



001426  
CRD NO.

# PRO-STAKE

LLC

12850  
INVOICE NO.

Construction Site Staking

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



Palomino Petroleum, Inc.  
OPERATOR

Gove County, KS  
COUNTY

31      14s      26w  
Sec.      Twp.      Rng.

#1 Pfeifer Trust  
LEASE NAME

850' FNL - 2388' FEL  
LOCATION SPOT

2433.9'  
GR. ELEVATION

SCALE: 1" = 1000'  
DATE STAKED: Nov. 4<sup>th</sup>, 2015  
MEASURED BY: Norby S.  
DRAWN BY: Norby S.  
AUTHORIZED BY: Klee W. & Nick G.  
DATE REVISED:



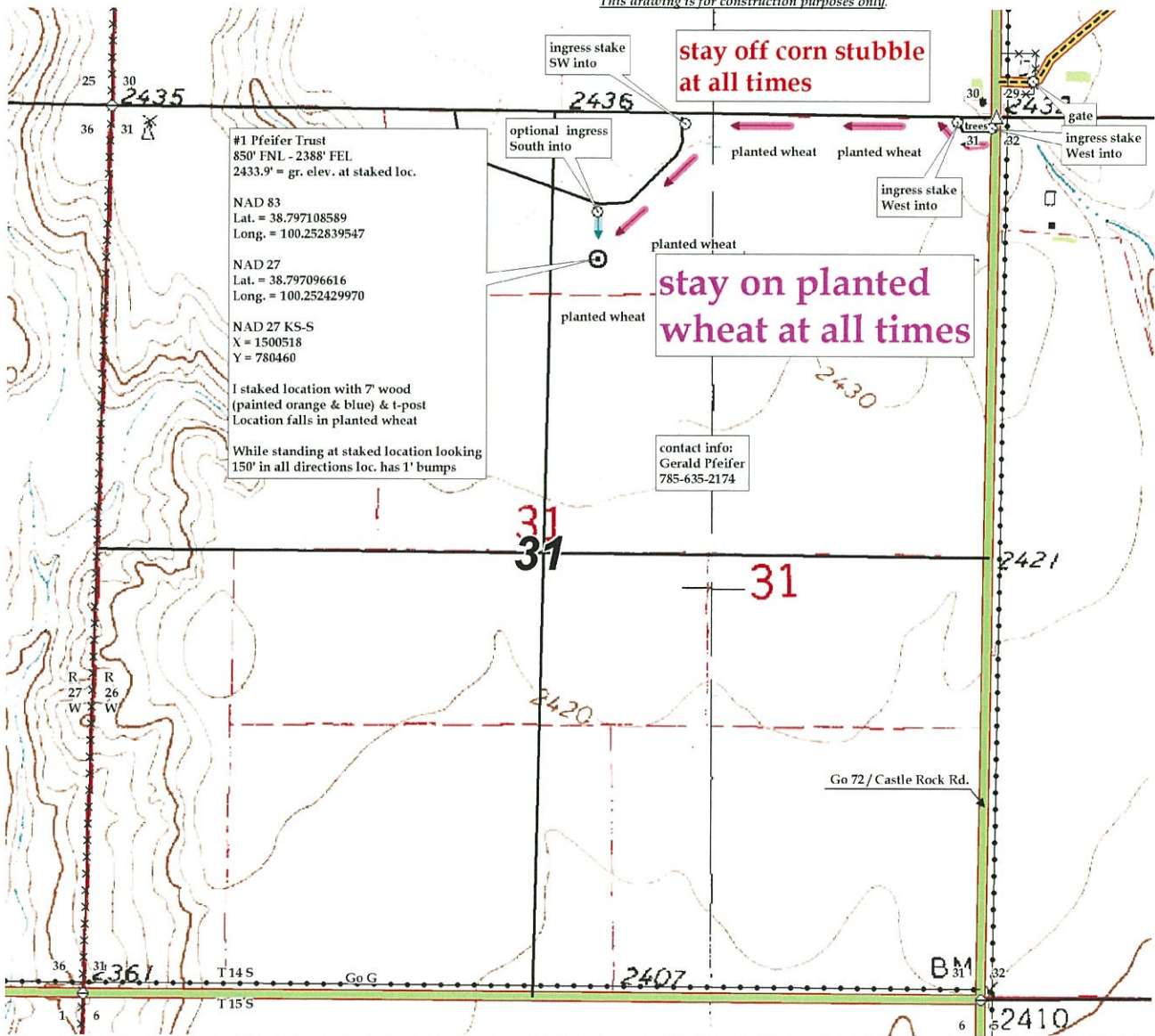
### LEGEND

- ⊙ irr. well
- ⊕ water hydrant
- ⊕ tank battery
- ⊙ staked loc.
- ⊗ prod. well/aband. well
- house
- building
- G— gas line
- W— water line
- E— transmission powerline
- 3 phase powerline
- single phase powerline
- x—x—x— fence
- ▬ gravel/sand rd.
- ▬ gravel trail/lease rd.
- ▬ dirt rd.
- ▬ dirt trail/lease rd.
- ▬ Hwy/blacktop rd.

**DIRECTIONS:** From SW side of Utica, KS at the intersection of Hwy 4 & Jackson St. – Now go 3 miles West on Hwy 4 – Now go 2.5 miles North on A Rd. – Now go 0.5 mile West on 280 Rd. - Now go 1.5 mile North on unknown rd. – Now go 4 miles North on Go 72 / Castle Rock Rd. – Now go 0.5 mile West on Go 72 / Castle Rock Rd. – Now go 2 miles North on Go 72 / Castle Rock Rd. to the SW corner of section 31-14s-26w – Now go 0.9 mile North on Go 72 / Castle Rock Rd. to ingress stake West into – Now go approx. 1870' West through planted wheat to ingress stake SW into – Now go approx. 970' SW through planted wheat, into staked location.

**Final ingress must be verified with landowner or operator.**

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







001426  
CRD NO.

# PRO-STAKE LLC

Construction Site Staking

12850  
INVOICE NO.



Palomino Petroleum, Inc.  
OPERATOR

Gove County, KS  
COUNTY

#1 Pfeifer Trust  
LEASE NAME

850' FNL - 2388' FEL  
LOCATION SPOT

2433.9'  
GR. ELEVATION

31      14s      26w  
Sec.      Twp.      Rng.

SCALE: 1" = 1000'  
DATE STAKED: Nov. 4<sup>th</sup> 2015  
MEASURED BY: Norby S.  
DRAWN BY: Norby S.  
AUTHORIZED BY: Klee W. & Nick G.  
DATE REVISED:

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

LEGEND

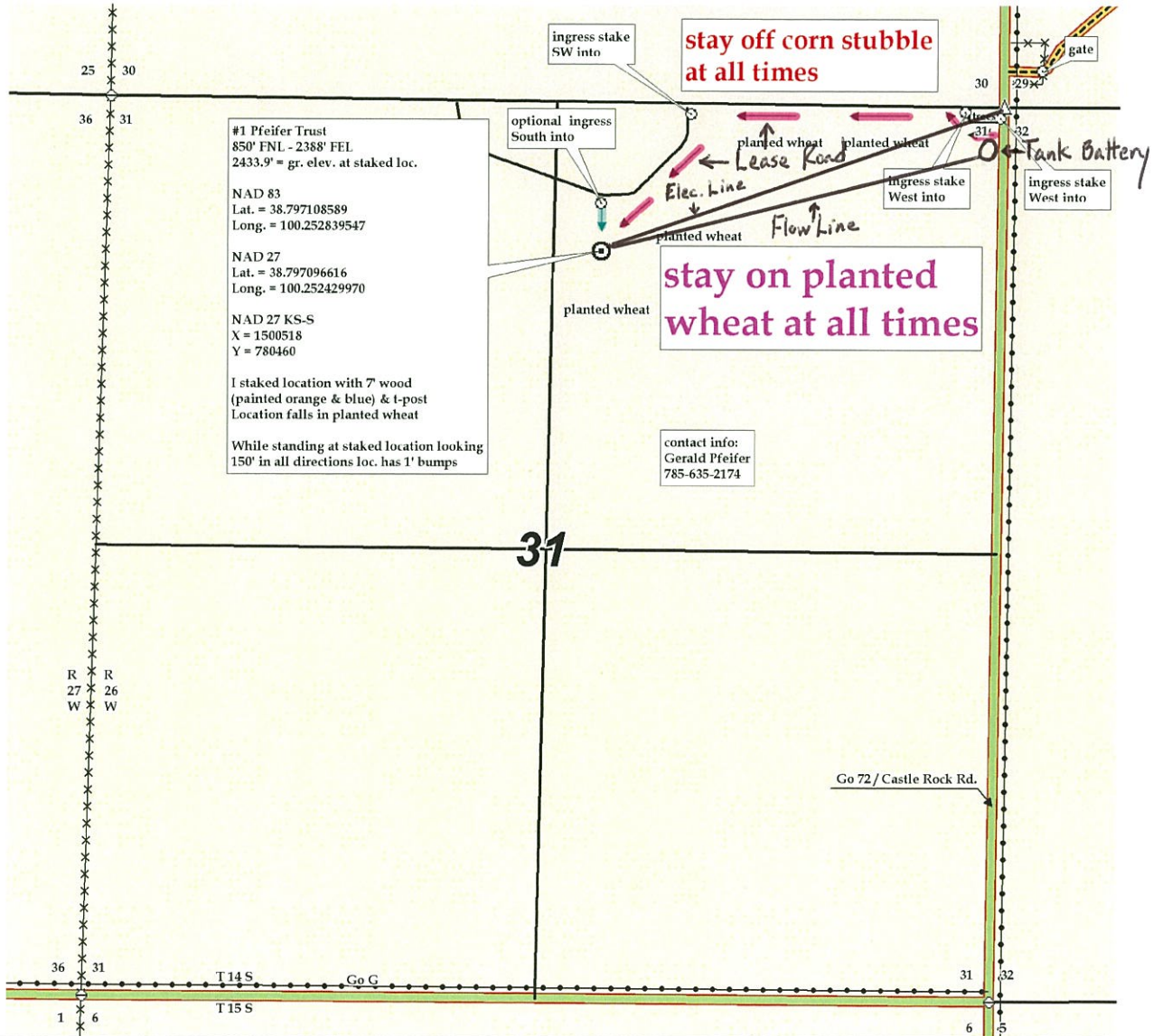
- ⊙ irr. well
- ⊕ water hydrant
- ⊛ tank battery
- ⊙ staked loc.
- ⊗ prod. well/aband. well
- house
- building
- G— gas line
- W— water line
- E— transmission powerline
- 3 phase powerline
- single phase powerline
- x—x—x— fence
- ▬▬▬ gravel/sand rd.
- ▬▬▬ gravel trail/lease rd.
- ▬▬▬ dirt rd.
- ▬▬▬ dirt trail/lease rd.
- ▬▬▬ Hwy/blacktop rd.



**DIRECTIONS:** From SW side of Utica, KS at the intersection of Hwy 4 & Jackson St. - Now go 3 miles West on Hwy 4 - Now go 2.5 miles North on A Rd. - Now go 0.5 mile West on 280 Rd. - Now go 1.5 mile North on unknown rd. - Now go 4 miles North on Go 72 / Castle Rock Rd. - Now go 0.5 mile West on Go 72 / Castle Rock Rd. - Now go 2 miles North on Go 72 / Castle Rock Rd. to the SW corner of section 31-14s-26w - Now go 0.9 mile North on Go 72 / Castle Rock Rd. to ingress stake West into - Now go approx. 1870' West through planted wheat to ingress stake SW into - Now go approx. 970' SW through planted wheat, into staked location.

**Final ingress must be verified with landowner or operator.**

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





FORM 88 - (PRODUCER'S SPECIAL) (PAID-UP)

63U (Rev. 1993)

OIL AND GAS LEASE

Date Recorded: 1/5/2015 4:22:42 PM

Recorder No.  
09-115

KANSAS OIL & GAS  
700 S. Broadway, PO Box 703  
Wichita, KS 67201-0703  
316-261-0344-261-5193 fax  
www.ktop.com ktop@ktop.com

AGREEMENT, Made and entered into the 17th day of December 2014  
by and between Marcia M. Pfeifer and Gerald A. Pfeifer, Trustees of the Marcia M. Pfeifer Living Trust dated August 9, 2011

whose mailing address is 1716 Harvest Road Hays, KS 67601 hereinafter called Lessor (whether one or more),  
and Palomino Petroleum, Inc. hereinafter called Lessee.

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

Township 14 South, Range 26 West  
Section 31: ALL  
Section 10: NE/4

In Section 31, Township 14 South, Range 26 West, and containing 800 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If, at the end of the primary term, this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless Lessee on or before the end of the primary term shall pay or tender to Lessor, the sum of \$40.00 multiplied by the number of net mineral acres owned by Lessor in the land above described and then subject to this lease, and subject to the other provisions of this lease, the primary term shall be extended for an additional term of two (2) years from the end of the primary term hereof

This lease is comprised of five (5) separate leases described as the following tracts:

Township 14 South, Range 26 West

Tract 1) Section 31: NE/4; Tract 2) Section 31: NW/4; Tract 3) Section 31 SE/4, Tract 4) Section 31 SW/4

Tract 5) Section 10 NE/4

This lease shall be considered for all purposes a separate lease on each tract.

See Exhibit "A" attached hereto and made a part hereof for additional terms and provisions.

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

Marcia M. Pfeifer, Trustee  
Marcia M. Pfeifer, Trustee

Gerald A. Pfeifer, Trustee  
Gerald A. Pfeifer, Trustee

Marcia M. Pfeifer Living Trust dated August 9, 2011

Marcia M. Pfeifer Living Trust dated August 9, 2011

EXHIBIT "A"  
LEASE ADDENDUM

THIS ADDENDUM attached to and made a part of the certain Oil and Gas Lease dated the 17<sup>th</sup> of December, 2014 between Marcia M. Pfeifer and Gerald A. Pfeifer, Trustees of the Marcia M. Pfeifer Living Trust dated August 9, 2011, as Lessor, and Palomino Petroleum, Inc. as Lessee. In the event that any of the provisions provided for herein conflict with those in the Lease referenced above, the provisions of this Lease Addendum shall prevail.

LEGAL DESCRIPTION:

Containing 800 acres more or less, located in Gove County, Kansas.

**INGRESS AND EGRESS:** Notwithstanding that Lessee will require ingress and egress for operations without delay, Lessee shall consult with the Lessor as to the location, direction and designation of any roadway or access route on the leased premises, provided that such designation and/or access route shall be sufficient in width for normal operations. Furthermore prior to the construction of any roads, pipelines, tank battery installations, or installations of other equipment on the leased premises, Lessee shall consult and agree with the surface owner and/or tenant as to the locations of same.

**LESSOR WATER:** Lessee shall have no right to use water from Lessor's water well or wells, ponds or streams located on the leased premises without prior written consent from the Lessor.

**TOPSOIL CLAUSE:** When preparing development locations, the topsoil shall be removed separate from the subsoils, so that the topsoil and the subsoils will not be mixed. When the well site is restored, the Lessee shall use subsoils first, and the topsoil last so that the well site will be returned to or near its original condition as possible.

**DAMAGES CLAUSE:** Lessee shall pay for damages caused by Lessee's operations to cropland and to pay for all other damages caused by Lessee, including but not limited to damages to livestock, pasture, waterways and terraces. Lessee agrees to compensate Lessor at fair market value for damages including the death or injury of any livestock killed or injured as a direct result of Lessee's operations under the terms of this lease.

**CONSERVATION RESERVE PROGRAM CLAUSE:** If any part of the leased premises are subject to or enrolled in the conservation reserve program (CRP), Lessee shall reseed to CRP compatible grass all areas thereof affected by Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the FSA under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of the CRP Contract, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

**PROPERTY RESORATION:** Lessee agrees that as soon as is reasonably possible, following completion of its drilling and other operations, Lessee shall restore its well site, as near as possible, to its original condition and land contour. Any terraces driven over or altered for drilling or tank locations shall be restored to original height and contour as nearly as is practicable. In the event there is no production in paying quantities found by any operations undertaken by leasee during either the primary term, or any extension provided for herein, of the lease and there is an abandonment of said lease, the Lessee shall fill all pits, ponds, remove all structures and reasonably restore the premises to the condition existing at the time the lease was executed. Within six (6) months after the expiration of the lease by its terms, Lessee shall have the obligation to restore the land, as nearly as practical. This obligation shall survive termination of this lease.

**LINE BURIAL:** Lessee shall bury all pipelines and electric lines at least below plow depth, but not less than thirty-six (36") inches below the surface of leased premises. Upon reasonable request, the Lessee shall lower said pipelines, electric lines, flow-lines, gathering lines, etc. to allow terracing, waterway construction, or other improvement to maintain the minimum burial depth for agricultural purposes.

**ROAD MAINTENANCE:** Lessee will maintain any roads constructed by Lessee or any existing roads of Lessor's used by Lessee in its operations, so that he roads are maintained in such conditions to adequately provide for Lessee's operations. All roads used by Lessee in its operations will be maintained in such a condition as to allow normal car usage. Further, when any of the Lessor's present roads are being used for transporting oil, machinery and/or being traveled by any motor vehicle, the Lessee shall always keep Lessor's roads maintained and/or graded so that Lessor's roads are smooth and passable for automobile traffic.

FENCE / GATE CLAUSE: Lessee shall promptly replace any fences removed by Lessee during its operations on said land and further, upon Lessor's request, Lessee shall construct gates and/or install and maintain cattle guards on all access roads on said land. All tank battery locations and oil and gas wells located in pastures shall be adequately fenced and enclosed by Lessee so as to reasonably protect livestock from injury.

DELETERIOUS SUBSTANCES CLAUSE: Without the prior written consent of the Lessor, Lessee agrees that it shall not have the right to transport saltwater or other deleterious substances onto the leased premises and the Lessee has no right of disposal of deleterious substances except (i) those produced upon the property subject to this lease, and/or (ii) those used on the leased premises in the normal and usual course of operations for the drilling, producing, completing and/or fracing of oil or gas wells.

SHUT-IN CLAUSE: Upon the expiration of the primary term, or any extension provided for herein, including without limitation any continuous development period, where gas from a well is shut-in and is not sold or used. Lessee shall pay Lessor a shut-in gas royalty of Five Dollars (\$5.00) per year per net mineral acre retained hereunder for any period(s) not to exceed two (2) continuous years.

POOLING CLAUSE (VERTICAL COMPLETION): Notwithstanding the forgoing, any pooling or unitization, which is deemed necessary and prudent due to seismic exploration, will be subject to lessor(s) notification prior to commencement of the well. The unitization will be limited in size to 40 acres per well. Any unit so formed will be exactly centered on the subject well with the 40 acres being formed in a square around said well. Royalty proceeds will be determined based upon the proportionate share of the 40-acre square unit which falls upon affected mineral owners.


PUGH CLAUSE: Following the expiration of the primary term of this lease or the expiration of any extension or renewal of the primary term, whichever occurs last, in the event a portion or portions of the lease premises is pooled with other land so as to form a pooled unit or units, operations on such unit or units will not maintain this lease in force as to the land not included in such unit or units. This lease may not be maintained in force as to any land covered hereby and not included in such unit or units in any manner provided for herein. Upon the occurrence of any partial termination of this lease, Lessee shall have and expressly reserves, an easement, on, over, through and under all released tracts as shall be reasonably necessary for rights of ingress and egress, in order to enable the exploration and/or production of oil, gas and/or other minerals in and from any depths and lands retained by Lessee under this lease and Lessee shall not be required to relocate any pipelines or equipment used in connection with production of oil and gas from the leased premises.

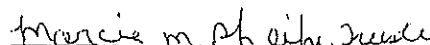
DEPTH CLAUSE: It is understood and agreed that following the expiration of the primary term of this lease or upon the expiration of any extension or renewal of the primary term, whichever occurs last, this lease shall automatically terminate as to all rights lying below one hundred (100) feet below either (1) the deepest depth drilled in any well drilled on the leased premises or on lands pooled therewith; or (2) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the leased premises or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the leased premises or on lands pooled therewith, this lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between said operations.

LEASE ASSIGNMENT: This lease shall not be sold or assigned in whole or part to Clarence Pfeifer, his agents, heirs, children, assigns, employees or any business or corporation owned in whole or part by Clarence Pfeifer, his agents, heirs, children, assigns or employees.

INDEMNIFICATION: Lessee agrees to indemnify and hold Lessor harmless from liability, loss, damage, and expenses arising out of claims by persons or entities other than Lessor and its invitees for injury to person or property directly caused by the operations conducted by Lessee hereunder.

Signed for Identification:

  
Gerald A. Pfeifer, Trustee  
Pfeifer

  
Marcia M. Pfeifer, Trustee