

Well will not be drilled or Permit Expired Date: _

Signature of Operator or Agent:

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

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 March 2010 Form must be Typed Form must be Signed All blanks must be Filled

NOTICE OF INTENT TO DRILL

Expected Spud Date:	day year	Spot Description:	
	, , , , , , , , , , , , , , , , , , , ,	Sec Twp S.	
PERATOR: License#		feet from N /	\vdash
ame:			W Line of Sectio
ddress 1:			
ddress 2:			erse side)
ty: State:	·	County:	
ontact Person: hone:		Lease Name:	Well #:
none		Field Name:	
ONTRACTOR: License#		Is this a Prorated / Spaced Field?	Yes No
lame:		Target Formation(s):	
Well Drilled For: Well Class:	Type Equipment:	Nearest Lease or unit boundary line (in footage):	
Oil Enh Rec Infield	Mud Rotary	Ground Surface Elevation:	feet MS
Gas Storage Pool Ext.		Water well within one-quarter mile:	Yes No
Disposal Wildcat	Cable	Public water supply well within one mile:	Yes N
Seismic ; # of Holes Other		Depth to bottom of fresh water:	
Other:			
It OMMON and well intermediate a 1 "		Surface Pipe by Alternate: I II	
If OWWO: old well information as follows	S.	Length of Surface Pipe Planned to be set:	
Operator:			
Well Name:		Projected Total Depth:	
Original Completion Date: Ori	iginal Total Depth:		
Nice eties at Deviete des Hericas tal coelle and	□ Vee □ Ne	Water Source for Drilling Operations:	
Directional, Deviated or Horizontal wellbore? f Yes, true vertical depth:	Yes No		
Bottom Hole Location:		DVVR Permit #.	
		(Note: Apply for a crimic with BWIT	
CC DKT #·			Yes No
CC DKT #:		Will Cores be taken?	
CC DKT #:		Will Cores be taken? If Yes, proposed zone:	
(CC DKT #:		Will Cores be taken?	
	Al	If Yes, proposed zone:	
The undersigned hereby affirms that the drillin	A l ng, completion and eventual p	If Yes, proposed zone:	
t is agreed that the following minimum require	Alng, completion and eventual perments will be met:	If Yes, proposed zone:	
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_ Agent: .

Side Two



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:							_ Loc	cation of W	/ell: Cour	nty:				
_ease:										fe	et from	N /	S Line	of Section
Well Number:	:									fe	et from	E /	W Line	of Section
Field:							Se	c	Twp	;	S. R		_ E _	W
Number of Ac							15 3	Section:	Regu	lar or	Irregular			
ZIK/QIK/QI	IK/QIK	or acreay	e											
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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 OIL & GAS CONSERVATION DIVISION

255447

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:	Pit is:				
Emergency Pit Burn Pit	Proposed	Existing	SecTwp R		
Settling Pit Drilling Pit	If Existing, date co	nstructed:	Feet from North / South Line of Section		
Workover Pit Haul-Off Pit	Pit capacity:		Feet from East / West Line of Section		
(If WP Supply API No. or Year Drilled)		(bbls)	County		
Is the pit located in a Sensitive Ground Water A	rea? Yes	No	Chloride concentration: mg/l		
To the processing in a content of country training			(For Emergency Pits and Settling Pits only)		
Is the bottom below ground level?	Artificial Liner? Yes N	No	How is the pit lined if a plastic liner is not used?		
			NAC data (for a)		
Pit dimensions (all but working pits):		,	Width (feet) N/A: Steel Pits No Pit		
If the pit is lined give a brief description of the li	om ground level to dee ner		dures for periodic maintenance and determining		
material, thickness and installation procedure.			cluding any special monitoring.		
Distance to nearest water well within one-mile	of pit:	Depth to shallo Source of inforr	west fresh water feet. nation:		
feet Depth of water well	feet	measured well owner electric log KDWR			
Emergency, Settling and Burn Pits ONLY:		Drilling, Workover and Haul-Off Pits ONLY:			
Producing Formation:		Type of material utilized in drilling/workover:			
Number of producing wells on lease:		Number of working pits to be utilized:			
Barrels of fluid produced daily:		Abandonment p	procedure:		
Does the slope from the tank battery allow all s flow into the pit? Yes No	pilled fluids to				
Submitted Electronically					
	KCC	OFFICE USE O	NLY		
			Liner Steel Pit RFAC RFAS		
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No		



Kansas Corporation Commission Oil & Gas Conservation Division

1255447

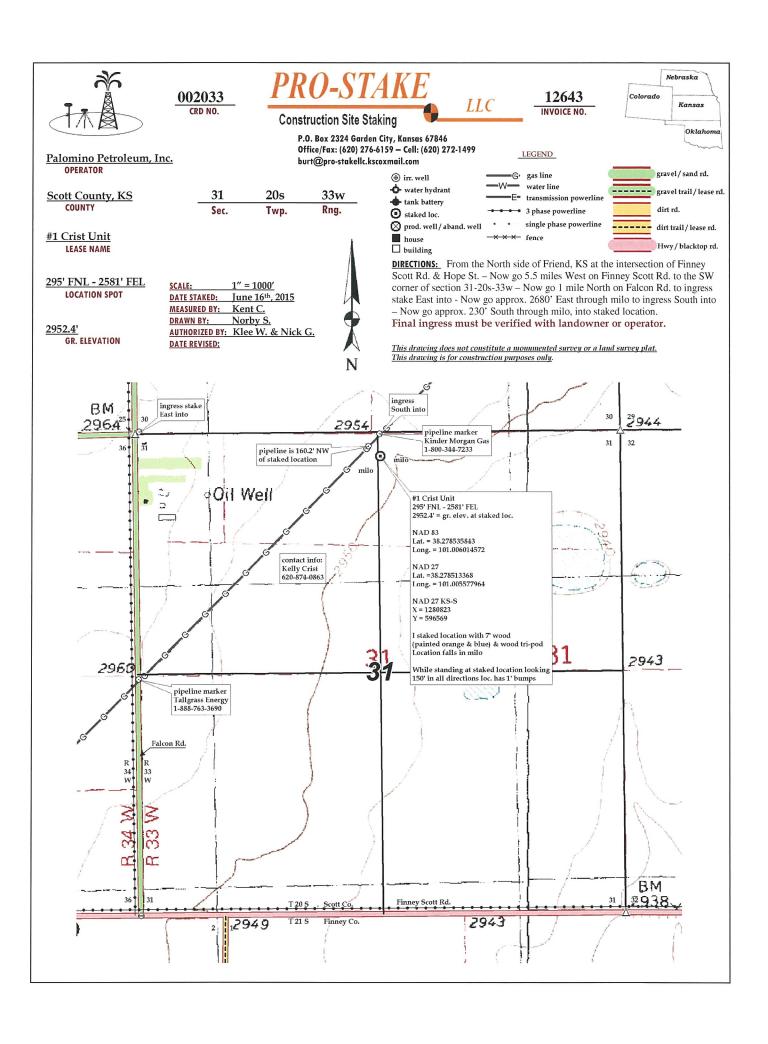
Form KSONA-1
January 2014
Form Must Be Typed
Form must be Signed
All blanks must be Filled

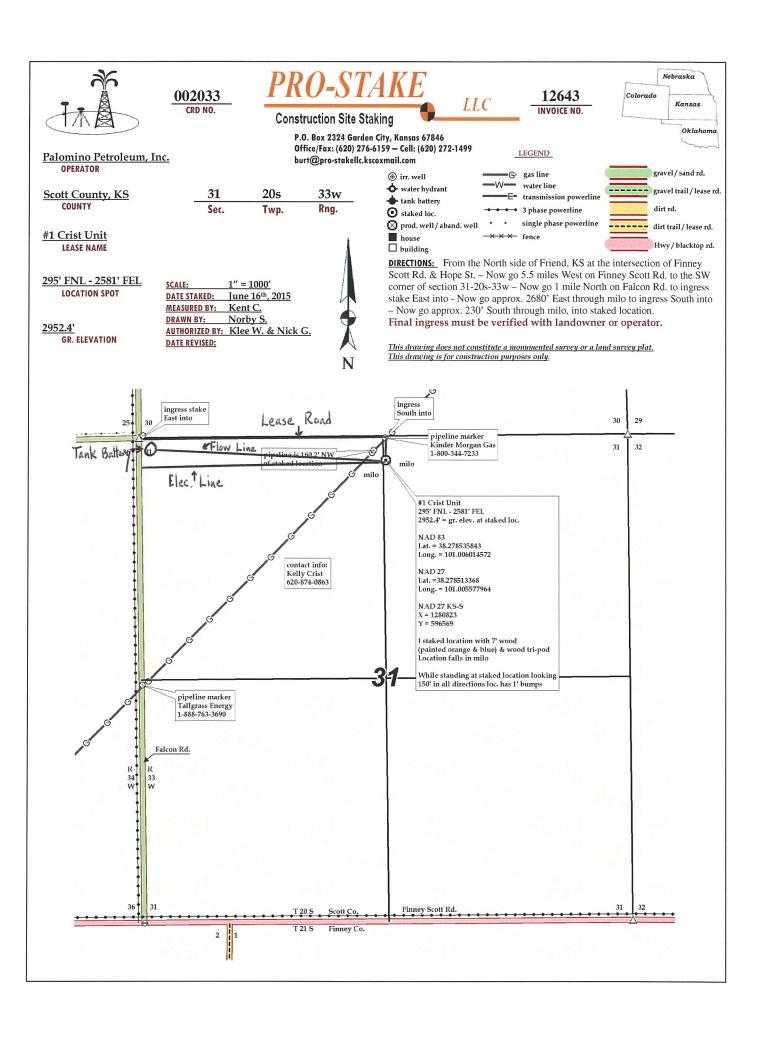
CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application).

Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: C-1 (Intent) CB-	-1 (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)				
OPERATOR: License #	_ Well Location:				
Name:					
Address 1:					
Address 2:	Lease Name: Well #:				
City: State: Zip:+	_ If filing a Form T-1 for multiple wells on a lease, enter the legal description or				
Contact Person:	the lease helow:				
Phone: () Fax: ()	_				
Email Address:	_				
Surface Owner Information:					
Name:	_ When filing a Form T-1 involving multiple surface owners, attach an additional				
Address 1:	sheet listing all of the information to the left for each surface owner. Surface				
Address 2:	county, and in the real estate property toy records of the county traceurer				
City:	_				
	thodic Protection Borehole Intent), you must supply the surface owners and				
	ank batteries, pipelines, and electrical lines. The locations shown on the plat d on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.				
Select one of the following:					
owner(s) of the land upon which the subject well is or will b	e Act (House Bill 2032), I have provided the following to the surface e located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form m being filed is a Form C-1 or Form CB-1, the plat(s) required by this x, and email address.				
KCC will be required to send this information to the surface	I acknowledge that, because I have not provided this information, the owner(s). To mitigate the additional cost of the KCC performing this ess of the surface owner by filling out the top section of this form and the KCC, which is enclosed with this form.				
If choosing the second option, submit payment of the \$30.00 handli form and the associated Form C-1, Form CB-1, Form T-1, or Form C	ing fee with this form. If the fee is not received with this form, the KSONA-1 CP-1 will be returned.				
Submitted Electronically					
I					





63U (Rev. 1993)

OIL AND GAS LEASE





AGREEMENT, Made and entered into the day	February	2013
Sondra Lou Crist Crook, a single person	ot	
and between		
12944 Travis Street Overland Park, KS	66209	
		hereinafter called Lessor (whether one or more),
Palomino Petroleum, Inc.		
		, hereinafter caller Lessec:
Lessor, in consideration of One and More here acknowledged and of the royalties herein provided and of the agree	· Dollars	(s One (\$1.00)) in hand paid, receipt of which
lessof, in consideration to the populates herein provided and of the agree investigating, exploring by geophysical and other means, prospecting natitunel products, injecting gas, water, other fluids, and air into subsure that the provided substitution of the products and things thereon to produce, save, take care of, treat, manufacture, proceducts manufactured therefrom, and housing and otherwise caring for i erein situated in County of Scott	ements of the lessee herein contained, hereby go drilling, mining and operating for and produci face strata, laying pipe lines, storing oil, building	rants, leases and lets exclusively unto lessee for the purpose ng oil, liquid hydrocarbons, all gases, and their respective tanks, power stations, telephone lines, and other structures the state of their respective constituent products and other
ownship 20 South, Range 33 West	Township 20 South, Range	e 34 West
Section 30: ALL Section 31: ALL	Section 25: N/2	
	Range and containing	1600 acres, more or less, and all
Section, Township, I retions thereto.	Range and containing . 3 (three)	and as long thereafter
Section, Township, trections thereto. Subject to the provisions herein contained, this lease shall remain oil, liquid hydrocarbons, gas or other respective constituent products, to	n in force for a term of years nor any of them, is produced from said land or lan	nd with which said land is pooled.
In consideration of the premises the said lessee covenants and at lst. To deliver to the credit of lessor, free of cost, in the pipe lir	grees: ne to which lessee may connect wells on said land	d, the equal one-eighth (%) part of all oil produced and saved
om the leased premises. 2nd. To pay lessor for gas of whatsoever nature or kind product the market price at the well. (but as to gas sold by lessee, in no ever	ced and sold, or used off the premises, or used in it more than one-eighth (%) of the proceeds recei	n the manufacture of any products therefrom, one-eighth (%), ived by lessee from such sales), for the gas sold, used off the
eaning of the preceding paragraph.		ze at a second of the second o
this lease or any extension thereof, the leasee shall have the	I'l stt if such well had been completed w	ithin the term of years first mentioned.
If said lessor owns a less interest in the above described land	whole and undivided fee.	mereni, men me repense
Lessee shall have the right to use, free of cost, gas, oil and water	produced on said land for lessee s operation the	reon, except water from the wells of lessor.
When requested by lessor, lessee shall bury lessee's pipe lines be No well shall be drilled nearer than 200 feet to the house or barr	now on said premises without written consent o	of lessor.
Lessee shall pay for damages caused by lessee's operations to gr Lessee shall have the right at any time to remove all machinery		the right to draw and remove casing.
If the estate of either party hereto is assigned, and the privil ceutors, administrators, successors or assigns, but no change in the see has been furnished with a written transfer or assignment or a tr	ege of assigning in whole or in part is express cownership of the land or assignment of renta ue copy thereof. In case lessee assigns this lease,	ls or royalties shall be binding on the lessee until after the in whole or in part, lessee shall be relieved of all obligations.
Lessee may at any time execute and deliver to lessor or place	of record a release or releases covering any por	tion or portions of the above described premises and thereby
All express or implied covenants of this lease shall be subject t whole or in part, nor lessee held liable in damages, for failure to con	o all Federal and State Laws, Executive Orders, apply therewith, if compliance is prevented by, or	
Lessor hereby warrants and agrees to defend the title to the lam ny mortgages, taxes or other liens on the above described lands, in the gned lessors, for themselves and their heirs, successors and assigns,	hereby surrender and release all right of dowe	r and homestead in the premises described netern, in as
Lessee, at its option, is hereby given the right and power to po mmediate vicinity thereof, when in lessee's judgment it is necessary	ol or combine the acreage covered by this lease or advisable to do so in order to properly de be produced from said premises, such pooling to	or any portion thereof with other land, lease or leases in the velop and operate said lease premises so as to promote the best of tracts contiguous to one another and to be into a unit of the land o
onservation of oil, gas to dute initiate as the constraint of an oil well, or into record in the conveyance records of the county in which the land he sooled into a tract or unit shall be treated, for all purposes except the ound on the pooled acreage, it shall be treated as if production is had oyalties elsewhere herein specified, lessor shall receive on production laced in the unit or his royalty interest therein on an acreage basis ber	rein leased is situated an instrument identifying payment of royalties on production from the pofrom this lease, whether the well or wells be located to the position of	ng and describing the popular actually and describing the production is toted on the premises covered by this lease or not. In lieu of the propagity stipulated herein as the amount of his acreage
This lease is subject to attached 4 page Addendum o	lated February 12, 2013 between Le	essor and Lessee.
	and the little	STATE OF KANSAS, SCOTT COUNTY, SS
	TER OF THE	This instrument was filed for record on the
		day of Thinkel A.U. action of the control of the co
		259, page 106 de
	William William Control	\$ 2800 Register of Deeds
()		COMPUTERds
IN WITNESS WHEREOF, the indersigned execute this instrur	nent as of the day and year first above written.	NUMERICAL ON
Dondra Doubles I	rook	
Sondra Lou Crist Crook		

HORK 259 PAGE 106

STATE OF Kansas COUNTY OF JUHUSAN	ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkÇoNe)
he foregoing instrument was acknowl	ledged before me this 6 TH day of MYRCIT 2013
Sondra Lou Crist Crook, a single p	person and
	Hall Box
My commission expires <u>まけんり</u>	JACOB L. BYERS Notary Public State of Kansas My Appt. Expires 70/244
TATE OF	
COUNTY OF	ledged before me this day of,
he foregoing instrument was acknown	and
Ay commission expires	
	Notary Public
TATE OF	ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
OUNTY OF	ledged before me this day of,
у	and
My commission expires	N. I. B. Lika
	Notary Public
TATE OF	ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
OUNTY OF	ledged before me this day of,
у	and
Ay commission expires	Notary Public
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OIL AND GA	rection Twp
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	Section - Section - No. of Ac County - This day of - at in Book the reco
01	
STATE OF	ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)
COUNTY OF was acknow	ledged before me this day of,
The foregoing instrument was acknown	
forporation, on behalf of the corporati	a
orporation, on benaif of the corporation Ay commission expires	
ary commission capitos	Notary Public

ADDENDUM to Oil and Gas Lease, dated February 12, 2013, by and between

SONDRA LOU CRIST CROOK

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY**, **KANSAS**, and containing <u>1,600</u> acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute
a separate lease agreement with respect to each of the following described tracts in Scott
County, Kansas:

Tract No.	Legal Description	Gross <u>Acres</u>	Net <u>Acres</u>
Tract 1 Tract 2 Tract 3 Tract 4 Tract 5 Tract 6 Tract 7 Tract 8	Township 20 South, Range 33 West Section 30: NW¼ Section 30: NE¼ Section 30: SE¼ Section 30: SW¼ Section 31: NW¼ Section 31: NE¼ Section 31: SE¼ Section 31: SE¼	160 160 160 160 160 160 160	80 80 80 80 80 80 80
Tract 9 Tract 10 TOTALS	Township 20 South, Range 34 West Section 25: NW1/4 Section 25: NE1/4	160 <u>160</u> <u>1.600</u>	80 <u>80</u> 800

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
- ROYALTY. It is agreed by the Lessor and Lessee that where the term "1/8th" appears in the Lease, it should read "3/16" in each case.
- 4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

- 5. <u>USE OF WATER BY LESSEE.</u> The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
- FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.
- RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- 8. <u>TERMINATION.</u> Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with
 the operation and development of the leased premises, Lessee will follow the rules and
 regulations of the appropriate State or Federal Governmental Agency to protect all fresh water
 strata and the surface from pollution by salt water and other refuse.
- 10. <u>SALT WATER DISPOSAL</u>. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- 11. <u>ABSTRACT CHARGES.</u> Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
- 12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

13. DAMAGES.

- (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

- 14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
 - (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

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

- 15. <u>LIMITATION ON SHUT-IN ROYALTY.</u> If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 16. No Seismograph Testing. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
- 17. <u>Unitization and Pooling.</u> Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
- 18. <u>SECONDARY RECOVERY OPERATIONS.</u> Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.

ADDENDUM Page 3 of 4 SONDRA LOU CRIST CROOK/LESSOR PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

- 19. <u>SEPARATE ZONES.</u> It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
- 20. <u>CRP Provisions.</u> The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
- 21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
- 22. <u>BINDING EFFECT.</u> This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the date first set forth above.

SONDRA LOLL CRIST CROOK

CHOOSE FUM TO ARE A SECOND

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63U (Rev. 1993)

OIL AND GAS LEASE



AGREE	MENT, Made and entered into the	th ———day of .	February		2013
by and between	Cari Pemberton (f/k/a Cari (Crook Salgado),	a married woman dealing i	in her sole and separate pro	perty
-	and never having lived in Ka	nsas during her	married life .		
***************************************	7393 Prythania Park Drive	Colorado Sprin	gs, Colorado 80923		
whose mailing a	ddress is			hereinafter called	Lessor (whether one or more),
	no Petroleum, Inc.				
					, hereinafter caller Lessee:
Lessor, in	consideration of One and More	 		Dollars (\$_One (\$1.00))	in hand paid, receipt of which
of investigating, constituent produ and things thereo products manufa	dged and of the royalties herein provide exploring by geophysical and other mucis, injecting gas, water, other fluids, a not produce, save, take care of, freat, in ctured therefrom, and housing and other in County of SCOtt	eans, prospecting dri nd air into subsurface nanufacture, process, s	lling, mining and operating for and strata, laying pipe lines, storing oil, tore and transport said oil, liquid hy-	producing oil, liquid hydrocarbons, building tanks, power stations, teleph drocarbons, gases and their respective	all gases, and their respective one lines, and other structures constituent products and other
	20 South, Range 33	West	Township 20 Sour	th, Range 34 West	
Section 3		11001	Section 25: N/2	in, range or vioa	
Section 3					
In Section	Township	Rang	e and cont	1600	acres, more or less, and all
accretions theret	- the manisians bearin contained this	lease shall vernein in	force for a term of 3 (three)	years from this date (called "primary	term"), and as long thereafter
In consid	teration of the premises the said lessee	covenants and agrees			
from the leased t	deliver to the credit of lessor, free of coremises.				
at the market pr premises, or in t as royalty One l	pay lessor for gas of whatsoever natu ice at the well, (but, as to gas sold by he manufacture of products therefrom, Dollar (\$1.00) per year per net mineral	essee, in no event mo	re than one-eighth (%) of the proce	well producing was only is not sold or	used lessee may pay or tender
This lease of this lease or s	receding paragraph. se may be maintained during the prim any extension thereof, the lessee shall h quantities, this lease shall continus and	ave the right to drill I be in force with like	effect as if such well had been comp	pleted within the term of years first me	entioned.
If said lessor or	essor owns a less interest in the above	described land than rest bears to the who	the entire and undivided fee simple and undivided fee.	le estate therein, then the royalties he	rein provided for shall be paid
Lessee al	hall have the right to use, free of cost, g quested by lessor, lessee shall bury less	as, oil and water proc	luced on said land for lessee's opera	tion thereon, except water from the we	ells of lessor.
No well	shall be drilled nearer than 200 feet to t	he house or barn now	on said premises without written c	onsent of lessor.	
T arres el	hall pay for damages caused by lessee's hall have the right at any time to remo	ve all machinery and	fixtures placed on said premises, in-	cluding the right to draw and remove	casing.
If the es executors, admir lessee has been i	tate of either party hereto is assigned sistrators, successors or assigns, but r furnished with a written transfer or as-	l, and the privilege of the change in the own signment or a true co	f assigning in whole or in part is ership of the land or assignment py thereof. In case lessee assigns the c of assignment.	expressly allowed, the covenants her of rentals or royalties shall be bindin is lease, in whole or in part, lessee sho	eof shall extend to their neirs, g on the lessee until after the ill be relieved of all obligations
Lessee m	ay at any time execute and deliver to	lessor or place of received of all oblig-	ord a release or releases covering	-	
All expre	ess or implied covenants of this lease s art, nor lessee held liable in damages,		D. I I J Ct. t. Y Personting	Orders Pulse or Regulations and this	s lease shall not be terminated, , any such Law, Order, Rule or
any mortgages, t	ereby warrants and agrees to defend th taxes or other liens on the above descr or themselves and their heirs, successor	bed lands, in the eve	ov surrender and release all right	of dower and homestead in the premi	o redeem for lessor, by psyment holder thereof, and the under- ses described herein, in so far
Lessee, s immediate vicini conservation of or units not exce record in the co- pooled into a tra- found on the pool	ower and homestead may in any way it its option, is hereby given the right ity thereof, when in leasee's judgmen oil, gas or other minerals in and unde edding 40 acres each in the event of a neveyance records of the county in who to run it shall be treated, for all purjeled acreage, it shall be treated as if prere herein specified, leasor shall receive herein specified, leasor shall receive.	and power to pool or tit is necessary or a r and that may be pr a oil well, or into a un ich the land herein looses except the paym duction is had from	combine the acreage covered by this dvisable to do so in order to propoduced from said premises, such po- til or units not exceeding 640 acress eased is situated an instrument id- tent of royalties on production from this lease, whether the well or wells we a unit so pooled only such por	is lease or any portion thereof with of cerly develop and operate said lease oling to be of tracts contiguous to on- each in the event of a gas well. Less lentifying and describing the pooled of the pooled unit, as if it were include be located on the premises covered by tion of the royalty stipulated herein	another and to be into a unit see shall execute in writing and acreage. The entire acreage so d in this lease. If production is this lease or not. In lieu of the
placed in the uni	t or his royalty interest therein on an s	creage dasis dears to	the total acreage so posted in one p		
This lease is	subject to attached 4 page A	Addendum dated	February 12, 2013 betwe		T COUNTY OF
				STATE OF KANSAS, SCOT This instrument was t	
			M Soul	$\frac{22}{4}$ day of $\frac{22}{4}$	and duly recorded in book
Santitas Are	redits i Alan sil berrillar Alberdlan Alberdlar Alberdlar	hardberg.	N. M.	259 pa	ge ///
	Menter Colorade Menter Public State of Colorade		A LANGUAGE AND A STATE OF THE PARTY OF THE P	Neulie 4	Nuply de Register of Deeds
Arragen span	and the same of the same of	mark			de
IN WITT	WESS WHEREOF, the undersigned exe	cute this instrument a	s of the day and year first above w	ritten.	NUMERICAL
Carl	Sometion				
Cari Pembe	erton				

STATE OF Colorado			DOMENT FOR INDI	MDHAL W-OLGALA	
COUNTY OF	Pa 50	efore me this 5th	EDGMENT FOR INDIV	/IDUAL (KSORÇONE)	2013
by Cari Pemberton (f/	/k/a Cari Crook Salgad	o), a married woman dea	ling in her sole and	separate property and n	ever
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		- 2013		Notary Public	
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My commission expires .				Notary Public	
OIL AND GAS LEASE	TO	Bate Twp Rge No. of Acres Term Term	STATE OF County This instrument was filed for record on the day of	in Book orlockM. and duly recorded in Book Page of the records of this office. Register of Deeds.	When recorded, return to
STATE OF		ACKNOWLE	DGMENT FOR CORPO	ORATION (KsOkCoNe)	
The foregoing instrument	was acknowledged be	fore me this d	ay of		
of corporation, on behalf of t	the corporation.	a			
My commission expires _				Notani Bublia	

ADDENDUM to Oil and Gas Lease, dated February 12, 2013, by and between

CARI PEMBERTON

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the property described in paragraph 1 below, located in SCOTT COUNTY, KANSAS, and containing <u>1,600</u> acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute
a separate lease agreement with respect to each of the following described tracts in Scott
County, Kansas:

Tract No.	Legal Description	Gross <u>Acres</u>	Net <u>Acres</u>
	Township 20 South, Range 33 West		
Tract 1	Section 30: NW1/4	160	20
Tract 2	Section 30: NE1/4	160	20
Tract 3	Section 30: SE1/4	160	20
Tract 4	Section 30: SW1/4	160	20
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	Township 20 South, Range 34 West		
Tract 9	Section 25: NW1/4	160	20
Tract 10	Section 25: NE1/4	<u>160</u>	<u>20</u>
TOTALS		<u>1.600</u>	<u>200</u>

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
- 3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "1/8th" appears in the Lease, it should read "3/16" in each case.
 - 4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.

CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM- SCOTT COUNTY, KANSAS

PAGE 2

- 5. <u>USE OF WATER BY LESSEE.</u> The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
- FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.
- 7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- 8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- 9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
- 10. <u>SALT WATER DISPOSAL.</u> The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
- 12. No Warranty of Title. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

13. DAMAGES.

- (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

- 14. <u>INDEMNIFICATION.</u> Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
 - (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

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

- 15. <u>LIMITATION ON SHUT-IN ROYALTY.</u> If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 16. No SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
- 17. <u>Unitization and Pooling.</u> Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
- 18. <u>SECONDARY RECOVERY OPERATIONS.</u> Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.

CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM-SCOTT COUNTY, KANSAS

PAGE 4

- 19. <u>SEPARATE ZONES.</u> It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
- 20. <u>CRP PROVISIONS.</u> The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
- 21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
- 22. <u>BINDING EFFECT.</u> This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned has signed this Addendum effective the date first set forth above.

THOUSE MEAN CONSIDERATE TANDONS

CADIDEMBERTON

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OIL AND GAS LEASE

Reorder No. 09-115 Kansas Blue Pri 700 S. Broadway P0 Box 70 Wichia, X 50 720-10703 316-264-9244-264-5165 fac

Kelly J. Crist and Lisa Crist, husband and wife		
1315 Elizabeth Scott City, KS 67871		
ose mailing address is		hereinafter called Lessor (whether one or more
Palomino Petroleum, Inc.		
		, hereinafter caller Lesse
Lessor, in consideration of One and More ere acknowledged and of the royalities herein provided and of the agreements of the nvestigating, exploring by geophysical and other means, prospecting drilling, mini stituent produces, injecting gazs, water, other fluids, and air into subsurface strats, lay things thereon to produce, save, take care of, treat, manufacture, process, store and to ducts manufactured therefrom, and housing and otherwise caring for its employees, rein situated in County of Scott	lessee herein contained, hereby g ing and operating for and produc- ing pipe lines, storing oil, building	sing oil, liquid hydrocarbons, all gases, and their respective granks, power stations, telephone lines, and other structure ones gases and their respective constituent products and other
ownship 20 South, Range 33 West Tow	nship 20 South, R	ange 34 West
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ection 31: ALL		
		1760 acres, more or less, and s
Section, Township, Range retions thereto.	3 (three)	
retions thereto. Subject to the provisions herein contained, this lease shall remain in force for a sil, liquid hydrocarbons, gas or other respective constituent products, or any of them In consideration of the premises the said leasee covenants and agrees:		
1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lesson the leased premises.		
2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, o he market price at the well, (but, as to gas sold by lessee, in no event more than o mises, or in the manufacture of products therefrom, said payments to be made mon royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and i	ne-eighth (%) of the proceeds rece	lucing gas only is not sold or used, lessee may pay or tend
aning of the preceding paragraph. This lease may be maintained during the primary term hereof without furthe his lease or any extension thereof, the leasee shall have the right to drill such well had in paying quantities, this lease shall continue and be in force with like effect as i	f such well had been completed w	rithin the term of years first mentioned.
If said lessor owns a less interest in the above described land than the entire said lessor only in the proportion which lessor's interest bears to the whole and under the control of the control of the whole and under the control of the control o	nvided iee.	
Lessee shall have the right to use, free of cost, gas, oil and water produced on s. When requested by lessor, lessee shall bury lessee's pipe lines below plow depth		ereon, except water from the wells of lessor.
No well shall be drilled nearer than 200 feet to the house or barn now on said p	remises without written consent of	of lessor.
Lessee shall pay for damages caused by lessee's operations to growing crops on Lessee shall have the right at any time to remove all machinery and fixtures pl If the estate of either party hereto is assigned, and the privilege of assignir cutors, administrators, successors or assigns, but no change in the ownership of ee has been furnished with a written transfer or assignment or a true copy thereof	aced on said premises, including in whole or in part is express	ly allowed, the covenants hereof shall extend to their hen
h respect to the assigned portion or portions arising subsequent to the date of assign Lessee may at any time execute and deliver to lessor or place of record a rele		
render this lease as to such portion or portions and be relieved of all obligations as £ All express or implied covenants of this lease shall be subject to all Federal as whole or in part, nor leasec held liable in damages, for failure to comply therewith,	o the acreage surrendered.	Pulse or Regulations and this lease shall not be terminate
culation. Lessor hereby warrants and agrees to defend the title to the lands herein descript mortgages, taxes or other liens on the above described lands, in the event of default of the control of the	bed, and agrees that the lessee shi ult of payment by lessor, and be der and release all right of dowe	all have the right at any time to redeem for lessor, by payme subrogated to the rights of the holder thereof, and the under and homestead in the premises described herein, in so f
usid right of dower and homestead may in any way affect the purposes for which the Lessee, at its option, is hereby given the right and power to pool or combine the nediate vicinity thereof, when in leasee's judgment it is necessary or advisable is servation of oil, gas or other minerals in and under and that may be produced for units not exceeding 40 acres each in the event of an oil well, or into a unit or unit of in the conveyance records of the county in which the land herein leased is a led into a tract or unit shall be treated, for all purposes except the payment of roy and on the pooled acreage, it shall be treated as if production is had from this lease, alties elsewhere herein specified, leasor shall receive on production from a unit ced in the unit or his royalty interest therein on an acreage basis bears to the total a	he acreage covered by this lease to do so in order to properly de- ms aid premises, such pooling to s not exceeding 640 acres each in situated an instrument identifyin ralties on production from the po- whether the well or wells be loca-	or any portion thereof with other land, lease or leases in the velop and operate said lease premises so as to promote it be of tracts contiguous to one another and to be into a urable the vent of a gas well. Lessee shall execute in writing a ug and describing the pooled acreage. The entire acreage old unit, as if it were included in this lease. If production ted on the premises covered by this lease or not. In lieu of the rovality stipulated herein as the amount of his acrea
is lease is subject to attached 4 page Addendum dated Februa	ary 12, 2013 between Le	
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elly J. Crist /	Lisa Crist	

BOOK 259 PAGE 109 (PAGE 2 OF 6)

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ADDENDUM to Oil and Gas Lease, dated February 12, 2013, by and between

KELLY J. CRIST and LISA CRIST, husband and wife

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY**, **KANSAS**, and containing <u>1,760</u> acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

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TOTALS		<u>1.760</u>	<u>360</u>

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KELLY J. CRIST AND LISA CRIST/LESSOR PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

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- 12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

13. DAMAGES.

- (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

- 14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
 - (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

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

- 15. <u>LIMITATION ON SHUT-IN ROYALTY.</u> If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 16. No Seismograph Testing. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
- 17. <u>Unitization and Pooling.</u> Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
- 18. <u>SECONDARY RECOVERY OPERATIONS.</u> Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.

ADDENDUM Page 3 of 4 KELLY J. CRIST AND LISA CRIST/LESSOR PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

- 19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
- 20. <u>CRP Provisions.</u> The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
- 21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
- 22. <u>BINDING EFFECT.</u> This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the date first set forth above.

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KELLY J. CRIST/

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63U (Rev. 1993)



OIL AND GAS LEASE				
AGREE	MENT, Made and entered into thed	February		2013
by and between	Jeffrey B. Crist (a/k/a Jeff B. Crist) and		wife	
				ž
	2408 Casey's Drive Garden City, KS 6	37846		
whose mailing a	ddress is		hereinafte	r called Lessor (whether one or more),
	no Petroleum, Inc.	•		
				, hereinafter caller Lessee:
constituent products and things thereo	o consideration of One and More diged and of the royalties herein provided and of the age exploring by geophysical and other means, prospective ucts, injecting gast, water, other fluids, and alt into subson to produce, save, take care of, treat, manufacture, procured therefrom, and housing and otherwise caring for in County of Scott	orface strata, laying pipe lines, storing occass, store and transport said oil, liquid	oil, building tanks, power stations, hydrocarbons, gases and their resp	telephone lines, and other structures pective constituent products and other
Township	o 20 South, Range 33 West		uth, Range 34 West	e 4
Section 3		Section 25: N/2		
Section 3	31: ALL			
In Section	Township	Range, and c	containing 1600	acres, more or less, and all
accretions theret	a the musciaisms begain contained this lease shall yame	in in force for a term of 3 (three)	years from this date (called "p	erimary term"). and as long thereafter
as oil, liquid hyd In consid	forcerbons, gas or other respective constituent products deration of the premises the said lessee covenants and deliver to the credit of lessor, free of cost, in the pipe l	, or any of them, is produced from said agrees:	l land or land with which said land	d is pooled.
from the leased ;	premises.	and and and ar used off the premise	a or used in the manufacture of ar	ny products therefrom, one-eighth (%),
at the market pr premises, or in t as royalty One I meaning of the r	ice at the well, (but, as to gas sold by lessee, in no even the manufacture of products therefrom, said payments Dollar (\$1.00) per year per net mineral acre retained by preceding paragraph.	int more than one-eighth (%) of the pr to be made monthly. Where gas from sereunder, and if such payment or ten	a well producing gas only is not s der is made it will be considered t	sold or used, lessee may pay or tender that gas is being produced within the
of this lease or a found in paying	se may be maintained during the primary term hereo any extension thereof, the lessee shall have the right to quantities, this lesse shall continue and be in force to sesor owns a less interest in the above described land	h like effect as if such well had been contains the entire and undivided fee si	ompleted within the term of years	first mentioned.
the said lessor of	oly in the proportion which lessor's interest bears to the hall have the right to use, free of cost, gas, oil and wate	e whole and undivided lee.		
When re-	quested by lessor, lessee shall bury lessee's pipe lines b	elow plow depth.		
	shall be drilled nearer than 200 feet to the house or bar hall pay for damages caused by lessee's operations to g		n consent of lessor.	
Lessee si If the es executors, admir lessee has been i	hall have the right at any time to remove all machiner, tate of either party hereto is assigned, and the privi sistrators, successors or assigns, but no change in the furnished with a written transfer or assignment or a to be assigned portion or portions arising subsequent to the	y and fixtures placed on said premises, lege of assigning in whole or in part e ownership of the land or assignme rue copy thereof. In case lessee assign te date of assignment.	t is expressly allowed, the covenan ent of rentals or royalties shall be a this lease, in whole or in part, less	nts hereof shall extend to their neirs, binding on the lessee until after the see shall be relieved of all obligations
Leagee m	nay at any time execute and deliver to lessor or place age as to such portion or portions and be relieved of all	of record a release or releases covering	ng any portion or portions of the sered.	above described premises and thereby
All expression whole or in pa	ess or implied covenants of this lease shall be subject art, nor lessee held liable in damages, for failure to co	to all Federal and State Laws, Execut nply therewith, if compliance is preve	tive Orders, Rules or Regulations, a ented by, or if such failure is the re	
Lessor h any mortgages,	ereby warrants and agrees to defend the title to the lar taxes or other liens on the above described lands, in the or themselves and their heirs, successors and assigns	he event of default of payment by less hereby surrender and release all rig	ht of dower and homestead in the	time to redeem for lessor, by payment s of the holder thereof, and the under- premises described herein, in so far
Lessee, rimmediate vicin conservation of or units not excretord in the copooled into a trafound on the population already	lower and homestead may in any way affect the purpose at its option, is hereby given the right and power to prity thereof, when in lessee's judgment it is necessary oil, gas or other minerals in and under and that may seeding 40 acres each in the event of an oil well, or in nveyance records of the county in which the land hact or unit shall be treated, for all purposes except the old acreage, it shall be treated as if production is had ere herein specified, lessor shall receive on producti to rhis royalty interest therein on an acreage basis be	ool or combine the acreage covered by y or advisable to do so in order to p be produced from said premises, such o a unit or units not exceeding 640 ac retin leased is situated an instrumen payment of royalties on production f from this lease, whether the well or w on from a unit so pooled only such	this lease or any portion thereof voroperly develop and operate said a pooling to be of tracts contiguous reseach in the event of a gas welt identifying and describing the from the pooled unit, as if it were itells be located on the premises cover portion of the royalty stipulated.	s to one another and to be into a unit il. Lessee shall execute in writing and pooled acreage. The entire acreage so included in this lease. If production is ered by this lease or not. In lieu of the
This lease is	s subject to attached 4 page Addendum o	lated February 12, 2013 bet	ween Lessor and Lessee.	
				AS, SCOTT COUNTY, SS
		MINIMUM OF STATE	This instrumer	nt was filed for record on the
			10 0'clor	ck A.M., and duly recorded in book
		M Seal of	-859	page 110
		*	Neldelle 280	Register of Deeds
		Control of the state of the sta	9 - 511	COMPLITE
IN WIT	NESS WHEREOF, the undersigned execute this instru-	cent as of the day and year first above	e written.	NUMERICAL
Witnesses:	11/13/4	16/11.12	Va A Prist	
1." 5	1/ 0(00/)	Daltas A. C	rist Man	
Jeffrey B. C	NIGI .			
	1 (/			

STATE OF Kansas ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkÇoNe) COUNTY OF FIRMEY The foregoing instrument was acknowledged before me this 7th.
hy Jeffrey B. Crist (a/k/a Jeff B. Crist) Mark and Dallas A. Crist, husband and wife My commission expires Notary Public STATE OF _ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe) COUNTY OF . The foregoing instrument was acknowledged before me this _____ day of __ My commission expires _ Notary Public STATE OF _ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe) COUNTY OF _ The foregoing instrument was acknowledged before me this ___ by __ My commission expires ____ Notary Public STATE OF _ ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe) COUNTY OF . The foregoing instrument was acknowledged before me this ____ My commission expires _ Notary Public Register of Deeds This instrument was filled for record on the OIL AND GAS LEASE M., and duly Rge. return to records of this office. When recorded. STATE OF County day of STATE OF . ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe) COUNTY OF _ The foregoing instrument was acknowledged before me this ____

Notary Public

corporation, on behalf of the corporation.

My commission expires ___

ADDENDUM to Oil and Gas Lease, dated February 12, 2013, by and between

JEFFREY B. CRIST (a/k/a JEFF B. CRIST) and DALLAS A. CRIST, husband and wife

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the property described in paragraph 1 below, located in SCOTT COUNTY, KANSAS, and containing 1,600 acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute
a separate lease agreement with respect to each of the following described tracts in Scott
County, Kansas:

Tract No.	Legal Description	Gross <u>Acres</u>	Net <u>Acres</u>
Tract 1 Tract 2 Tract 3 Tract 4 Tract 5 Tract 6 Tract 7 Tract 8	Township 20 South, Range 33 West Section 30: NW¼ Section 30: NE¼ Section 30: SE¼ Section 30: SW¼ Section 31: NW¼ Section 31: NE¼ Section 31: SE¼ Section 31: SE¼	160 160 160 160 160 160 160	20 20 20 20 20 20 20 20 20
Tract 9 Tract 10 TOTALS	Township 20 South, Range 34 West Section 25: NW1/4 Section 25: NE1/4	160 <u>160</u> <u>1,600</u>	20 <u>20</u> 200

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
- ROYALTY. It is agreed by the Lessor and Lessee that where the term "1/8th" appears in the Lease, it should read "3/16" in each case.
- 4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.

JEFFREY B. CRIST (A/K/A JEFF B. CRIST) AND DALLAS A. CRIST/LESSOR PALOMINO PETROLEUM, INC./LESSEE

Oil and Gas Lease Addendum - Scott County, Kansas

PAGE 2

- 5. <u>USE OF WATER BY LESSEE.</u> The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
- 6. <u>FENCING AND CATTLE GUARDS.</u> Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.
- 7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- 8. <u>TERMINATION.</u> Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- 9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
- 10. <u>SALT WATER DISPOSAL.</u> The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- 11. <u>ABSTRACT CHARGES.</u> Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
- 12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

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- (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

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 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
 - (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

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

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ADDENDUM Page 3 of 4 JEFFREY B. CRIST (A/K/A JEFF B. CRIST) AND DALLAS A. CRIST/LESSOR PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

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IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the date first set forth above.

ONIGINAL CONFENSION LAWISH

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63U (Rev. 1993)

OIL AND GAS LEASE



12th	February	2013
AGREEMENT, Made and entered into the day of CROWN C #1, LLC, an Arizona limited liab	oility company, by E and C Operations Limited Partnership,	an Arizona limited
by and between partnership, its Manager, by Marc B. Robbins and Star	ce L. Robbins, Co-Trustees of AMS Trust I, Manager of Slic	e O' Life, LLC, an
Arizona limited liability company, General Partner		
7520 North 1st Street Phoenix, AZ 85020)	
whose mailing address is	hereinafter called Les	sor (whether one or more),
Palomino Petroleum, Inc.		
	•	, hereinafter caller Lessee:
Lessor, in consideration of One and More	Dollars (5 One (\$1.00)) in h	and paid, receipt of which
Is note acknowledged and of the Openhalist and other means, prospecting of of investigating, exploring by geophysical and other means, prospecting of constituent products, injecting gas, water, other fluids, and air into subsurfar and things thereon to produce, save, take care of, treat, manufacture, process products manufactured therefrom, and housing and otherwise caring for its	ments of the lessee herein contained, hereby grants, leases and lets exclusively u lifilling, mining and operating for and producing oil, liquid hydrocarbons, all g ce strata, laying pipe lines, storing oil, building tanks, power stations, telephone s, store and transport said oil, liquid hydrocarbons, gases and their respective come employees, the following described land, together with any reversionary rights a State of Kansas	lines, and other structures
therein situated in County of Scott		
Township 20 South, Range 33 West	Township 20 South, Range 34 West Section 25: N/2	
Section 30: ALL	Section 25. N/2	
Section 31: ALL		
	1600	
In Section rownship	nge and containing	acres, more or less, and all
	in force for a term of 3 (three) years from this date (called "primary term any of them, is produced from said land or land with which said land is pooled.	
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 (%) part or	
at the market price at the well, (but, as to gas sold by lessee, in no event	i and sold, or used off the premises, or used in the manufacture of any products more than one-eighth (%) of the proceeds received by lessee from such sales), fo be made monthly. Where gas from a well producing gas only is not sold or used under, and if such payment or tender is made it will be considered that gas is	lessee may pay or tender
This lease may be maintained during the primary term hereof w	ithout further payment or drilling operations. If the lessee shall commence to determine the state of the sta	drill a well within the term r gas, or either of them, be
found in paying quantities, this lease shall continue and be in lotte with it	on the entire and undivided fee simple estate therein, then the royalties herein	provided for shall be paid
	hale and undivided fee. roduced on said land for lessee's operation thereon, except water from the wells	
When requested by lessor lessee shall bury lessee's pipe lines below	w plow depth.	
No well shall be drilled nearer than 200 feet to the house or barn n Lessee shall pay for damages caused by lessee's operations to grow	ving crops on said land.	
Lessee shall have the right at any time to remove all machinery at If the estate of either party hereto is assigned, and the privileg executors, administrators, successors or assigns, but no change in the o	nd fixtures placed on said premises, including the right to that with the coordinate of a signification of the land or assignment of rentals or royalties shall be binding of copy thereof. In case leasee assigns this lease, in whole or in part, lessee shall to copy thereof.	on the leasee until after the
with respect to the assigned portion or portions arising subsequent to the	record a release or releases covering any portion or portions of the above desc	ribed premises and thereby
surrender this lease as to such portion or portions and be relieved of all ob-	nganone as to the second this le	use shall not be terminated.
in whole or in part, nor lessee neid liable in damages, for failure to comp	ij there in, i	
any mortgages, taxes or other hers on the above described lands, in the signed lessors, for themselves and their heirs, successors and assigns, h	herein described, and agrees that the lessee shall have the right at any time to re event of default of payment by lessor, and be subrogated to the rights of the he ereby surrender and release all right of dower and homestead in the premises for which this lesse is made, as recited herein.	described herein, in no lar
Lesse, at its option, is hereby given the right and power to pool immediate vicinity thereof, when in lessee's judgment it is necessary of conservation of oil, gas or other minerals in and under and that may be or units not exceeding 40 acres each in the event of an oil well, or into a record in the conveyance records of the county in which the land here conveyance are not account of the conveyance records of the county in which the land here could into a tract or unit shall be treated, for all purposes except, the present of the county in the conveyance records of the county in which the land here the county in the conveyance records of the county in which the land here the county in the coun	or combine the acreage covered by this tesses of any polyments and leans pre- or advisable to do so in order to properly develop and operate said leans pre- produced from said premises, such pooling to be of tracts contiguous to one as unit or units not exceeding 640 acres seach in the event of a gas well. Lesses in lessed is situated an instrument identifying and describing the pooled acr ayment of royalties on production from the pooled unit, as if it were included it om this leans, whether the well or wells be located on the premises covered by the manufacture of the production of the royalty stipulated herein as	shall execute in writing and reage. The entire acreage so this lease. If production is is lease or not. In lieu of the
This lease is subject to attached 4 page Addendum da		
	O'clock Q M., and duly reconstruction page	
IN WITNESS WHEREOF, the undersigned execute this instrume	ent as of the day and year first above written.	NUMERICAL
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Malc B. Robbins, Co-Trustee AMS Trust I	State E. Robbins, 66 Tracto Amb Tract	

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		Charch Stocal D	obbins Co-Trustee
ne foregoing instrument was acknowledged before Marc B. Robbins, Co-Trustee AMS Trust I MS Trust I		and State E. R	ODDINS, OF Trustee
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ly commission expires		Note	ary Public

ADDENDUM to Oil and Gas Lease, dated February 12, 2013 by and between

CROWN C #1, LLC

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY**, **KANSAS**, and containing <u>1.600</u> acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute
a separate lease agreement with respect to each of the following described tracts in Scott
County, Kansas:

Tract No.	Legal Description	Gross <u>Acres</u>	Net <u>Acres</u>
	Township 20 South, Range 33 West		
Tract 1	Section 30: NW1/4	160	20
Tract 2	Section 30: NE1/4	160	20
Tract 3	Section 30: SE1/4	160	20
Tract 4	Section 30: SW1/4	160	20
Tract 5	Section 31: NW1/4	160	20
Tract 6	Section 31: NE1/4	160	20
Tract 7	Section 31: SE1/4	160	20
Tract 8	Section 31: SW1/4	160	20
	Township 20 South, Range 34 West		
Tract 9	Section 25: NW1/4	160	20
Tract 10	Section 25: NE1/4	<u>160</u>	<u>20</u>
TOTALS		<u>1.600</u>	<u>200</u>

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
- ROYALTY. It is agreed by the Lessor and Lessee that where the term "1/8th" appears in the Lease, it should read "3/16" in each case.
- 4. Access Roads and Pipelines. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.

CROWN C #1, LLC/LESSOR
PALOMINO PETROLEUM. INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

- 5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
- FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.
- 7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
- 8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
- 10. <u>SALT WATER DISPOSAL</u>. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- 11. <u>ABSTRACT CHARGES.</u> Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
- 12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

13. DAMAGES.

- (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
- (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

- 14. <u>INDEMNIFICATION.</u> Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
 - (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

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

- 15. <u>LIMITATION ON SHUT-IN ROYALTY.</u> If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
- 16. No Seismograph Testing. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
- 17. <u>UNITIZATION AND POOLING.</u> Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
- 18. <u>SECONDARY RECOVERY OPERATIONS.</u> Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.

ADDENDUM Page 3 of 4 CROWN C #1, LLC/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE

- 19. <u>SEPARATE ZONES.</u> It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor
- 20. <u>CRP Provisions.</u> The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
- 21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
- 22. <u>BINDING EFFECT.</u> This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the 1st day of April, 2010.

CROWN C #1, LLC, an Arizona limited liability company, by E and C Operations Limited Partnership, an Arizona limited partnership, its Manager; by Marc B. Robbins and Stace L. Robbins, Co-Trustees of AMS Trust I, Manager of Slice O' Life, LLC, an Arizona limited liability company, General Partner

AMS Trust I

MARC B. ROBBINS, Co-Trustee

STACE L. ROBBINS, Co-Trustee

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