



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

KANSAS CORPORATION COMMISSION 1302921  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 March 2010

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

**NOTICE OF INTENT TO DRILL**

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

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

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

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

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

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

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

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

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

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

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

Field Name: \_\_\_\_\_  
 Is this a Prorated / Spaced Field?  Yes  No

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

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

Water well within one-quarter mile:  Yes  No

Public water supply well within one mile:  Yes  No

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

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

Surface Pipe by Alternate:  I  II

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

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

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

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

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

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

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

**AFFIDAVIT**

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

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

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

**Submitted Electronically**

**For KCC Use ONLY**

API # 15 - \_\_\_\_\_

Conductor pipe required \_\_\_\_\_ feet

Minimum surface pipe required \_\_\_\_\_ feet per ALT.  I  II

Approved by: \_\_\_\_\_

**This authorization expires:** \_\_\_\_\_  
 (This authorization void if drilling not started within 12 months of approval date.)

Spud date: \_\_\_\_\_ Agent: \_\_\_\_\_

**Remember to:**

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date: \_\_\_\_\_  
 Signature of Operator or Agent: \_\_\_\_\_

For KCC Use ONLY

API # 15 - \_\_\_\_\_

### IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: \_\_\_\_\_

Lease: \_\_\_\_\_

Well Number: \_\_\_\_\_

Field: \_\_\_\_\_

Number of Acres attributable to well: \_\_\_\_\_

QTR/QTR/QTR/QTR of acreage: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Location of Well: County: \_\_\_\_\_

\_\_\_\_\_ feet from  N /  S Line of Section

\_\_\_\_\_ feet from  E /  W Line of Section

Sec. \_\_\_\_\_ Twp. \_\_\_\_\_ S. R. \_\_\_\_\_  E  W

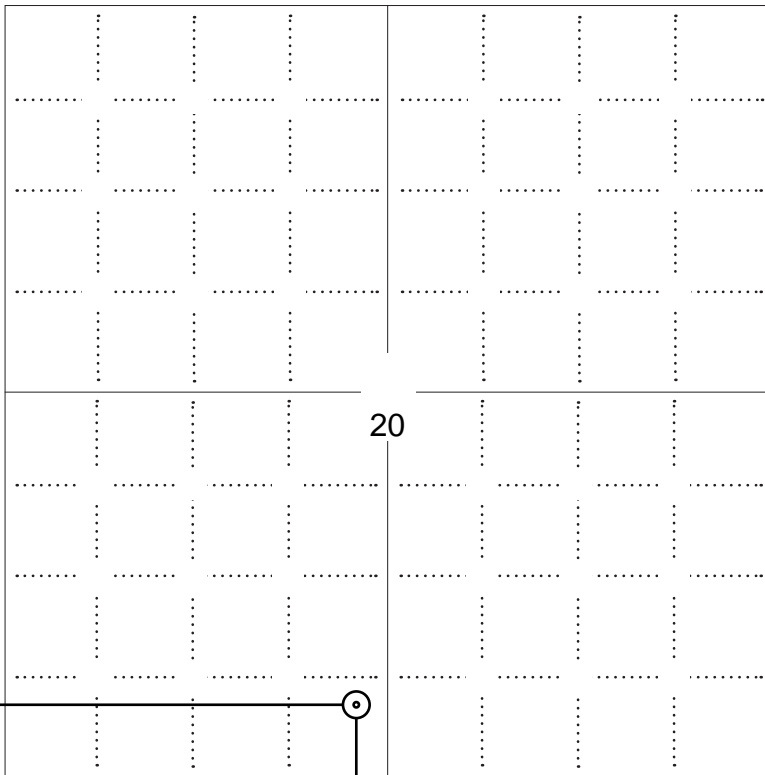
Is Section:  Regular or  Irregular

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

Section corner used:  NE  NW  SE  SW

### PLAT

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



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

### LEGEND

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



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

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

**APPLICATION FOR SURFACE PIT**

*Submit in Duplicate*

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

<b>KCC OFFICE USE ONLY</b>			
<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS			
Date Received: _____ Permit Number: _____ Permit Date: _____ Lease Inspection: <input type="checkbox"/> Yes <input type="checkbox"/> No			



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

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

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

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

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

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

**Surface Owner Information:**

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

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

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

**Select one of the following:**

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

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

I Submitted Electronically

I

For KCC Use ONLY

API # 15 - \_\_\_\_\_

**IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW**

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

Operator: Red Oak Energy, Inc.  
 Lease: Deines- Metcalf Unit  
 Well Number: #1-20  
 Field: WC  
 Number of Acres attributable to well: 40  
 QTR/QTR/QTR/QTR of acreage: SW- SE -SE - NE

Location of Well: County: Wallace  
 \_\_\_\_\_ 500 feet from  N /  S Line of Section  
 \_\_\_\_\_ 2415 feet from  E /  W Line of Section  
 Sec. 20 Twp. 14 S. R. 40  E  W

Is Section:  Regular or  Irregular

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

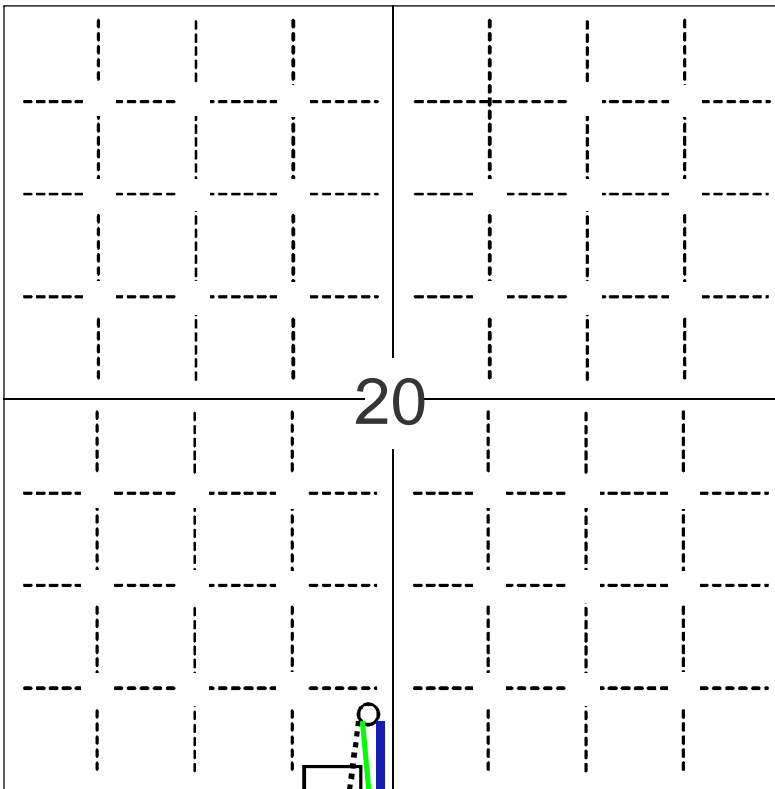
Section corner used:  NE  NW  SE  SW

**PLAT**

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

You may attach a separate plat if desired.

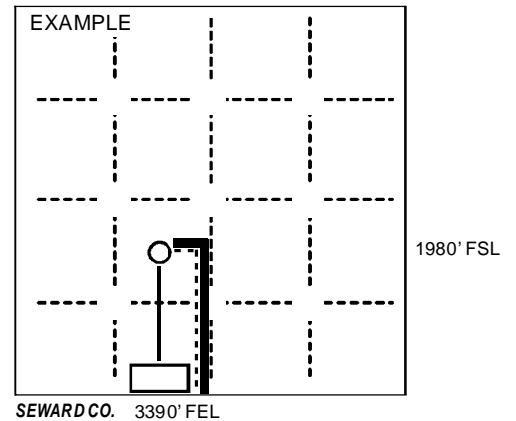
Wallace Co. 2415' FWL



500' FSL

**LEGEND**

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



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

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

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5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



Numerical ✓  
Direct Index ✓  
Indirect Index ✓  
Microfilm ✓  
Computer ✓

State of Kansas } ss Fee \$ 24.00  
Wallace County }  
Filed for Record 4-20 20 12 AD  
at 1:00 o'clock P. M Book 171 Page 16-20

*William F. Swartz*  
Register of Deeds



### OIL AND GAS LEASE

Wallace Prospect  
Lease #: 15620

(PAID UP)

AGREEMENT, made and entered into this 8th day of February, 2012, by and between: Janice K. Metcalf and Donald C. Metcalf, wife and husband ; 2703 E. Serendipity Circle, Colorado Springs, CO 80917, party of the first part, hereinafter called Lessor (whether one or more), and Sodak Properties II, LLC; PO Box 2716, Oklahoma City, OK 73104, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee, for the sole and exclusive right to explore by geophysical and other methods, for mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building drill sites, access roads, tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Wallace, State of Kansas, described as follows, to-wit:

SW/4

of Section 20, Township 14S, Range 40W, and containing 160.00 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from 8th day of February, 2012 (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith.
2. In consideration of the premises the said Lessee covenants and agrees:
  - A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 1/8th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
  - B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 1/8th of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, said payments to be made monthly. During any period after expiration of the primary term hereof when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations. Any off lease operation intended to result in production from an interval under the leased premises or lands pooled therewith shall be considered for all purposes hereunder as if such operations were commenced and conducted on the lease premises.
4. Lessee is hereby granted the right at any time and from time to time to pool or unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 160 acres plus a maximum acreage tolerance of 10%, and a unit for a gas well or a unit for a horizontal completion shall not exceed 1280 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority

15000993



having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. Lessee shall file written unit designations in the county in which the leased premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties 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 in the unit.

5. 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 shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.
6. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.
7. 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.
8. 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. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.
9. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void.
10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.
11. This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.
12. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.
13. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.
14. For the same consideration stated above, Lessor further grants, sells, conveys and warrants to Lessee a subsurface right-of-way and easement in, through and under the leased premises for the purpose of drilling oil and/or gas wells to, and producing through said wells oil, gas or other minerals from, lands other than the leased premises, together with the right of ingress and egress to said wells.
15. Notwithstanding anything to the contrary contained in this lease, no litigation shall be initiated by Lessor for damages, forfeiture, termination or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this lease shall not be cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so or such judicial determination shall specify that the lease shall be forfeited or cancelled.
16. Notwithstanding anything to the contrary contained in this Lease, for the same consideration, Lessor does

hereby grant to Lessee, its successors and/or assigns, the option, but not the obligation to extend the primary term of this Lease and all rights hereunder for an additional Three (3) years. Lessee shall exercise this option by tendering to Lessor, an additional bonus payment equal to the sum of 150.00% of the original bonus paid per net mineral acre covered by this lease. This additional bonus payment shall be considered tendered by Lessee when deposited with the U.S. Postal Service for delivery to the Lessor by certified mail at the address above on or prior to the expiration date of the initial primary term of this Lease. Upon tender the primary term of this lease will be amended from Five (5) years to Eight (8) years.

See Exhibit "A" Attached hereto and made a part hereof.

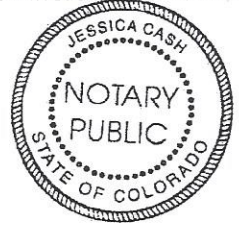
IN TESTIMONY WHEREOF, we sign this the 14<sup>th</sup> day of March, 20 12, by  
Janice K. Metcalf and Donald C. Metcalf, wife and husband

[Signature]  
Janice K. Metcalf, wife

[Signature]  
Donald C. Metcalf, husband

STATE OF Colorado ) (ACKNOWLEDGEMENT FOR INDIVIDUAL)  
COUNTY OF El Paso ) SS.

The foregoing instrument was acknowledged before me this 14 day of March, 2012 by  
Janice K. Metcalf and Donald C. Metcalf, wife and husband



[Signature]  
Notary Public

Print Name Jessica Cash  
My Commission expires: 2-5-14  
Commission Number: \_\_\_\_\_



**EXHIBIT "A" BOOK 171 PAGE 19**

Attached to and made a part of that certain Oil and Gas Lease dated February 08, 2012, by and between Janice K. Metcalf and Donald C. Metcalf, wife and husband, as Lessor, and Sodak Properties II, LLC, as Lessee, to-wit:

The terms and provisions of the Oil and Gas Lease to which this Exhibit "A" is attached shall be amended as follows:

**Additional Provisions:**

- 1) Lessor reserves the right to grant, lease, develop and mine any and all other minerals from said land except the interests in gas and oil and their constituent products herein leased to Lessee.
- 2) Lessor does not warrant the title to the leased premises. Any title examination shall be at Lessee's expense.
- 3) Lessee shall bury pipelines and utility lines "a minimum of 36" deep". Lessee shall pay Lessor for reasonable damages to all property, real, personal or mixed, caused by its operations on said land, including but specifically not limited to land, growing crops, which may include the expense of reseeding Conservation Reserve Program grass and plants, and penalties or liquidated damages assessed by the Department of Agriculture, the Soil Conservation Service or the Agricultural Stabilization and Conservation Services; grass, buildings, livestock, surface, fences and other improvements and personal property. All slush pits shall be filled and leveled with sixty (60) days after well completion or abandonment unless a longer time therefore is granted by Lessor, at its option.
- 4) Lessee further agrees to pay to Lessor a reasonable amount, but not less than \$2,500.00, for each drill site location on the leased premises prior to the commencement of drilling operations. As further consideration hereunder, Lessee agrees to pay to Lessor a minimum of \$3.00 per rod, plus crop damages, for any pipeline installed or constructed on the above land, whether or not connection to the well on the leased premises. Said subsequent damages shall be paid within 3 months of the conclusion of the work.
- 5) In the event Lessee should cause a well to be drilled on this lease during the growing season of whatever crop is planted, and should Lessee's or its agent's equipment prohibit use of any irrigation system on all of this land during the term that the Well is being drilled, Lessee agrees to pay Lessor and their Tenant, the difference in the value of the crop produced on that portion of the land that could not be watered as compared with the field average for the balance of the field. The field average for that portion which was irrigated shall be used as the maximum producing capability of the land, and the price per unit shall be the cash price at the local elevator in the town nearest the leased property as of the first day of the normally accepted harvest month. It is the intention of the parties hereto to cause as little interference with farming, ranching and irrigation operations on said land as possible. During seasonal periods of farming and agriculturally related activity, Lessee agrees to delay the commencement of new wells and the reworking of existing wells whenever reasonable, and Lessee further agrees to consult with Lessor regarding surface use during said periods.
- 6) Prior to the construction of any roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult with Lessor and agree with the surface owner and tenant as to the location and direction of same. Lessor reserves the right to designate all routes of ingress and egress. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor.
- 7) The use of water provided for under this lease is limited to use for drilling operations on the leased premises only. Lessee shall specifically not have any right to use fresh water from the leased premises for the purpose of water flooding or injection in any water flooding program or in which the leased premises may, for any reason, be pooled or unitized.
- 8) The installation of any salt water disposal equipment by Lessee in the operation of the lease shall be subject to the written approval of Lessor. Lessee shall not be permitted to use any well drilled on the leased premises as a salt water disposal well without the written consent of Lessor and without compensating Lessor for the use thereof.
- 9) Lessee shall have up to two (2) years beyond the primary term herein called "shut-in-period", from the date of completion of a gas well in which to make pipeline connections for the production or marketing of gas. During the shut-in period, it shall be considered, that gas is being produced from the premises in paying quantities so long as Lessee is paying Lessor a payment in the amount of \$5.00 per net mineral acre per year "in lieu of royalty" and not as royalty as noted in the lease. Said payment shall be made within one hundred eighty days after any well is shut-in and each annual anniversary thereafter during the shut-in period as defined herein.
- 10) It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect two (2) years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all zones and formations of the leased premises or land unitized therewith which are 100' or more below the deepest zone penetrated by Lessee or its horizontal equivalent. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a



**EXHIBIT "A" BOOK 171 PAGE 20**

- release of the lease below such zones or formations within sixty (60) days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such release.
- 11) It is expressly agreed notwithstanding anything to the contrary herein, that if the lease be in force and effect two (2) years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all portions of the leased premises which are not included in a forty (40) acre area for each producing oil well other than a horizontal completion and six-hundred forty (640) acres for each producing gas well or six-hundred forty (640) acres for a horizontal completion plus a 10% tolerance provided that a larger unit may be formed for an oil well, or a gas well, or horizontal completion to conform to any spacing or pattern that may be prescribed by any governmental authority having jurisdiction to do so. The Lessee shall file of record in the county courthouse in which the leased premises are located a release of the lease beyond said forty (40) acre or six hundred forty (640) acre area within sixty (60) days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such release.
  - 12) Whenever necessary in this lease and Addendum and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine.
  - 13) All storage tanks and tank battery operations shall be installed along adjacent existing roadways to avoid interference with any farming operations of Lessor, unless otherwise negotiated between Lessor and Lessee.
  - 14) It is hereby agreed that Paragraph 2 shall be modified such that Lessee shall not be allowed to reduce Lessor's royalty by any proportionate part of the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use however any such costs which result in enhancing the value of the marketable gas or other products may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, any such costs which result in enhancing the value of the marketable oil, gas or other products may be deducted from the lessor's share of production so long as they are based on the lessee's actual cost of such enhancement.
  - 15) In the event of any conflict between the terms of this Addendum and the lease incorporated herein by reference, the terms of this Addendum shall control.
  - 16) Paragraph 9 is hereby stricken from the lease.
  - 17) Paragraph 15 is hereby amended to read as follows:  
"Notwithstanding anything to the contrary contained in this lease, no litigation shall be initiated by Lessor for damages, forfeiture, termination or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 45 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated, this lease shall not be cancelled in whole or in part unless Lessee is given a reasonable time after judicial determination to remedy the breach or default and Lessee fails to do so or such judicial determination shall specify that the lease shall be forfeited or cancelled."
  - 18) Lessee shall segregate all top soil during any excavation work on the leased premises and restore the same to its original location as soon as possible during the completion of the excavation work.
  - 19) No well shall be drilled nearer than 300 feet to a house or barn now on said premises, without the written consent of the lessor.
  - 20) It is agreed by the Lessor and Lessee that in this lease, where the words "one-eighth (1/8)" appear, it shall read "one-sixth (1/6)" in each case.
  - 21) At the request of Lessor, Lessee shall install and maintain fences around the well location and all equipment for the protection of livestock upon the lands.
  - 22) At the request of Lessor, Lessee shall place cattle guards and gates on the property at all places where lease roads enter the property or go through existing fences. Lessee shall use its best efforts to keep gates padlocked at all times, except when opened for passage of traffic. Said cattle guards and gates shall become the property of surface owner upon expiration of the lease.

End of Exhibit "A"

Lease #: 15620

SIGNED FOR IDENTIFICATION:

  
Janice K. Metcalf, wife

  
Donald C. Metcalf, husband



## OIL AND GAS LEASE

Wallace Prospect  
Lease #: 15621

(PAID UP)

AGREEMENT, made and entered into this 8th day of February, 2012, by and between: Harold J. Deines and Marilyn F. Deines, husband and wife ; 10167 N. Encore Drive, Casa Grande, AZ 85122, party of the first part, hereinafter called Lessor (whether one or more), and Sodak Properties II, LLC; PO Box 2716, Oklahoma City, OK 73104, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee, for the sole and exclusive right to explore by geophysical and other methods, for mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building drill sites, access roads, tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Wallace, State of Kansas, described as follows, to-wit:

SE/4

of Section 20, Township 14S, Range 40W, and containing 160.00 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from 8th day of February, 2012 (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith.
2. In consideration of the premises the said Lessee covenants and agrees:
  - A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 1/8th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
  - B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 1/8th of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, said payments to be made monthly. During any period after expiration of the primary term hereof when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations. Any off lease operation intended to result in production from an interval under the leased premises or lands pooled therewith shall be considered for all purposes hereunder as if such operations were commenced and conducted on the lease premises.
4. Lessee is hereby granted the right at any time and from time to time to pool or unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal completion) shall not exceed 160 acres plus a maximum acreage tolerance of 10%, and a unit for a gas well or a unit for a horizontal completion shall not exceed 1280 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority



having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. Lessee shall file written unit designations in the county in which the leased premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties 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 in the unit.

5. 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 shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.

7. 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.

8. 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. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

9. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforesaid lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void.

10. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and 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 such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.

11. This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

12. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

13. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

14. For the same consideration stated above, Lessor further grants, sells, conveys and warrants to Lessee a subsurface right-of-way and easement in, through and under the leased premises for the purpose of drilling oil and/or gas wells to, and producing through said wells oil, gas or other minerals from, lands other than the leased premises, together with the right of ingress and egress to said wells.

15. Notwithstanding anything to the contrary contained in this lease, no litigation shall be initiated by Lessor for damages, forfeiture, termination or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this lease shall not be cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so or such judicial determination shall specify that the lease shall be forfeited or cancelled.

16. Notwithstanding anything to the contrary contained in this Lease, for the same consideration, Lessor does

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hereby grant to Lessee, its successors and/or assigns, the option, but not the obligation to extend the primary term of this Lease and all rights hereunder for an additional Three (3) years. Lessee shall exercise this option by tendering to Lessor, an additional bonus payment equal to the sum of 150.00% of the original bonus paid per net mineral acre covered by this lease. This additional bonus payment shall be considered tendered by Lessee when deposited with the U.S. Postal Service for delivery to the Lessor by certified mail at the address above on or prior to the expiration date of the initial primary term of this Lease. Upon tender the primary term of this lease will be amended from Five (5) years to Eight (8) years.

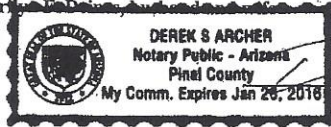
See Exhibit "A" Attached hereto and made a part hereof.

IN TESTIMONY WHEREOF, we sign this the 23 day of Feb, 20 12, by  
Harold J. Deines and Marilyn F. Deines, husband and wife

Harold J. Deines                      Marilyn F. Deines  
Harold J. Deines, husband              Marilyn F. Deines, wife

STATE OF Arizona }                      (ACKNOWLEDGEMENT FOR INDIVIDUAL)  
                                      } SS.  
COUNTY OF Pinal }

The foregoing instrument was acknowledged before me this 23 day of February, 2012, by  
Harold J. Deines and Mar



[Signature]  
Notary Public

Print Name Derek Archer

My Commission expires: Jan. 26, 2016

Commission Number: N/A

Wallace Prospect Lease #: 15621

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**EXHIBIT "A"**

Attached to and made a part of that certain Oil and Gas Lease dated February 08, 2012, by and between Harold J. Deines and Marilyn F. Deines, husband and wife, as Lessor, and Sodak Properties II, LLC, as Lessee, to-wit:

The terms and provisions of the Oil and Gas Lease to which this Exhibit "A" is attached shall be amended as follows:

**Additional Provisions:**

- 1) Lessor reserves the right to grant, lease, develop and mine any and all other minerals from said land except the interests in gas and oil and their constituent products herein leased to Lessee.
- 2) Lessor does not warrant the title to the leased premises. Any title examination shall be at Lessee's expense.
- 3) Lessee shall bury pipelines and utility lines "a minimum of 36" deep". Lessee shall pay Lessor for reasonable damages to all property, real, personal or mixed, caused by its operations on said land, including but specifically not limited to land, growing crops, which may include the expense of reseeding Conservation Reserve Program grass and plants, and penalties or liquidated damages assessed by the Department of Agriculture, the Soil Conservation Service or the Agricultural Stabilization and Conservation Services; grass, buildings, livestock, surface, fences and other improvements and personal property. All slush pits shall be filled and leveled with sixty (60) days after well completion or abandonment unless a longer time therefore is granted by Lessor, at its option.
- 4) Lessee further agrees to pay to Lessor a reasonable amount, but not less than \$2,500.00, for each drill site location on the leased premises prior to the commencement of drilling operations. As further consideration hereunder, Lessee agrees to pay to Lessor a minimum of \$3.00 per rod, plus crop damages, for any pipeline installed or constructed on the above land, whether or not connection to the well on the leased premises. Said subsequent damages shall be paid within 3 months of the conclusion of the work.
- 5) In the event Lessee should cause a well to be drilled on this lease during the growing season of whatever crop is planted, and should Lessee's or its agent's equipment prohibit use of any irrigation system on all of this land during the term that the Well is being drilled, Lessee agrees to pay Lessor and their Tenant, the difference in the value of the crop produced on that portion of the land that could not be watered as compared with the field average for the balance of the field. The field average for that portion which was irrigated shall be used as the maximum producing capability of the land, and the price per unit shall be the cash price at the local elevator in the town nearest the leased property as of the first day of the normally accepted harvest month.  
It is the intention of the parties hereto to cause as little interference with farming, ranching and irrigation operations on said land as possible. During seasonal periods of farming and agriculturally related activity, Lessee agrees to delay the commencement of new wells and the reworking of existing wells whenever reasonable, and Lessee further agrees to consult with Lessor regarding surface use during said periods.
- 6) Prior to the construction of any roads, pipelines, tank battery installations, or installation of other equipment on the leased premises, Lessee shall consult with Lessor and agree with the surface owner and tenant as to the location and direction of same. Lessor reserves the right to designate all routes of ingress and egress. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor.
- 7) The use of water provided for under this lease is limited to use for drilling operations on the leased premises only. Lessee shall specifically not have any right to use fresh water from the leased premises for the purpose of water flooding or injection in any water flooding program or in which the leased premises may, for any reason, be pooled or unitized.
- 8) The installation of any salt water disposal equipment by Lessee in the operation of the lease shall be subject to the written approval of Lessor. Lessee shall not be permitted to use any well drilled on the leased premises as a salt water disposal well without the written consent of Lessor and without compensating Lessor for the use thereof.
- 9) Lessee shall have up to two (2) years beyond the primary term herein called "shut-in-period", from the date of completion of a gas well in which to make pipeline connections for the production or marketing of gas. During the shut-in period, it shall be considered, that gas is being produced from the premises in paying quantities so long as Lessee is paying Lessor a payment in the amount of \$5.00 per net mineral acre per year "in lieu of royalty" and not as royalty as noted in the lease. Said payment shall be made within one hundred eighty days after any well is shut-in and each annual anniversary thereafter during the shut-in period as defined herein.
- 10) It is expressly agreed, notwithstanding anything to the contrary herein, that if the lease be in force and effect two (2) years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all zones and formations of the leased premises or land unitized therewith which are 100' or more below the deepest zone penetrated by Lessee or its horizontal equivalent. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, a release of the lease below such zones or formations within sixty (60)

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EXHIBIT "A"


days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such a release.

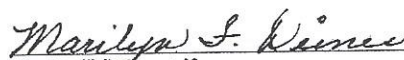
- 11) It is expressly agreed notwithstanding anything to the contrary herein, that if the lease be in force and effect two (2) years beyond the primary term thereupon it shall terminate as to the oil and gas rights in all portions of the leased premises which are not included in a forty (40) acre area for each producing oil well other than a horizontal completion and six-hundred forty (640) acres for each producing gas well or six-hundred forty (640) acres for a horizontal completion plus a 10% tolerance provided that a larger unit may be formed for an oil well, or a gas well, or horizontal completion to conform to any spacing or pattern that may be prescribed by any governmental authority having jurisdiction to do so. The Lessee shall file of record in the county courthouse in which the leased premises are located a release of the lease beyond said forty (40) acre or six hundred forty (640) acre area within sixty (60) days following written demand thereof, with said demand being made after the two (2) year period herein referred to above. If such release is not filed within sixty (60) days following written demand, Lessee shall be liable for damages and attorney's fees, if any, incurred by Lessor in obtaining such release.
- 12) Whenever necessary in this lease and Addendum and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine.
- 13) All storage tanks and tank battery operations shall be installed along adjacent existing roadways to avoid interference with any farming operations of Lessor, unless otherwise negotiated between Lessor and Lessee.
- 14) It is hereby agreed that Paragraph 2 shall be modified such that Lessee shall not be allowed to reduce Lessor's royalty by any proportionate part of the cost incurred by Lessee in processing, gathering, treating, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use however any such costs which result in enhancing the value of the marketable gas or other products may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, any such costs which result in enhancing the value of the marketable oil, gas or other products may be deducted from the lessor's share of production so long as they are based on the lessee's actual cost of such enhancement.
- 15) In the event of any conflict between the terms of this Addendum and the lease incorporated herein by reference, the terms of this Addendum shall control.
- 16) Paragraph 9 is hereby stricken from the lease.
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- 18) Lessee shall segregate all top soil during any excavation work on the leased premises and restore the same to its original location as soon as possible during the completion of the excavation
- 19) No well shall be drilled nearer than 300 feet to a house or barn now on said premises, without the written consent of the lessor.
- 20) It is agreed by the Lessor and Lessee that in this lease, where the words "one-eighth (1/8)" appear, it shall read "one-sixth (1/6)" in each case.
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- 22) At the request of Lessor, Lessee shall place cattle guards and gates on the property at all places where lease roads enter the property or go through existing fences. Lessee shall use its best efforts to keep gates padlocked at all times, except when opened for passage of traffic. Said cattle guards and gates shall be the property of surface owner upon expiration of the lease.

End of Exhibit "A"

Lease #: 15621

SIGNED FOR IDENTIFICATION

  
Harold J. Deines, husband

  
Marilyn F. Deines, wife

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