



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

KANSAS CORPORATION COMMISSION 1254944  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 March 2010

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

**NOTICE OF INTENT TO DRILL**

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

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

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

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

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

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

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

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

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

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

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

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): \_\_\_\_\_

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

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

Water well within one-quarter mile:  Yes  No

Public water supply well within one mile:  Yes  No

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

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

Surface Pipe by Alternate:  I  II

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

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

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

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

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

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

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

**AFFIDAVIT**

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

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

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

**Submitted Electronically**

**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



1254944

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

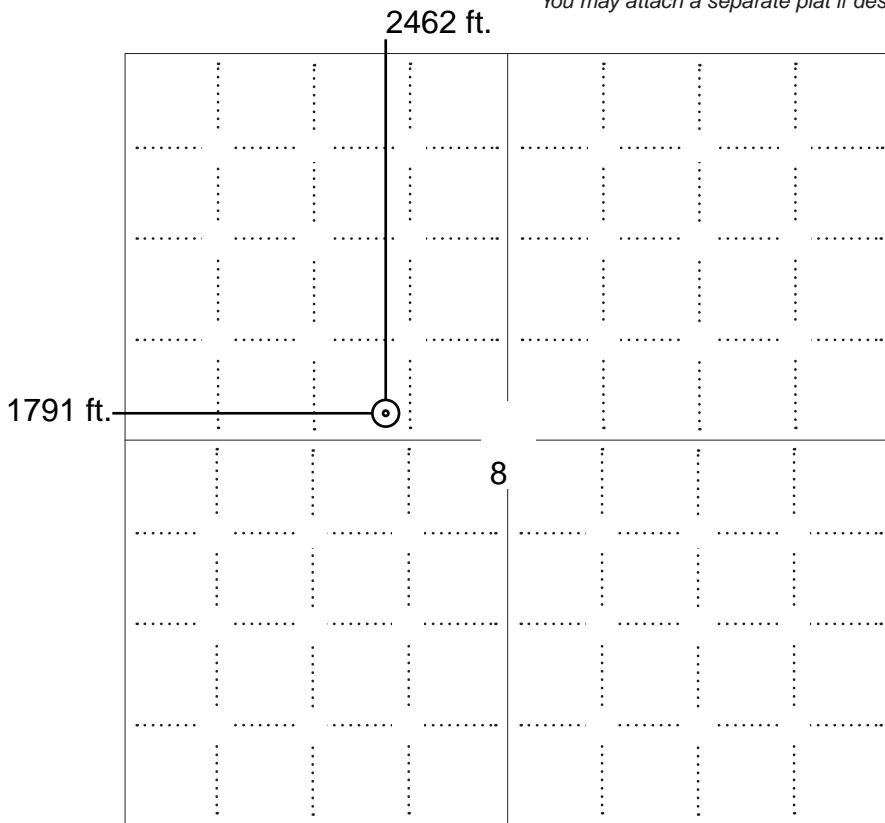
Is Section:  Regular or  Irregular

**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.



KANSAS CORPORATION COMMISSION 1254944  
OIL & GAS CONSERVATION DIVISION

Form CDP-1  
May 2010  
Form must be Typed

**APPLICATION FOR SURFACE PIT**

*Submit in Duplicate*

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

**KCC OFFICE USE ONLY**

Liner     Steel Pit     RFAC     RFAS

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



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

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

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

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

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

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

**Surface Owner Information:**

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

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

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

**Select one of the following:**

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

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

I Submitted Electronically

I



06224e  
CRD NO.

# PRO-STAKE

LLC

12638  
INVOICE NO.



Construction Site Staking

P.O. Box 2324 Garden City, Kansas 67846  
Office/Fax: (620) 276-6159 – Cell: (620) 272-1499  
burt@pro-stakellc.ksoxmail.com

Palomino Petroleum, Inc.  
OPERATOR

Marion County, KS  
COUNTY

8 22s 4e  
Sec. Twp. Rng.

#1 Sitting Bull Unit  
LEASE NAME

Main = 2500' FNL - 1701' FWL = 1396.3' = gr. elev.  
Alt. #1 = 2462' FNL - 1791' FWL = 1398.5' = gr. elev.  
Alt. #2 = 2562' FNL - 1811' FWL = 1397.7' = gr. elev.

LOCATION SPOT

SCALE: 1" = 1000'

DATE STAKED: June 10<sup>th</sup>, 2015

MEASURED BY: Norby S.

DRAWN BY: Norby S.

AUTHORIZED BY: Klee W. & Nick G.

DATE REVISED:

### LEGEND

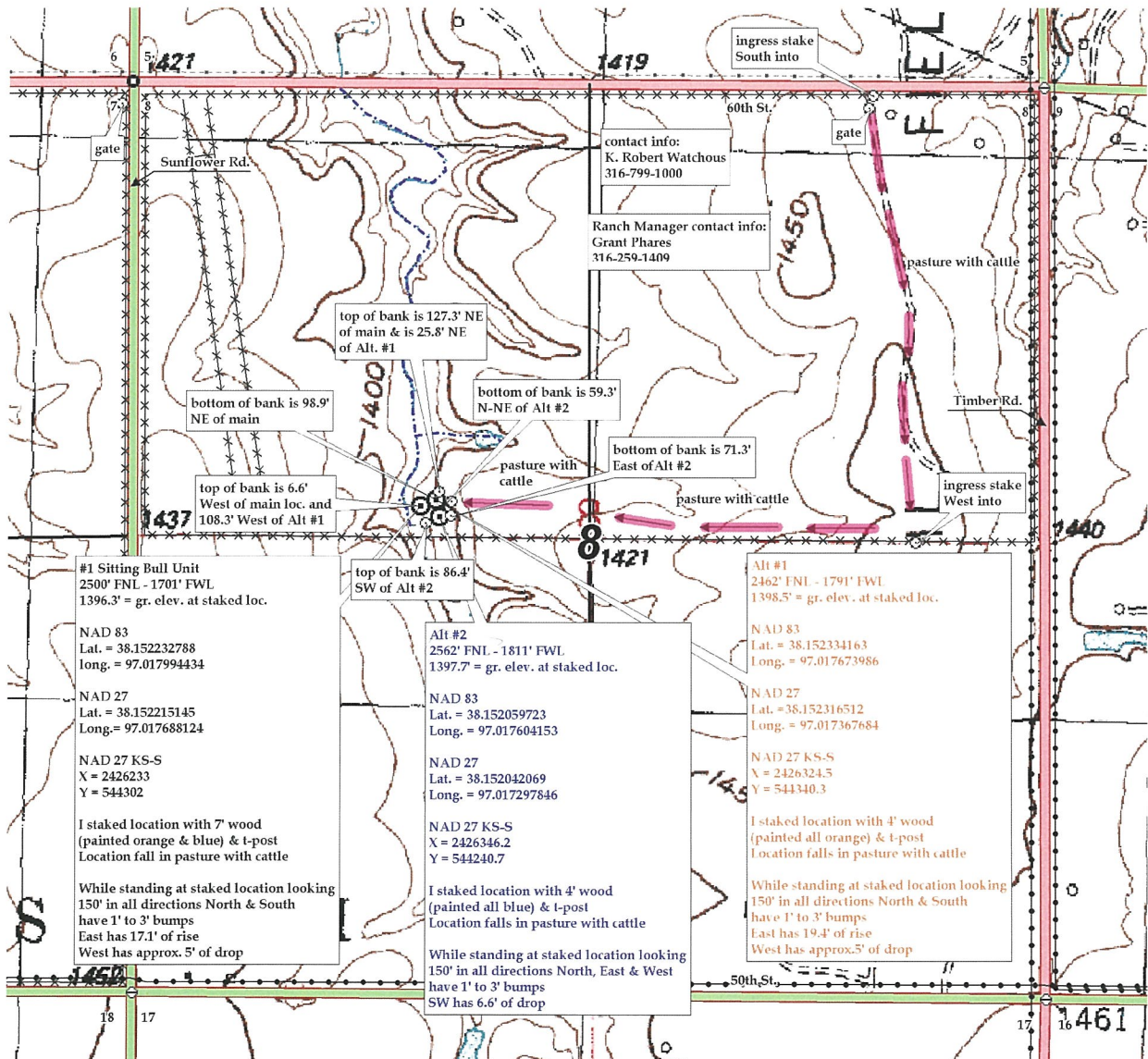
- irr. well
- water hydrant
- tank battery
- staked loc.
- prod. well/aband. well
- house
- building
- gas line
- water line
- transmission powerline
- 3 phase powerline
- single phase powerline
- fence
- gravel/sand rd.
- gravel trail/lease rd.
- dirt rd.
- dirt trail/lease rd.
- Hwy/blacktop rd.



**DIRECTIONS:** From the NE side of Peabody, KS at the intersection of Hwy 50 and Old Mill Rd. North / Cemetery Rd. South – Now go 1 mile East on Hwy 50 – Now go 1 mile South on Pawnee Rd. / Avine Rd. – Now go 3 miles East on 60<sup>th</sup> St. to the NW corner of section 8-22s-4e – Now go 0.8 mile East on 60<sup>th</sup> St. to ingress stake South into – Now go approx. 2640' South through pasture with cattle to ingress stake West into – Now go approx. 2920' West through pasture with cattle, into main staked location.

Final ingress must be verified with landowner or operator.

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





06224e  
CRD NO.

# PRO-STAKE

LLC

12638  
INVOICE NO.



## Construction Site Staking

P.O. Box 2324 Garden City, Kansas 67846  
Office/Fax: (620) 276-6159 – Cell: (620) 272-1499  
burt@pro-stakellc.kscoxmail.com

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DATE STAKED: June 10<sup>th</sup>, 2015

MEASURED BY: Norby S.

DRAWN BY: Norby S.

AUTHORIZED BY: Klee W. & Nick G.

DATE REVISED:

8 22s 4e  
Sec. Twp. Rng.

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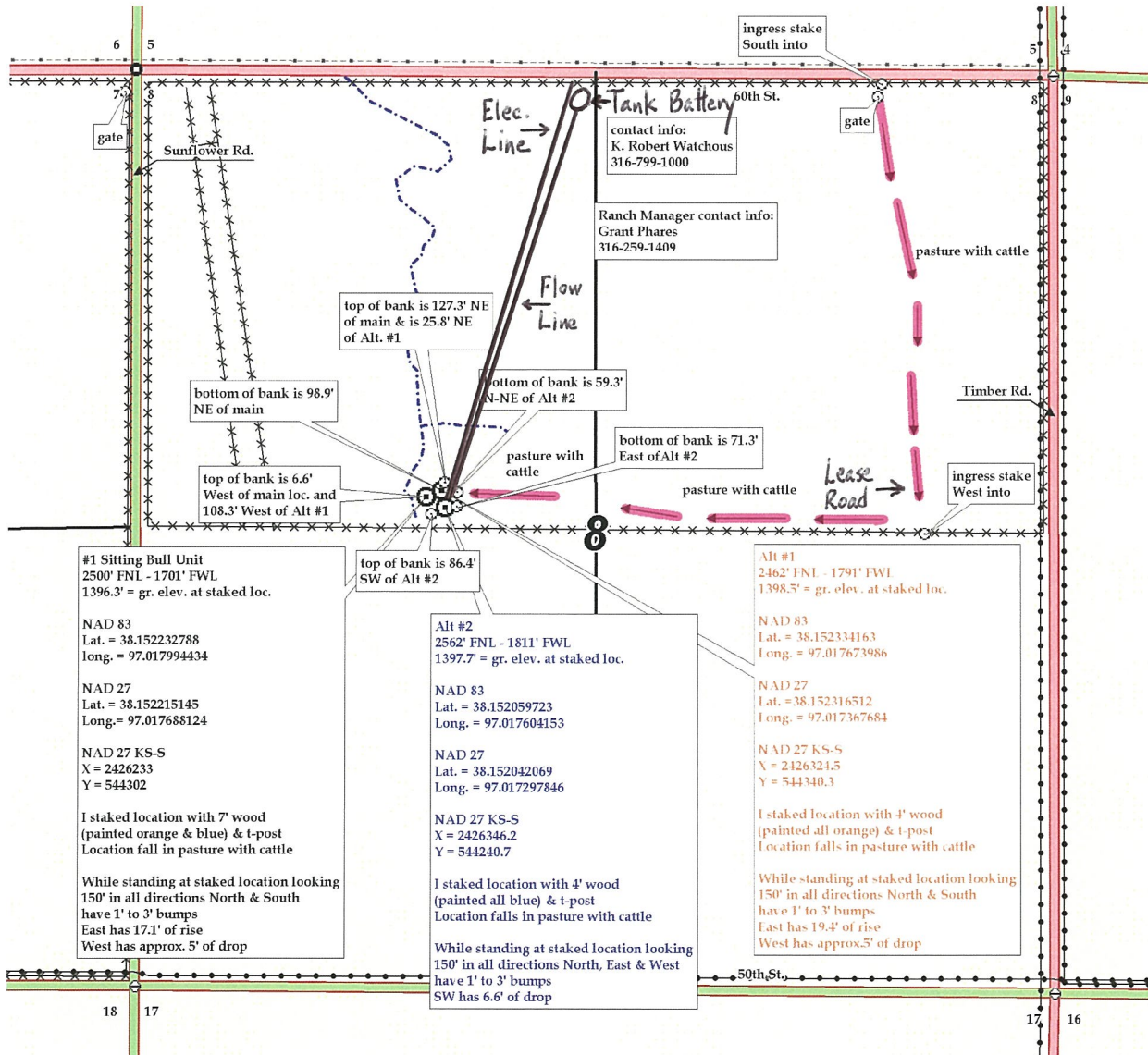
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- gas line
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- transmission powerline
- 3 phase powerline
- single phase powerline
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OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 703 Wichita, KS 67201-0703 316-264-0344-264-5165 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 19th day of May 2015 by and between Wildcat Creek Ranch, L.L.C.

whose mailing address is 4324 SE 84th St., Newton, KS 67114-8827 hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc. 4324 SE 84th St., Newton, KS 67114-8827 hereinafter called Lessee:

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

Township 21 South, Range 3 East Sec. 26: SW/4 Sec. 35: NW/4

Township 22 South, Range 4 East Sec. 7: NE/4 Sec. 8: NW/4

In Section Township Range and containing 640 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 whatever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

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

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

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

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

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

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

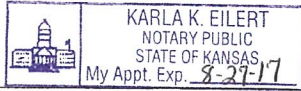
Witnesses:

K. Robert Watchous, Manager

Wildcat Creek Ranch, L.L.C

STATE OF KANSAS ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)  
COUNTY OF HARVEY  
The foregoing instrument was acknowledged before me this 19th day of May, 2015,  
by K. Robert Watchous, Manager of Wildcat Creek Ranch, L.L.C. and \_\_\_\_\_

My commission expires August 27, 2017



Karla K. Eilert  
Notary Public  
Karla K. Eilert

STATE OF \_\_\_\_\_ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)  
COUNTY OF \_\_\_\_\_  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
by \_\_\_\_\_ and \_\_\_\_\_

My commission expires \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)  
COUNTY OF \_\_\_\_\_  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
by \_\_\_\_\_ and \_\_\_\_\_

My commission expires \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)  
COUNTY OF \_\_\_\_\_  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
by \_\_\_\_\_ and \_\_\_\_\_

My commission expires \_\_\_\_\_  
Notary Public

No. \_\_\_\_\_

**OIL AND GAS LEASE**

FROM

TC  
Date \_\_\_\_\_  
Section \_\_\_\_\_ Twp. \_\_\_\_\_ Rge. \_\_\_\_\_  
No. of Acres \_\_\_\_\_ Term \_\_\_\_\_ County \_\_\_\_\_

1094  
STATE OF Kansas  
County Marion

This instrument was filed for record on the 21  
day of May, 2015.  
at 8:00 o'clock A.M., and duly recorded  
in Book 1206 Page 183 of  
the records of this office.

By J. Patterson Register of Deeds.  
When recorded, return to Palmeria Peterson (Mrs)



STATE OF \_\_\_\_\_ ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)  
COUNTY OF \_\_\_\_\_  
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
by \_\_\_\_\_  
of \_\_\_\_\_ a \_\_\_\_\_  
corporation, on behalf of the corporation.  
My commission expires \_\_\_\_\_  
Notary Public





2019  
State of Kansas, Marion County, ss.  
This instrument was filed for record on the  
29 day of July 2011  
at 10:30 o'clock A.M. and duly recorded  
in book M198 page 97  
Jo A. Ottomerson  
Register of Deeds 28-00

### OIL AND GAS LEASE (PAID-UP)

THIS Oil and Gas Lease ("Lease"), Made and entered into this 28<sup>th</sup> day of June, 2011, by and between Randall J. Preheim and Kathy L. Preheim, husband and wife, (hereinafter "Lessor"), whose mailing address is 2008 50th, Peabody, KS 66866, (whether one or more), and Cheyenne Exploration, LLC (hereinafter "Lessee"), whose mailing address is 14860 Montfort Drive, Suite 209, Dallas, Texas 75254.

WITNESSETH, That the said Lessor, for and in consideration of Ten Dollars (\$10.00), in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contain, 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, frac tanks or ponds and other structured 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 stated in the County of Marion, State of Kansas described as follows, to-wit:

See Attached Exhibit "A"

1. Subject to the provisions herein contained, this Lease is a "paid-up" lease requiring no rentals and shall remain in force for a term of five (5) years from this date (herein called "Primary Term"), and as long thereafter as oil, liquid hydrocarbons, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, coalbed methane gas, and all other gases or other respective constituent products, or any of them, is produced from said Land or Land with which said Land is pooled, or drilling operations are continued as hereinafter provided. If, at the expiration of the Primary Term of this Lease, oil or gas, or any liquid or gaseous hydrocarbon related thereto, is not being produced on the Leased Premises or on acreage pooled or unitized therewith, but Lessee is then engaged in drilling or re-working operations thereon, this Lease shall continue in force so long as operations are being continuously prosecuted on the Leased Premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than one hundred-eighty (180) days shall lapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said Land or on acreage pooled therewith, the production thereof should cease from any cause after the Primary Term, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within one hundred-eighty (180) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term of this Lease, this Lease shall continue in force so long as oil or gas is produced from the Leased Premises or on acreage pooled therewith.

2. In consideration of the Leased Premises the said Lessee covenants and agrees:

(a) To deliver to the credit of Lessor, free of cost, in the pipeline 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.

(b) To pay Lessor for gas of whatsoever nature or kind produced and sold, or used off the Leased 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 or used off the Leased Premises, or in the manufacture of products therefrom, said payments to be made monthly, 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. 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.

3. If Lessor owns a lesser interest in the above-described Land and/or the oil, gas and other minerals related thereto, than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.
4. Lessee shall have the right to use, free of cost, gas, oil and water produced on said Land for Lessee's operation thereon, except water from the wells of Lessor.
5. When requested by Lessor, Lessee shall bury Lessee's pipelines just below plow depth.
6. No well shall be drilled nearer than two hundred (200) feet to the house or barn now on said Leased Premises without written consent of Lessor.
7. Lessee shall pay for damages caused by Lessee's operations to growing crops on said Land.
8. Lessee shall have the right at any time to remove all machinery and fixtures placed on said Leased Premises, including the right to draw and remove casing.
9. 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 certified 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 decedent's estate. 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, 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.
10. 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 Leased Premises and thereby surrender this Lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.
11. 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 the price 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. Lessor hereby warrants and agrees to defend the title to the Land herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment any mortgages, taxes or other liens on the above described Land, in the event of default of payment by Lessor, and be subrogated to the rights if the holder thereof, and the undersigned Lessor, for himself/herself/themselves and their heirs, successors and assigns, thereby surrender and release all right or dower and homestead in the Leased 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.

13. 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 which is not 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 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a 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.

14. For the above consideration, Lessee is granted an option to renew this Lease under the same terms and provisions for an additional three (3) years from the end of the Primary Term hereof, and as long thereafter as oil and gas is produced from said Lands or Lands pooled therewith. Lessee may exercise this option by paying, prior to the expiration of this Lease, a sum, to Lessor, equal to the initial bonus paid in association with the execution of this Lease.

15. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this Lease. Lessee shall then have sixty (60) days after service of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of said notice. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform its obligations hereunder. This Lease shall never be forfeited or cancelled for the failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and Lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

16. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at Lessor's address above or to its successors, 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 by deposit in the US Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

17. **DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

18. Lessor hereby grants Lessee, for as long as this Lease is in full force and effect, the right to use up to five (5) acres of the surface of the Land for the purpose of constructing a fresh water impoundment ("impoundment"), an access road, and a water well to service the same. The Impoundment and the associated road and well shall be utilized by Lessee to produce, store, and transport fresh water necessary for Lessee's oil and gas operations, which include, but are not limited to, drilling, completions, recompletion, stimulation, fracturing and/or refracturing wells. In addition Lessor hereby grants Lessee the rights to lay waterlines from said impoundment across the subject lands to wells where the water is to be used in Lessee's oil and gas operations.

Lessee is hereby granted the right to construct and maintain an Impoundment on the Lands, install, maintain, inspect, operate, remove, and replace above ground appurtenances, including, but not limited to water lines, water storage tanks and any additional equipment associated therewith, and transport and provide fresh water to Impoundment whether by pipelines, trucks, or drilling or a water well(s).

19. Should any one or more of the parties hereinabove named as Lessor fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this Lease shall mean any one or more or all of the parties who execute this Lease as Lessor.

20. This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

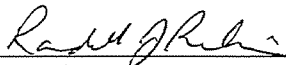
21. This Lease and any exhibits attached hereto contain the entire agreement of the parties with respect to the subject matter of this Lease, and supersede all prior negotiations, agreements and understandings with respect thereto. This Lease may only be amended by a written document duly executed by all parties.

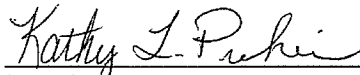
22. If any provision of this Lease is held unenforceable, then such provision will be modified to reflect the parties' intention. All other provisions of this Lease shall remain in full force and effect.

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

Randall J. Preheim \_\_\_\_\_

Kathy L. Preheim \_\_\_\_\_

  
\_\_\_\_\_  
(Lessor)

  
\_\_\_\_\_  
(Lessor)

ACKNOWLEDGEMENT FOR INDIVIDUAL

State of Kansas

County of Marion

This instrument was acknowledged to me this 19<sup>th</sup> day of July, 2011, by Randall J. Preheim and Kathy L. Preheim, husband and wife to me personally known to be the identical persons who executed the within and forgoing instrument and acknowledgement 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 tear last above written.

My commission expires: 11-10-14



Joan E. Stovall  
Notary Public

Joan E. Stovall  
Type or Print Name

Exhibit "A"

This Exhibit is attached to and made a part of an Oil and Gas Lease dated June 28, 2011 between Randall J. Preheim and Kathy L. Preheim, husband and wife, as Lessor and Cheyenne Exploration, LLC, as Lessee covering the following described real estate in Marion County, Kansas.

1. Acres  
160.00 acres more or less 1000

The SW/4 of Section 8, Township 22 South, Range 4 East.

2. Acres  
234.59 acres more or less

The NW/4 of Section 18, Township 22 South, Range 4 East. 160.35

The N/2SW/4 of Section 18, Township 22 South, Range 4 East, EXCEPT the South 95 feet of the N/2SW/4. 74.2424

Conservation Division  
266 N. Main St., Ste. 220  
Wichita, KS 67202-1513



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

Shari Feist Albrecht, Chair  
Jay Scott Emler, Commissioner  
Pat Apple, Commissioner

Sam Brownback, Governor

July 01, 2015

K. Robert Watchous  
Palomino Petroleum, Inc.  
4924 SE 84TH ST  
NEWTON, KS 67114-8827

Re: Drilling Pit Application  
Sitting Bull Unit 1  
NW/4 Sec.08-22S-04E  
Marion County, Kansas

Dear K. Robert Watchous:

District staff has inspected the above referenced location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined with bentonite or native clay, constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the reserve pit after drilling operations have ceased.

KEEP PITS away from draw/drainage.

**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

The fluids should be taken to an authorized disposal well. Please call the District Office at (316) 630-4000 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.** If you have any questions or concerns please feel free to contact the District Office at (316) 630-4000.