



63U (Rev. 1993)

# **OIL AND GAS LEASE**





AGREEMENT, Made and entered into theday of	2013
Sondra Lou Crist Crook, a single person	
y and between	
12944 Travis Street Overland Park, KS 66209	
	hereinafter called Lessor (whether one or more),
ose mailing address is	
	, hereinafter caller Lessec:
Lessor, in consideration of One and More  Dollars ( Description of the lessee herein contained, hereby greater acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby greater acknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby greater acknowledged and of the royalties for and production.	S One (\$1.00) ) in hand paid, receipt of which
lessor, in consideration or organizes herein provided and of the agreements of the lessee herein contained, hereby grience tacknowledged and of the royalties herein provided and of the agreements of the lessee herein contained, hereby griences are supported investigating, exploring by geophysical and other means, prospecting drilling, mining and operating for and product instituent products, injecting gaza, water, other fluids, and air into subsurface strats, laying pipe lines, storing oil, building of things thereon to produce, save, take care of, treat, manufacture, process, store and transport said oil, liquid hydrocarbon oducts manufactured therefrom, and housing and otherwise caring for its employees, the following described land, toget cerein situated in County of Scott	ants, leases and lets exclusively unto lessee for the purpose ag oil, liquid hydrocarbons, all gases, and their respective tanks, power stations, telephone lines, and other structures or gases and their respective constituent products and other
ownship 20 South, Range 33 West Township 20 South, Range	34 West
ection 30: ALL Section 25: N/2 ection 31: ALL	
and containing	1600 acres, more or less, and all
Section, Township, Range and containing retions thereto.	ow this date (called "primary term"), and as long thereafter
Section, Township, Range, Range	d 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	l, the equal one-eighth (¼) part of all oil produced and saved
m the leased premises.  2nd. To payless for gas of whatsoever nature or kind produced and sold, or used off the premises, or used in the market price at the well. (but, as to gas sold by lease, in no event more than one-eighth (%) of the proceeds recei	the manufacture of any products therefrom, one-eighth (%), ved by lessee from such sales), for the gas sold, used off the
royalty One Dollar (51.00) per year per let illinetal act commended the season 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
this lease or any extension thereof, the leases shall have the state of such well had been completed wi	thin 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	mereni, men me reyenne
Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for tessee's operation that	eon, 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 o	f 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 whose or in part is expressions, administrators, successors or assigns, but no change in the ownership of the land or assignment of rental same than been furnished with a written transfer or assignment or a true copy thereof. In case lessee assigns this lease,	s or royalties shall be binding on the lessee until after the in whole or in part, lessee shall be relieved of all obligations
Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any port	ion or portions of the above described premises and thereby
All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or	
Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee and ny mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be, gred lessors, for themselves and their heirs, successors and sasigns, hereby surrender and release all right of dower gred lessors, for themselves and their heirs, successors and sasigns, hereby surrender and release all right of dower gred lessors, the surrender and the surrender and the surrender and release and the surrender and release all right of dower gred lessors, the surrender and the surrender and the surrender and release and rel	and homestead in the premises described netern, in so
Lesse, at its option, is hereby given the right and power to pool or combine the acreage covered by this lesse under the control of the contr	or any portion thereof with other land, lease or leases in tur- leop and operate said lease premises so as to promote the be of tracts contiguous to one another and to be into a uni- the event of a gas well. Lessee shall execute in writing an g and describing the pooled acreage. The entire acreage s global describing the pooled acreage, the operation is the bled unit, as if it were included in this lease. If production i
ooled into a tract or unit samil or tenated, iot an purpose of the production is had from this lease, whether the well or wells be locationed on the production in the production from a unit so pooled only such portion of oyalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of oyalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of oyalties elsewhere herein open some of the production from the production of the particular interest therein on an acreage basis bears to the total acreage so pooled in the particular interest of the production of the productio	r unit involved.
his lease is subject to attached 4 page Addendum dated February 12, 2013 between Le	ssor and Lessee.
and the Marie Mari	STATE OF KANSAS, SCOTT COUNTY, SS
## OF OF OF	This instrument was filed for record on the 22 day of March. A.D. 2013
The state of the s	alellia Mushyte \$ 2800 Register of Deeds
IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.	COMPUTER OF NUMERICAL OF NUMERI
Sondra Lou Crist Crook	

# HORK 259 PAGE 106

STATE OF Kansas COUNTY OF JUHUSAN	ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkÇoNe)
he foregoing instrument was acknowl	ledged before me this 6 TH day of MYRCIT 2013
Sondra Lou Crist Crook, a single p	person and
	Hall Box
My commission expires <u>まけんり</u>	JACOB L. BYERS  Notary Public State of Kansas  My Appt. Expires 2/0/244
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COUNTY OF	ledged before me this day of,
he foregoing instrument was acknown	and
Ay commission expires	
	Notary Public
TATE OF	ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
OUNTY OF	ledged before me this day of,
у	and
My commission expires	N. I. B. Lika
	Notary Public
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OUNTY OF	ledged before me this day of,
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ž K	
5	Section
	Section - Section - No. of Ac County - This day of - at in Book the reco
01	
STATE OF	ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)
COUNTY OF was acknow	ledged before me this day of,
The foregoing instrument was acknown	
forporation, on behalf of the corporati	a
orporation, on benaif of the corporation  Ay commission expires	
ary commission capitos	Notary Public

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

### SONDRA LOU CRIST CROOK

hereinafter referred to as Lessor and

# PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

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

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

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

#### 13. DAMAGES.

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

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

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

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

SONDRA LOLL CRIST CROOK

CHOOSE FUM TO ARE A SECOND

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63U (Rev. 1993)

# **OIL AND GAS LEASE**



AGREE	MENT, Made and entered into the	h day of _	February		2013
by and between	Cari Pemberton (f/k/a Cari C	rook Salgado),	a married woman dealing	in her sole and separate prop	perty
-	and never having lived in Ka	nsas during her	married life .		
***************************************	7393 Prythania Park Drive	Colorado Spring	gs, Colorado 80923		
whose mailing a	ddress is			hereinafter called	Lessor (whether one or more),
	no Petroleum, Inc.				
-					, hereinafter caller Lessee:
Lessor, in	consideration of One and More	<del> </del>		Dollars (\$ One (\$1.00)	in hand paid, receipt of which
of investigating, constituent prod- and things thereo products manufa	dged and of the royalties herein provide exploring by geophysical and other mucis, injecting gas, water, other fluids, a into produce, save, take care of, treat, in ctured therefrom, and housing and othe in County of SCOtt	eans, prospecting dril nd air into subsurface anufacture, process, s	ling, mining and operating for and strata, laying pipe lines, storing oil, tore and transport said oil, liquid hy	i producing oil, liquid hydrocarbons, building tanks, power stations, teleph drocarbons, gases and their respective	all gases, and their respective one lines, and other structures constituent products and other
	20 South, Range 33	West	Township 20 Sou	th, Range 34 West	
Section 3		77001	Section 25: N/2	in, range or rioci	
Section 3					
In Section	Township	Range	and con	1600	acres, more or less, and all
accretions theret	- the manipleme bearing contained this	esse shall remain in	3 (three)	_ years from this date (called "primary	term"), and as long thereafter
In consid	teration of the premises the said lessee	ovenants and agrees:		nd or land with which said land is poo	led.
from the leased 1	deliver to the credit of lessor, free of coremises.				
at the market pr premises, or in t as royalty One	pay lessor for gas of whatsoever naturice at the well, (but, as to gas sold by line manufacture of products therefrom, Dollar (\$1.00) per year per net mineral	essee, in no event mo	re than one-eighth (%) of the proce	well producing was only is not sold or	used lessee may pay or tender
This lease or a	receding paragraph. se may be maintained during the prim my extension thereof, the lessee shall h quantities, this lease shall continue and	be in force with like	such well to completion with reast effect as if such well had been com	pleted within the term of years first me	entioned.
If said !	essor owns a less interest in the above	described land than rest bears to the whol	the entire and undivided fee simp e and undivided fee.	le estate therein, then the royalties he	rein provided for shall be paid
Lessee s	hall have the right to use, free of cost, g quested by lessor, lessee shall bury lesse	as, oil and water prod	uced on said land for lessee's opera	ation thereon, except water from the we	ella of lessor.
No well	shall be drilled nearer than 200 feet to t	he house or barn now	on said premises without written of	consent of lessor.	
Tarres r	hall pay for damages caused by lessee's hall have the right at any time to remov	e all machinery and	fixtures placed on said premises, in	cluding the right to draw and remove	casing.
If the es executors, admir lessee has been	tate of either party hereto is assigned sistrators, successors or assigns, but n furnished with a written transfer or assigned parties or parties or assigned parties or parties arising	, and the privilege o o change in the own ignment or a true co unbacquent to the date	f assigning in whole or in part is ership of the land or assignment by thereof. In case lessee assigns the of assignment.	expressly allowed, the covenants her of rentals or royalties shall be bindin his lease, in whole or in part, lessee she	g on the lessee until after the
Lessee m	asy at any time execute and deliver to	lessor or place of rec	ord a release or releases covering	1.	
	ess or implied covenants of this lease s art, nor lessee held liable in damages, f		O. I I I Ct. t. Y Prescutive	Orders Pulse or Regulations and this	lease shall not be terminated, , any such Law, Order, Rule or
Lessor h	ereby warrants and agrees to defend the taxes or other liens on the above descri or themselves and their heirs, successo lower and homestead may in any way :	bed lands, in the ever	ov surrender and release all right	of dower and homestead in the premi	o redeem for lessor, by payment tholder thereof, and the under- ses described herein, in so far
Lessee, a immediate vicin conservation of or units not excretord in the copooled into a trafound on the portion the portion of	at its option, is hereby given the right ity thereof, when in lessee's judgment oil, gas or other minerals in and under seding 40 acres each in the event of an aveyance records of the county in which or unit shall be treated, for all purpled acreage, it shall be treated as if profer herein specified, lessor shall receit or his royalty interest therein on an a	it is necessary or a it is necessary or a and that may be pro- oil well, or into a un- ich the land herein l oses except the paym duction is had from t	combine the acreage covered by the dvisable to do so in order to propoduced from said premises, such prit or units not exceeding 640 acreaesed is situated an instrument icent of royalties on production from his lease, whether the well or wells may be unit to pooled only such pool	is lease or any portion thereof with of berly develop and operate said lease; boiling to be of tracts contiguous to one each in the event of a gas well. Less identifying and describing the pooled in the pooled unit, as if it were included to be located on the premises covered by tion of the royalty stipulated herein	another and to be into a unite shall execute in writing and acreage. The entire acreage acre in in this lease. If production is this lease or not. In lieu of the
This lease is	subject to attached 4 page A	ddendum dated	February 12, 2013 betwee	een Lessor and Lessee.	
			AND THE TEN OF THE	STATE OF KANSAS, SCOT	
				This instrument was f	nch AD2013
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4	The same of the sa				And
	VESS WHEREOF, the undersigned exec	ute this instrument a	s of the day and year first above w	ritten.	COMPUTER
Witnesses:	XIMI PATON				7 1 1431 141 141 141 141 141 141 141 141
Cari Pembe	erton				

STATE OF Colorado			DOMENT FOR INDI	MDHAL W-OLGALA	
COUNTY OF	Pa 50	efore me this 5th	EDGMENT FOR INDIV	/IDUAL (KSORÇONE)	2013
by Cari Pemberton (f/	/k/a Cari Crook Salgad	o), a married woman dea	ling in her sole and	separate property and n	ever
				-Mi	
		- 2013		Notary Public	
STATE OF Notal	ED GARZA ry Public 1 Colorado		EDGMENT FOR INDIV	/IDUAL (KsOkCoNe)	
by			and _		
My commission expires				Notary Public	
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by		······································	and _		
My commission expires .				Notary Public	
OIL AND GAS LEASE	TO	Bate Twp Rge No. of Acres Term Term	STATE OF  County  This instrument was filed for record on the  day of	in Book orlockM. and duly recorded in Book Page of the records of this office.  Register of Deeds.	When recorded, return to
STATE OF		ACKNOWLE	DGMENT FOR CORPO	ORATION (KsOkCoNe)	
The foregoing instrument	was acknowledged be	fore me this d	ay of		
of corporation, on behalf of t	the corporation.	a			
My commission expires _				Notani Bublia	

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

#### **CARI PEMBERTON**

hereinafter referred to as Lessor and

#### PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

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

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

Tract No.	Legal Description	Gross <u>Acres</u>	Net <u>Acres</u>
	Township 20 South, Range 33 West		
Tract 1	Section 30: NW1/4	160	20
Tract 2	Section 30: NE1/4	160	20
Tract 3	Section 30: SE1/4	160	20
Tract 4	Section 30: SW1/4	160	20
Tract 5	Section 31: NW1/4	160	20
Tract 6	Section 31: NE1/4	160	20
Tract 7	Section 31: SE1/4	160	20
Tract 8	Section 31: SW¼	160	20
	Township 20 South, Range 34 West		
Tract 9	Section 25: NW1/4	160	20
Tract 10	Section 25: NE1/4	<u>160</u>	<u>20</u>
TOTALS		<u>1.600</u>	<u>200</u>

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

- 2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
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CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM- SCOTT COUNTY, KANSAS

PAGE 2

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

#### 13. DAMAGES.

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

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

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

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

CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM-SCOTT COUNTY, KANSAS

PAGE 4

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

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

THOUSE MEAN CONSIDERATE TANDONS

CADIDEMBERTON

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# **OIL AND GAS LEASE**

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

AGREEMENT, Made and entered into the day of .	February	2013
by and betweenKelly J. Crist and Lisa Crist, husband and w	ife	· · · · · · · · · · · · · · · · · · ·
1315 Elizabeth Scott City, KS 67871		
whose mailing address is		hereinafter called Lessor (whether one or more)
Palomino Petroleum, Inc.		
		, hereinafter caller Lessee
Lessor, in consideration of One and More is here acknowledged and of the myalities herein provided and of the agreement of investigating, exploring by geophysical and other means, prospecting disconstituent products, injecting gas, water, other fluids, and air into subsurface and things thereon to produce, save, take care of, treat, manufacture, process, inproducts manufactured therefrom, and housing and otherwise caring for its entherein situated in County of Scott	ents of the lessee herein contained, hereby g illing, mining and operating for and produc strata, laying pipe lines, storing oil, building	ing oil, liquid hydrocarbons, all gases, and their respective granks, power stations, telephone lines, and other structures ones, gases and their respective constituent products and other
Township 20 South, Range 33 West	Township 20 South, Ra	ange 34 West
Section 30: ALL	Section 25: N/2; SE/4	
Section 31: ALL		
		1760
In Section, Township, Rangaccretions thereto.		acres, more or less, and all
accretions thereto.  Subject to the provisions herein contained, this lease shall remain in as oil, liquid hydrocarbons, gas or other respective constituent products, or ar In consideration of the premises the said leasee covenants and agrees		rom this date (called "primary term"), and as long thereafter ad with which said land is pooled.
1st. To deliver to the credit of lessor, free of cost, in the pipe line to	which lessee may connect wells on said lan	
2nd. To pay lessor for gas of whatsoever nature or kind produced a nt the market price at the well, (but, as to gas sold by lessee, in no event me premises, or in the manufacture of products therefrom, said payments to be as royalty One Dollar (\$1.00) per year per net mineral acre retained hereun	ore than one-eighth (%) of the proceeds rece	being gas only is not sold or used, lessee may pay or tender
neaning of the preceding paragraph.  This lease may be maintained during the primary term hereof with of this lease or any extension thereof, the leasee shall have the right to drill found in paying quantities, this lease shall continue and be in force with like	effect as if such well had been completed w	ithin the term of years first mentioned.
If said lessor owns a less interest in the above described land than he said lessor only in the proportion which lessor's interest bears to the who	le and undivided lee.	
Lessee shall have the right to use, free of cost, gas, oil and water pro When requested by lessor, lessee shall bury lessee's pipe lines below ;		reon, except water from the wells of lessor.
No well shall be drilled nearer than 200 feet to the house or barn now	on said premises without written consent of	of lessor.
Lessee shall pay for damages caused by lessee's operations to growin  Lessee shall have the right at any time to remove all machinery and  If the estate of either party hereto is assigned, and the privilege executors, administrators, successors or assigns, but no change in the own  casee has been furnished with a written transfer or assignment or a true co	fixtures placed on said premises, including of assigning in whole or in part is express.	ly allowed, the covenants hereof shall extend to their heirs
with respect to the assigned portion or portions arising subsequent to the dat Lessee may at any time execute and deliver to lessor or place of rec		
surrender this lease as to such portion or portions and be relieved of all oblig All express or implied covenants of this lease shall be subject to all in whole or in part, nor lessee held liable in damages, for failure to comply	ations as to the acreage surrendered.	Pulse or Regulations and this lease shall not be terminated
Regulation.  Lessor hereby warrants and agrees to defend the title to the lands he my mortgages, taxes or other liens on the above described lands, in the even the state of t	rein described, and agrees that the lessee sha ont of default of payment by lessor, and be by surrender and release all right of dowe	all have the right at any time to redeem for lessor, by paymen subrogated to the rights of the holder thereof, and the under r and homestead in the premises described herein, in so fu
as said right of dower and homestead may in any way affect the purposes for Lessee, at its option, is hereby given the right and power to pool or immediate vicinity thereof, when in lessees's judgment it is necessary or a conservation of oil, gas or other minerals in and under and that may be pur or units not exceeding 40 acres each in the event of an oil well, or into a un record in the conveyance records of the county in which the land herein pooled into a tract or unit shall be treated, for all purposes except the payn found on the pooled acreage, it shall be treated as if production is had from royalties elsewhere herein specified, lessor shall receive on production for placed in the unit or his royalty interest therein on an acreage basis bears to	combine the acreage covered by this lease advisable to do so in order to properly devoduced from said premises, such pooling to it or units not exceeding 640 acres each in leased is situated an instrument identifying the premise of royalties on production from the pothis lease, whether the well or wells be locat	or any portion thereof with other land, lease or leases in the relop and operate said lease premises so as to promote the of tracts contiguous to one another and to be into a unit he event of a gas well. Lessee shall execute in writing an g and describing the pooled acreage. The entire acreage a gled unit, as if it were included in this lease. If production it do not be premises covered by this lease or not. In lieu of the rovalty stipulated herein as the amount of his acreage
This lease is subject to attached 4 page Addendum dated	d February 12, 2013 between Le	ssor and Lessee. STATE OF KANSAS, SCOTT COUNTY, SS
	TEN OF	This instrument was filed for record on the 22 day of Mark. A.D. 30 3 Clock M.M., and duly recorded in book page Wayner Processing Register of Doods
	AND ONLY.	COMPLITEDAS
IN WITNESS WHEREOF, the undersigned execute this instrument of Witnesses:	as of the day and year first above written.	NUMERICAL de
TT, LIL CRIBES.	he	salust
Kelly J. Crist	Lisa Crist	

# BOOK 259 PAGE 109 (PAGE 2 OF 6)

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

#### KELLY J. CRIST and LISA CRIST, husband and wife

hereinafter referred to as Lessor and

#### PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

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

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

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KELLY J. CRIST/

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63U (Rev. 1993)



	OIL	. AND GAS LEASE	www.kbp.com · kbp@kbp.com
AGREE	MENT, Made and entered into theday	February	2013
by and between	Jeffrey B. Crist (a/k/a Jeff B. Crist) and D		
		,	
			2
	2408 Casey's Drive Garden City, KS 67	846	
whose mailing a	ddress is		hereinafter called Lessor (whether one or more),
	no Petroleum, Inc.		
			, hereinafter caller Lessee:
constituent products and things thereo	exploring dy geophysical and other hucass, prospecting outs, injecting gas, water, other fluids, and air into subsult on to produce, save, take care of, treat, manufacture, proce ctured therefrom, and housing and otherwise caring for it	ace strata, laying pipe lines, storing oil, building	(\$ One (\$1.00) ) in hand pald, receipt of which grants, leases and lets exclusively unto lessee for the purpose ing oil, liquid hydrocarbons, all gases, and their respective grants, power stations, telephone lines, and other structures ons, gases and their respective constituent products and other structures on their with any reversionary rights and after-acquired interest, described as follows to-with
Township	o 20 South, Range 33 West	Township 20 South, Ra	ange 34 West
Section 3	30: ALL	Section 25: N/2	
Section 3	31: ALL		
In Section	Township R	ange and containing	1600 acres, more or less, and all
accretions theret	o.	in force for a term of 3 (three)	from this date (called "primary term"), and as long thereafter
as oil, liquid hyd In consid	rocarbons, gas or other respective constituent products, o deration of the premises the said lessee covenants and ag	r any of them, is produced from said land or la rees:	nd with which said land is pooled. id, the equal one-eighth (½) part of all oil produced and saved
from the leased ;	premises.	ad and sald or used off the premises or used i	n the manufacture of any products therefrom, one-eighth (%),
at the market pr premises, or in t as royalty One I meaning of the r	ice at the well, (but, as to gas sold by lessee, in no eventhe manufacture of products therefrom, said payments to Dollar (\$1.00) per year per net mineral acre retained her preceding payagraph.	more than one-eight (%) of the proceeds rece be made monthly. Where gas from a well proc eunder, and if such payment or tender is mad	lived by lease from such sales, for the gas sold action gas only is not sold or used, lessee may pay or tender le it will be considered that gas is being produced within the
of this lease or a found in paying	quantities, this lease shall continue and be in force with	irin such well to completion with reasonable d like effect as if such well had been completed w han the entire and undivided fee simple estate	. If the lessee shall commence to drill a well within the term lilgence and dispatch, and if oil or gas, or either of them, be ithin the term of years first mentioned. therein, then the royalties herein provided for shall be paid
the said lessor of	nly in the proportion which lessor's interest bears to the v hall have the right to use, free of cost, gas, oil and water	whole and undivided ice.	
When re-	quested by lessor, lessee shall bury lessee's pipe lines belo	w plow depth.	
	shall be drilled nearer than 200 feet to the house or barn hall pay for damages caused by lessee's operations to gro		of lessor.
Lessee si If the es executors, admir lessee has been i	hall have the right at any time to remove all machinery a state of either party hereto is assigned, and the privile; instrators, successors or assigns, but no change in the furnished with a written transfer or assignment or a true he assigned norting or portions arising subsequent to the	and fixtures placed on said premises, including ge of assigning in whole or in part is express ownership of the land or assignment of renta e copy thereof. In case lessee assigns this lease, date of assignment.	ly allowed, the covenants hereof shall extend to their neirs, is or royalties shall be binding on the lessee until after the , in whole or in part, lessee shall be relieved of all obligations
Leagee m	nay at any time execute and deliver to lessor or place of ase as to such portion or portions and be relieved of all ol	record a release or releases covering any por	tion or portions of the above described premises and thereby
All expression whole or in pa	ess or implied covenants of this lease shall be subject to art, nor lessee held liable in damages, for failure to comp	all Federal and State Laws, Executive Orders, oly therewith, if compliance is prevented by, or	Rules or Regulations, and this lease shall not be terminated, if such failure is the result of, any such Law, Order, Rule or
Lessor h any mortgages,	taxes or other liens on the above described lands, in the or themselves and their heirs, successors and assigns, h	event of default of payment by lessor, and be sereby surrender and release all right of dowe	all have the right at any time to redeem for lessor, by payment subrogated to the rights of the holder thereof, and the under- r and homestead in the premises described herein, in so far
Lessee, rimmediate vicin conservation of or units not excretord in the copooled into a trafound on the population already	ity thereof, when in lessee's judgment it is necessary oil, gas or other minerals in and under and that may be seeding 40 acres each in the event of an oil well, or into nveyance records of the county in which the land here act or unit shall be treated, for all purposes except the p	or combine the acreage covered by this lesse or advisable to do so in order to properly de- produced from said premises, such pooling to a unit or unit mot exceeding 640 acres each ir in lessed is situated an instrument identify ayment of royalities on production from the orn this lesse, whether the well or wells be loca from a unit so pooled only such portion of	or any portion thereof with other land, lease or leases in the velop and operate said lease premises so as to promote the b be of tracts contiguous to one another and to be into a unit it the event of a gas well. Lessee shall execute in writing and ag and describing the pooled acceage. The entire acceage so old unit, as if it were included in this lease. If production is ted on the premises covered by this lease or not. In lieu of the the royalty stipulated herein as the amount of his acceage
This lease is	s subject to attached 4 page Addendum da	ted February 12, 2013 between Le	essor and Lessee.
			STATE OF KANSAS, SCOTT COUNTY, SS
		TER OF COMME	This instrument was filed for record on the
			o'clock M., and duly recorded in book
		M Seal H	259 page 110
		18 × 101	A Chile A Chillippe Register of Deeds
		Con The Manual of the Control of the	Register of Deeds
IN WIT	NESS WHEREOF, the undersigned execute this instrume	nt as of the day and year first above written.	NUMERICAL
Witnesses:	11/12/14	1.01	1 12/
	11000	- Juliand	[1/12]
Jeffrey B. C	nat	Dalfas A. Crist	
	1//		

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

Notary Public

corporation, on behalf of the corporation.

My commission expires \_\_\_

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

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

hereinafter referred to as Lessor and

# PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

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

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

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

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

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

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

Oil and Gas Lease Addendum - Scott County, Kansas

PAGE 2

- 5. <u>USE OF WATER BY LESSEE.</u> The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
- 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. <u>TERMINATION.</u> Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
- 9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
- 10. <u>SALT WATER DISPOSAL.</u> The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
- 11. <u>ABSTRACT CHARGES.</u> Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
- 12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

#### 13. DAMAGES.

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

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

ONIGINAL CONFENSION LAWISH

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63U (Rev. 1993)

# OIL AND GAS LEASE



12th	February	2013
AGREEMENT, Made and entered into the day of CROWN C #1, LLC, an Arizona limited liab	oility company, by E and C Operations Limited Partnership	o, an Arizona limited
by and between partnership, its Manager, by Marc B. Robbins and Stac	ce L. Robbins, Co-Trustees of AMS Trust I, Manager of S	lice O' Life, LLC, an
Arizona limited liability company, General Partner		
7520 North 1st Street Phoenix, AZ 85020	)	
whose mailing address is	hereinafter called l	Lessor (whether one or more),
Palomino Petroleum, Inc.		
		, hereinafter caller Lessee:
Lessor, in consideration of One and More	Dollars (5 One (\$1.00) ) ir	hand paid, receipt of which
Is not exclusively at its of the Open Act at each of the means, prospecting of of investigating, exploring by geophysical and other means, prospecting of constituent products, injecting gas, water, other fluids, and air into subsurfact and things thereon to produce, save, take care of, treat, manufacture, process products manufactured therefrom, and housing and otherwise caring for its	ments of the lessee herein contained, hereby grants, leases and lets exclusive fulfilling, mining and operating for and producing oil, liquid hydrocarbons, a ce strats, laying pipe lines, storing oil, building tanks, power stations, telepho, atore and transport said oil, liquid hydrocarbons, gases and their respective of employees, the following described land, together with any reversionary right State of Kansas	ne lines, and other structures
therein situated in County of Scott		
Township 20 South, Range 33 West	Township 20 South, Range 34 West Section 25: N/2	
Section 30: ALL	Section 25. N/2	
Section 31: ALL		
	1600	
In Section, Township, Rai	nge and containing	_ acres, more or less, and all
	in force for a term of 3 (three) years from this date (called "primary any of them, is produced from said land or land with which said land is pool	
1st. To deliver to the credit of lessor, free of cost, in the pipe line	to which lessee may connect wells on said land, the equal one-eighth (%) part	
at the market price at the well, (but, as to gas sold by lessee, in no event	i and sold, or used off the premises, or used in the manufacture of any produmore than one-eighth (%) of the proceeds received by lessee from such sales) be made monthly. Where gas from a well producing gas only is not sold or u under, and if such payment or tender is made it will be considered that gas	sed lessee may pay or tender
This lease may be maintained during the primary term hereof wi	ithout further payment or drilling operations. If the lessee shall commence	to drill a well within the term
found in paying quantities, this lease shall continue and be in lote with in	on the entire and undivided fee simple estate therein, then the royalties her	ein provided for shall be paid
	hale and undivided fee. roduced on said land for lessee's operation thereon, except water from the we	
When requested by lessor lessee shall bury lessee's pipe lines below	w plow depth.	
No well shall be drilled nearer than 200 feet to the house or barn n Lessee shall pay for damages caused by lessee's operations to grow	ving crops on said land.	
Lessee shall have the right at any time to remove all machinery at  If the estate of either party hereto is assigned, and the privilege executors, administrators, successors or assigns, but no change in the o	nd fixtures placed on said premises, including the right to draw and change e of assigning in whole or in part is expressly allowed, the covenants here winership of the land or assignment of rentals or royalties shall be bindin copy thereof. In case lessue assigns this lease, in whole or in part, lessee sha	on the lessee until after the
with respect to the assigned portion or portions arising subsequent to the	record a release or releases covering any portion or portions of the above d	escribed premises and thereby
surrender this lease as to such portion or portions and be relieved of all obtained	nganone as to the same and this	lease shall not be terminated.
in whole or in part, nor lessee held hable in damages, for familie to comp. Regulation.	y merculan, a company of the company	redeem for lessor, by payment
any mortgages, taxes or other hens on the above described lands, in the signed lessors, for themselves and their heirs, successors and assigns, he	ereby surrender and release all right of dower and homestead in the premi	ses described herein, in so lar
Lesse, at its option, is hereby given the right and power to pool immediate vicinity thereof, when in lessoe's judgment it is necessary of conservation of oil, gas or other minerals in and under and that may be or units not exceeding 40 acres each in the event of an oil well, or into a record in the conveyance records of the county in which the land here conveyance are not acred to the county of the conveyance records of the county in which the land here could into a tract or unit shall be treated, for all purposes except the pa	or combine the acreage covered up this teads on the parameter and lease produced from a did not properly develop and operate said lease produced from said premises, such pooling to be of tracts contiguous to on unit or units not exceeding 600 acres each in the event of a gas well. Less in leased is situated an instrument identifying and describing the pooled when the proper of the pooled unit, as if it were included up that the property of the property of the property of the property and the property of the property situated herein	e shall execute in writing and acreage. The entire acreage so in this lease. If production is this lease or not. In lieu of the
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IN WITNESS WHEREOF, the undersigned execute this instrume	nt us of the day and year first above written.	NUMERICAL
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ADDENDUM to Oil and Gas Lease, dated February 12, 2013 by and between

#### CROWN C #1, LLC

hereinafter referred to as Lessor and

#### PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

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

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

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

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

# 13. DAMAGES.

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

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

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

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

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

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

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

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

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

AMS Trust I

MARC B. ROBBINS, Co-Trustee

STACE L. ROBBINS, Co-Trustee

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