



1255447

For KCC Use ONLY

API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: _____

Lease: _____

Well Number: _____

Field: _____

Number of Acres attributable to well: _____

QTR/QTR/QTR/QTR of acreage: _____ - _____ - _____ - _____

Location of Well: County: _____

_____ feet from N / S Line of Section

_____ feet from E / W Line of Section

Sec. _____ Twp. _____ S. R. _____ E W

Is Section: Regular or Irregular

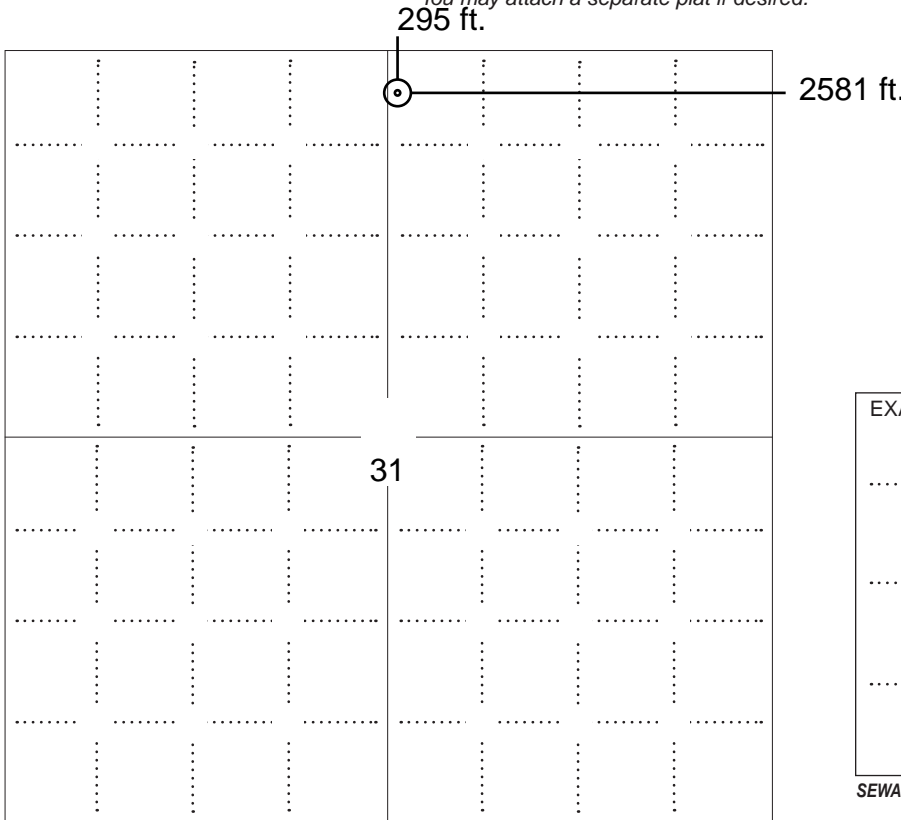
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

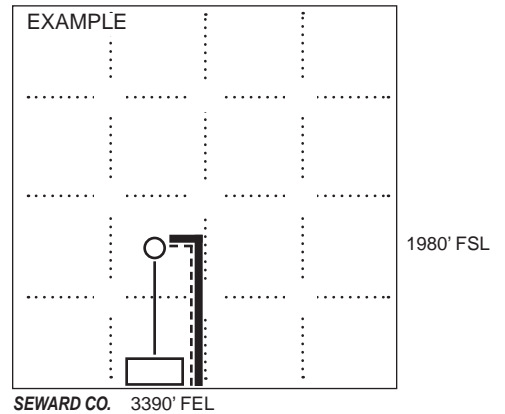
Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

You may attach a separate plat if desired.



LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location



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

In plotting the proposed location of the well, you must show:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



APPLICATION FOR SURFACE PIT

Submit in Duplicate

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

KCC OFFICE USE ONLY

Liner Steel Pit RFAC RFAS

Date Received: _____ Permit Number: _____ Permit Date: _____ Lease Inspection: Yes No



CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

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

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

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

Well Location:
____ - ____ - ____ - ____ Sec. ____ Twp. ____ S. R. ____ East West
County: _____
Lease Name: _____ Well #: _____

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

Surface Owner Information:

Name: _____
Address 1: _____
Address 2: _____
City: _____ State: _____ Zip: _____ + _____

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

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

Select one of the following:

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

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

I Submitted Electronically

I



002033
CRD NO.

PRO-STAKE

LLC

12643
INVOICE NO.



Palomino Petroleum, Inc.
OPERATOR

Scott County, KS
COUNTY

#1 Crist Unit
LEASE NAME

295' FNL - 2581' FEL
LOCATION SPOT

2952.4'
GR. ELEVATION

31 20s 33w
Sec. Twp. Rng.

SCALE: 1" = 1000'
DATE STAKED: June 16th, 2015
MEASURED BY: Kent C.
DRAWN BY: Norby S.
AUTHORIZED BY: Klee W. & Nick G.
DATE REVISED:

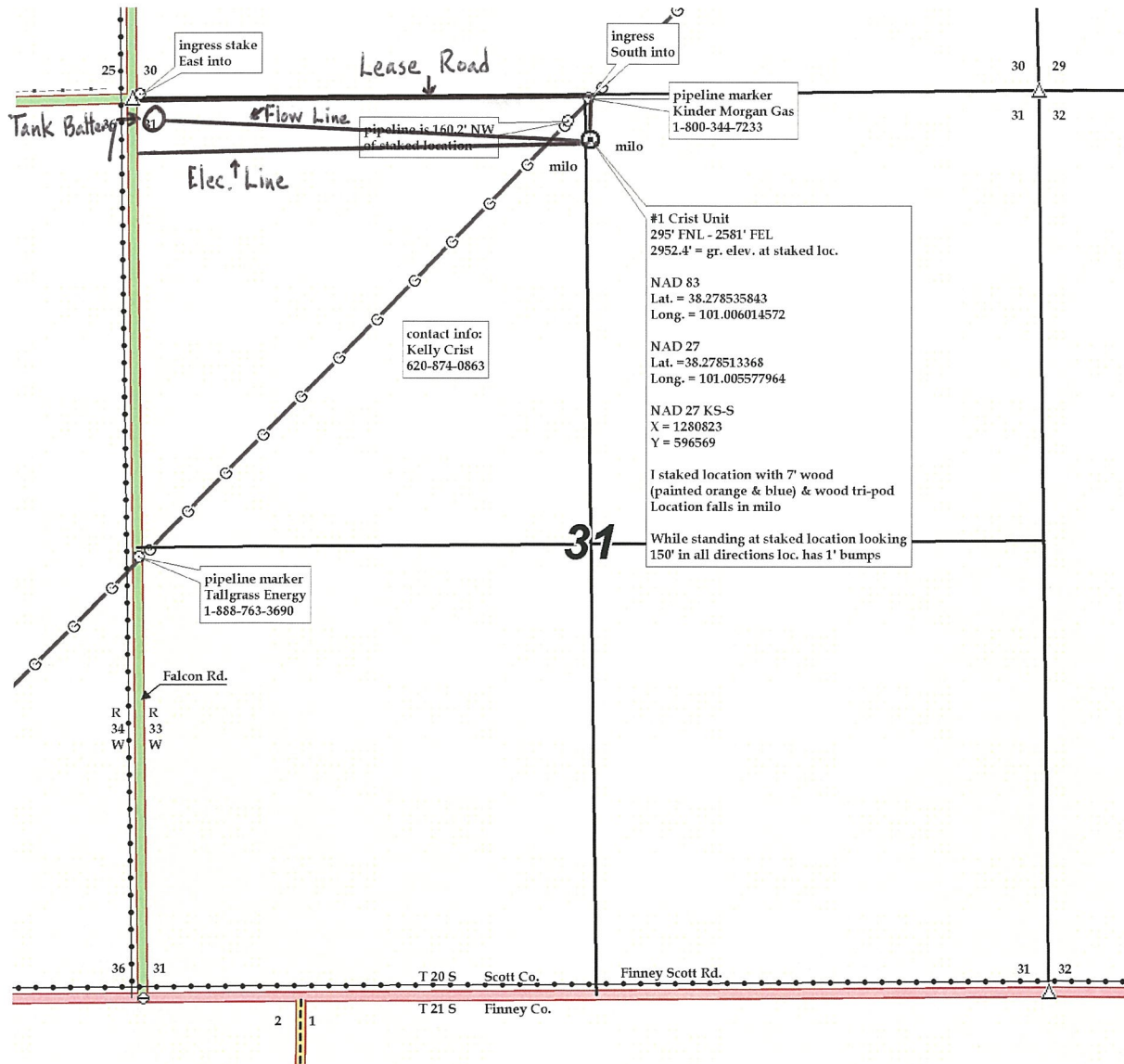
P.O. Box 2324 Garden City, Kansas 67846
Office/Fax: (620) 276-6159 - Cell: (620) 272-1499
burt@pro-stakellc.kscxmail.com

LEGEND

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

DIRECTIONS: From the North side of Friend, KS at the intersection of Finney Scott Rd. & Hope St. - Now go 5.5 miles West on Finney Scott Rd. to the SW corner of section 31-20s-33w - Now go 1 mile North on Falcon Rd. to ingress stake East into - Now go approx. 2680' East through milo to ingress South into - Now go approx. 230' South through milo, into staked location.
Final ingress must be verified with landowner or operator.

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



#1 Crist Unit
295' FNL - 2581' FEL
2952.4' = gr. elev. at staked loc.

NAD 83
Lat. = 38.278535843
Long. = 101.006014572

NAD 27
Lat. = 38.278513368
Long. = 101.005577964

NAD 27 KS-S
X = 1280823
Y = 596569

1 staked location with 7' wood
(painted orange & blue) & wood tri-pod
Location falls in milo

While standing at staked location looking
150' in all directions loc. has 1' bumps

contact info:
Kelly Crist
620-874-0863

pipeline is 160.2' NW
of staked location

pipeline marker
Tallgrass Energy
1-888-763-3690

pipeline marker
Kinder Morgan Gas
1-800-344-7233

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 703 Wichita, KS 67201-0703 316-264-9344 264-5165 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 12th day of February 2013 by and between Sondra Lou Crist Crook, a single person

12944 Travis Street Overland Park, KS 66209

whose mailing address is Palomino Petroleum, Inc. hereinafter called Lessor (whether one or more), and hereinafter called Lessee:

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

Township 20 South, Range 33 West Township 20 South, Range 34 West Section 30: ALL Section 25: N/2 Section 31: ALL

In Section Township Range and containing 1600 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees: 1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8) of the proceeds received by lessee from such sales, for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

This lease is subject to attached 4 page Addendum dated February 12, 2013 between Lessor and Lessee.



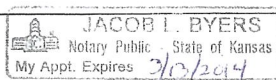
STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 22 day of March, A.D. 2013 10 o'clock P.M., and duly recorded in book 259 page 106 Althea Murphy Register of Deeds \$ 28.00

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written. Witnesses: Sondra Lou Crist Crook

COMPUTER NUMERICAL

STATE OF Kansas
 COUNTY OF Jackson ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 6th day of MARCH, 2013,
 by Sondra Lou Crist Crook, a single person and _____

My commission expires 3/12/2014



Jacob L. Byers
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

No. _____
OIL AND GAS LEASE
 FROM _____
 TO _____
 Date _____
 Section _____ Twp. _____ Rge. _____
 No. of Acres _____ Term _____
 County _____
 STATE OF _____
 County _____
 This instrument was filed for record on the _____
 day of _____,
 at _____ o'clock _____ M., and duly recorded
 in Book _____ Page _____ of
 the records of this office.
 By _____
 Register of Deeds.
 When recorded, return to _____

STATE OF _____
 COUNTY OF _____ ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)
 The foregoing instrument was acknowledged before me this _____ day of _____,
 by _____
 of _____ a _____
 corporation, on behalf of the corporation.

My commission expires _____
 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 **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.

1. 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**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|--|--------------------------|--------------------|------------------|
| <u>Township 20 South, Range 33 West</u> | | | |
| Tract 1 | Section 30: NW¼ | 160 | 80 |
| Tract 2 | Section 30: NE¼ | 160 | 80 |
| Tract 3 | Section 30: SE¼ | 160 | 80 |
| Tract 4 | Section 30: SW¼ | 160 | 80 |
| Tract 5 | Section 31: NW¼ | 160 | 80 |
| Tract 6 | Section 31: NE¼ | 160 | 80 |
| Tract 7 | Section 31: SE¼ | 160 | 80 |
| Tract 8 | Section 31: SW¼ | 160 | 80 |
| <u>Township 20 South, Range 34 West</u> | | | |
| Tract 9 | Section 25: NW¼ | 160 | 80 |
| Tract 10 | Section 25: NE¼ | 160 | 80 |
| TOTALS | | <u>1,600</u> | <u>800</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.

SONDRA LOU CRIST CROOK/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.
6. 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. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. 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. 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. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to 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. UNITIZATION AND POOLING. 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. SECONDARY RECOVERY OPERATIONS. 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.

SONDRA LOU CRIST CROOK/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. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
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. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

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


SONDRA LOU CRIST CROOK

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OIL AND GAS LEASE

Reorder No. 09-115

Kansas Blue Print 700 S. Broadway, PO Box 703 Wichita, KS 67201-0703 310-264-9344 264-6165 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 12th day of February 2013 by and between Cari Pemberton (f/k/a Cari Crook Salgado), a married woman dealing in her sole and separate property and never having lived in Kansas during her married life

7393 Prythania Park Drive Colorado Springs, Colorado 80923

whose mailing address is Palomino Petroleum, Inc. hereinafter called Lessor (whether one or more), and

hereinafter called Lessee:

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

Township 20 South, Range 33 West Section 30: ALL Section 31: ALL

Township 20 South, Range 34 West Section 25: N/2

In Section Township Range and containing 1600 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

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

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

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

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

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

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

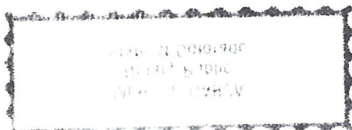
Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate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

This lease is subject to attached 4 page Addendum dated February 12, 2013 between Lessor and Lessee.



STATE OF KANSAS, SCOTT COUNTY, KS

This instrument was filed for record on the 22 day of March A.D. 2013 at 10 o'clock A.M., and duly recorded in book 259 page 111 Debbie Murphy Register of Deeds \$ 28.00




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

Witnesses: Cari Pemberton

COMPUTER NUMERICAL

STATE OF Colorado
 COUNTY OF El Paso ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 5th day of March, 2013
 by Cari Pemberton (f/k/a Cari Crook Salgado), a married woman dealing in her sole and separate property and never
having lived in Kansas during her married life

My commission expires 10-16-2013


 Notary Public

MERCED GARZA
Notary Public
 State of Colorado

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

My commission expires _____

Notary Public

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

My commission expires _____

Notary Public

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

My commission expires _____

Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____ County _____

STATE OF _____

County _____

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

By _____ Register of Deeds.

When recorded, return to _____

STATE OF _____
 COUNTY OF _____ ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)
 The foregoing instrument was acknowledged before me this _____ day of _____
 by _____
 of _____ a _____
 corporation, on behalf of the corporation.

My commission expires _____

Notary Public

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 **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.

1. 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**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|--|--------------------------|--------------------|------------------|
| <u>Township 20 South, Range 33 West</u> | | | |
| Tract 1 | Section 30: NW¼ | 160 | 20 |
| Tract 2 | Section 30: NE¼ | 160 | 20 |
| Tract 3 | Section 30: SE¼ | 160 | 20 |
| Tract 4 | Section 30: SW¼ | 160 | 20 |
| Tract 5 | Section 31: NW¼ | 160 | 20 |
| Tract 6 | Section 31: NE¼ | 160 | 20 |
| Tract 7 | Section 31: SE¼ | 160 | 20 |
| Tract 8 | Section 31: SW¼ | 160 | 20 |
| <u>Township 20 South, Range 34 West</u> | | | |
| Tract 9 | Section 25: NW¼ | 160 | 20 |
| Tract 10 | Section 25: NE¼ | 160 | 20 |
| 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. 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.
6. 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. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. 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. 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. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (i.e., a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to 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. UNITIZATION AND POOLING. 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. SECONDARY RECOVERY OPERATIONS. 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. 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. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's 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. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

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


CARI PEMBERTON

INDEXED FILED

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway, P.O. Box 703 Wichita, KS 67201-0703 316-264-9344-264-5165 fax www.kbp.com - kbp@kbp.com

AGREEMENT, Made and entered into the 12th day of February 2013 by and between Kelly J. Crist and Lisa Crist, husband and wife

1315 Elizabeth Scott City, KS 67871

whose mailing address is hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc.

hereinafter called Lessee:

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

Township 20 South, Range 33 West Section 30: ALL Section 31: ALL Township 20 South, Range 34 West Section 25: N/2; SE/4

In Section Township Range and containing 1760 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees: 1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8) of the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

This lease is subject to attached 4 page Addendum dated February 12, 2013 between Lessor and Lessee.



STATE OF KANSAS, SCOTT COUNTY, KS This instrument was filed for record on the 22 day of March A.D. 2013 at 10 o'clock A.M., and duly recorded in book 259 page 109 \$ 28.00 Register of Deeds

COMPUTER NUMERICAL

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

Witnesses: Kelly J. Crist

Lisa Crist

STATE OF Kansas ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 COUNTY OF Scott
 The foregoing instrument was acknowledged before me this 8th day of March, 2013,
 by Kelly J. Crist and Lisa Crist, husband and wife

My commission expires 2/17/17
[Signature]
 Notary Public

NOTARY PUBLIC

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

No. _____
OIL AND GAS LEASE
 FROM _____
 TO _____
 Date _____
 Section _____ Twp. _____ Rge. _____
 No. of Acres _____ Term _____ County _____
 STATE OF _____
 County _____
 This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.
 By _____ Register of Deeds.
 When recorded, return to _____

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

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 **1,760** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. 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**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|---|------------------------------|--------------------|------------------|
| <u>Township 20 South, Range 33 West</u> | | | |
| Tract 1 | Section 30: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 2 | Section 30: NE $\frac{1}{4}$ | 160 | 20 |
| Tract 3 | Section 30: SE $\frac{1}{4}$ | 160 | 20 |
| Tract 4 | Section 30: SW $\frac{1}{4}$ | 160 | 20 |
| Tract 5 | Section 31: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 6 | Section 31: NE $\frac{1}{4}$ | 160 | 20 |
| Tract 7 | Section 31: SE $\frac{1}{4}$ | 160 | 20 |
| Tract 8 | Section 31: SW $\frac{1}{4}$ | 160 | 20 |
| <u>Township 20 South, Range 34 West</u> | | | |
| Tract 9 | Section 25: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 10 | Section 25: NE $\frac{1}{4}$ | 160 | 20 |
| Tract 11 | Section 25: SE $\frac{1}{4}$ | 160 | 160 |
| TOTALS | | <u>1,760</u> | <u>360</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.

KELLY J. CRIST AND LISA CRIST/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.
6. 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. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. 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. 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. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to 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. UNITIZATION AND POOLING. 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. SECONDARY RECOVERY OPERATIONS. 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.


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. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
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. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

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



KELLY J. CRIST



LISA CRIST



OIL AND GAS LEASE

AGREEMENT, Made and entered into the 12th day of February 2013 by and between Jeffrey B. Crist (a/k/a Jeff B. Crist) and Dallas A. Crist, husband and wife

2408 Casey's Drive Garden City, KS 67846

whose mailing address is Palomino Petroleum, Inc. hereinafter called Lessor (whether one or more), and

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

Township 20 South, Range 33 West Section 30: ALL Section 31: ALL Township 20 South, Range 34 West Section 25: N/2

In Section Township Range and containing 1600 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8), at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

This lease is subject to attached 4 page Addendum dated February 12, 2013 between Lessor and Lessee.



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 22 day of March A.D. 2013 10 o'clock A.M., and duly recorded in book 259 page 110 \$ 28.00 Register of Deeds

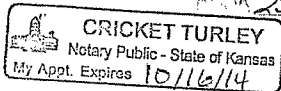
COMPUTED NUMERICAL

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

Witnesses:

Jeffrey B. Crist

Dallas A. Crist



STATE OF Kansas
COUNTY OF Finney
ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
The foregoing instrument was acknowledged before me this 7th day of March, 2013, by Jeffrey B. Crist (a/k/a Jeff B. Crist) and Dallas A. Crist, husband and wife

My commission expires Oct 16, 2014
Cricket Turley
Notary Public

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

My commission expires ___
Notary Public

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

My commission expires ___
Notary Public

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

My commission expires ___
Notary Public

OIL AND GAS LEASE
FROM
TO
Date
Section Twp. Rgc.
No. of Acres Term County
STATE OF
County
This instrument was filed for record on the ___ day of ___ at ___ o'clock ___ M., and duly recorded in Book ___ Page ___ of the records of this office.
By ___ Register of Deeds.
When recorded, return to ___

STATE OF
COUNTY OF
ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)
The foregoing instrument was acknowledged before me this ___ day of ___ by ___ of ___ a ___ corporation, on behalf of the corporation.

My commission expires ___
Notary Public

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.

1. 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**:

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

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. 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.
6. 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. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. 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. 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. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to 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. UNITIZATION AND POOLING. 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. SECONDARY RECOVERY OPERATIONS. 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.

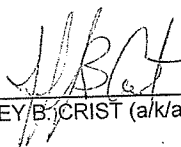
JEFFREY B. CRIST (A/K/A JEFF B. CRIST) AND DALLAS A. CRIST/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS


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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. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
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. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

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


JEFFREY B. CRIST (a/k/a JEFF B. CRIST)

BY _____


DALLAS A. CRIST

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63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-9344 264-5155 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 12th day of February 2013 by and between 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 7520 North 1st Street Phoenix, AZ 85020

whose mailing address is hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc.

hereinafter called Lessee:

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

Township 20 South, Range 33 West Section 30: ALL Section 31: ALL

Township 20 South, Range 34 West Section 25: N/2

In Section Township Range and containing 1600 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 3 (three) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8) at the market price at the well, (but, as to gas sold by lessee, in no event more than one-eighth (1/8) of the proceeds received by lessee from such sales), for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender as royalty One Dollar (\$1.00) per year per net mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

This lease is subject to attached 4 page Addendum dated February 12, 2013 between Lessor and Lessee.



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 27 day of March A.D. 2013 10 o'clock A.M., and duly recorded in book 259 page 131 Debbie Murphy \$ 28.00 Register of Deeds

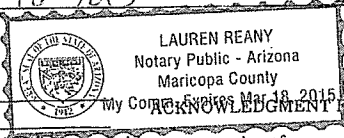
COMPUTERLY NUMERICAL

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written. Witness: Marc B. Robbins, Co-Trustee AMS Trust I

Stace L. Robbins, Co-Trustee AMS Trust I

STATE OF Arizona ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 COUNTY OF Maricopa
 The foregoing instrument was acknowledged before me this 7th day of March, 2013,
 by Marc B. Robbins, Co-Trustee AMS Trust I and Stace L. Robbins, Co-Trustee
AMS Trust I

My commission expires March 18 2015 Lauren Reany
 Notary Public



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

My commission expires _____ Notary Public

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

My commission expires _____ Notary Public

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

My commission expires _____ Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

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

By _____ Register of Deeds.

When recorded, return to _____

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

1. 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**:

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

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6. 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.
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11. 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.
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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.

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. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (i.e., a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to 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. UNITIZATION AND POOLING. 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. SECONDARY RECOVERY OPERATIONS. 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.

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

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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. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
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. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

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

By Marc B. Robbins
MARC B. ROBBINS, Co-Trustee

By Stace L. Robbins
STACE L. ROBBINS, Co-Trustee

ORIGINAL COMPARED WITH RECORD

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