible, including but not limited to the operation of pivotal irrigation sprinklers, or other irrigation methods. If the lands covered hereby are irrigated by the use of a self-propelled overhead sprinkler system, presently in operation or installed hereafter, the Lessee, prior to conducting operations hereon, shall consult with the Lessor in regard to said drilling operations. Said operations shall be conducted in such a manner as will least disturb or interfere with Lessor's irrigation system or the surface contours of the leased premises. Should any alterations to the surface contours be caused by its operations, Lessee, or his assign, shall restore said surface contours to their former condition as nearly as is practicable. In the event of production and continued use of the surface, Lessee, or his assigns, will restore or prepare the surface and situate and install all equipment needed in connection therewith, so that Lessee's use thereof will not interfere with the passage of said over-head sprinkler irrigation system. Any production equipment, including but not limited to pump jacks, hydraulic lifting or other equipment necessary to produce any oil or gas well on said land shall use low profile equipment and/or recess equipment to such depths as to permit the use by Lessor of circular irrigation sprinkler system.

X: 
Carolyn J. McElfatrick

X: 
Robert A. McElfatrick

Summary of Changes

Lease Name and Number: MSJ-Penner 28 1

API/Permit #: 15-063-22184-00-00

Doc ID: 1193126

Correction Number: 1

Approved By: Rick Hestermann 03/07/2014

Field Name	Previous Value	New Value
KCC Only - Approved By	Rick Hestermann 02/25/2014	Rick Hestermann 03/07/2014
KCC Only - Approved Date	02/25/2014	03/07/2014
KCC Only - Date Received	02/25/2014	03/07/2014
KCC Only - Production Comment	NLUB Notice attached.	Oil & Gas leases w/ pooling clauses attached.
Nearest Lease Or Unit Boundary	1906	330
Save Link	../kcc/detail/operatorEditDetail.cfm?docID=1189613	../kcc/detail/operatorEditDetail.cfm?docID=1193126

Summary of Attachments

Lease Name and Number: MSJ-Penner 28 1

API: 15-063-22184-00-00

Doc ID: 1193126

Correction Number: 1

Approved By: Rick Hestermann 03/07/2014

Attachment Name

NW 1/4 & SW 1/4 Lease