

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

KANSAS CORPORATION COMMISSION 1369043
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

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

<p>For KCC Use ONLY</p> <p>API # 15 - _____</p> <p>Conductor pipe required _____ feet</p> <p>Minimum surface pipe required _____ feet per ALT. <input type="checkbox"/> I <input type="checkbox"/> II</p> <p>Approved by: _____</p> <p>This authorization expires: _____ (This authorization void if drilling not started within 12 months of approval date.)</p> <p>Spud date: _____ Agent: _____</p>
--

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: _____

E
 W

For KCC Use ONLY

API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: _____

Lease: _____

Well Number: _____

Field: _____

Number of Acres attributable to well: _____

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

Location of Well: County: _____

_____ feet from N / S Line of Section

_____ feet from E / W Line of Section

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

Is Section: Regular or Irregular

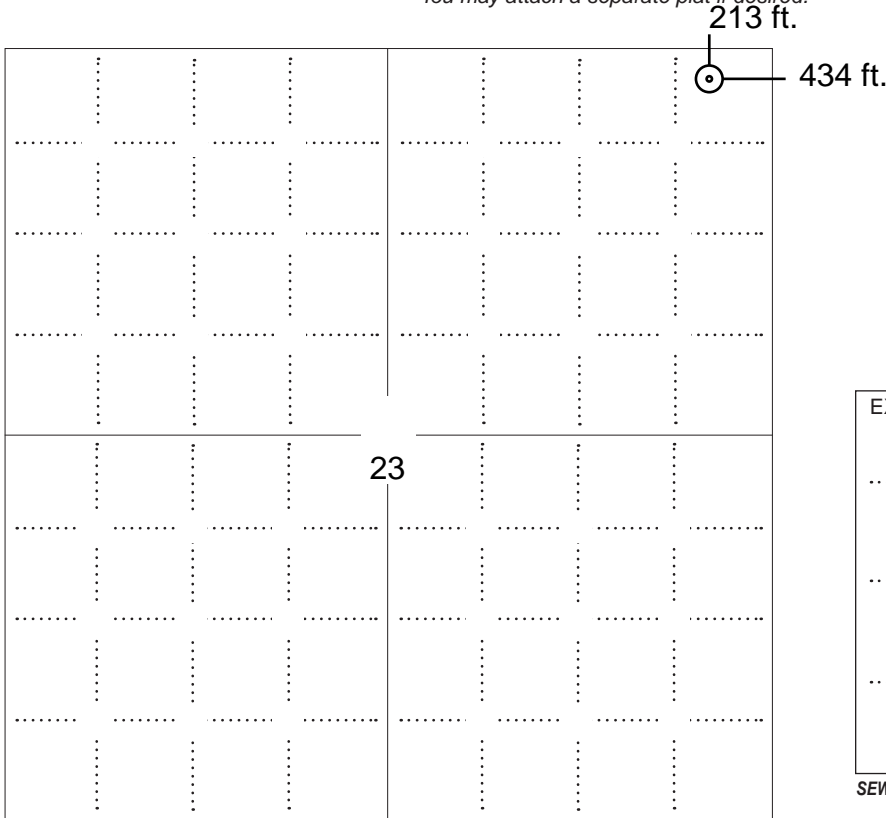
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

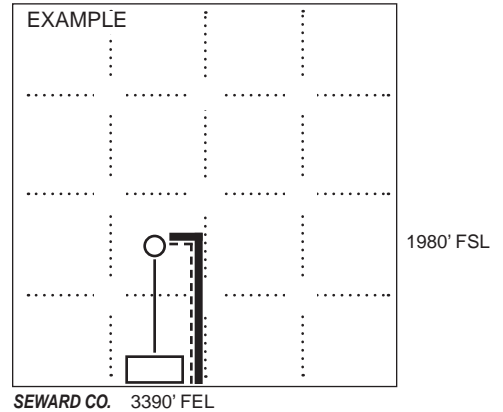
Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

You may attach a separate plat if desired.



LEGEND

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



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

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

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



APPLICATION FOR SURFACE PIT

Submit in Duplicate

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

KCC OFFICE USE ONLY

Liner Steel Pit RFAC RFAS

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



CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

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

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

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

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

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

Surface Owner Information:

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

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

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

Select one of the following:

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

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

I Submitted Electronically

I



00-25s-10w-999
CRD NO.

00-25s-10w
DMT NO.

PRO-STAKE

Construction Site Staking



13542
INVOICE NO.



Palomino Petroleum, Inc.
OPERATOR

Reno County, KS
COUNTY

#1 Preisser Farms
(RETAKE)

213' FNL - 434' FEL
LOCATION SPOT

1733.4'
GR ELEVATION

37.867599387
NAD 83 LAT

98.382200370
NAD 83 LONG

23 25s 10w
Sec. Twp. Rng.

SCALE: 1" = 1000'
DATE STAKED: October 2nd, 2017
MEASURED BY: Pierce R.
DRAWN BY: Pierce R.
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@prostakellc.com

LEGEND

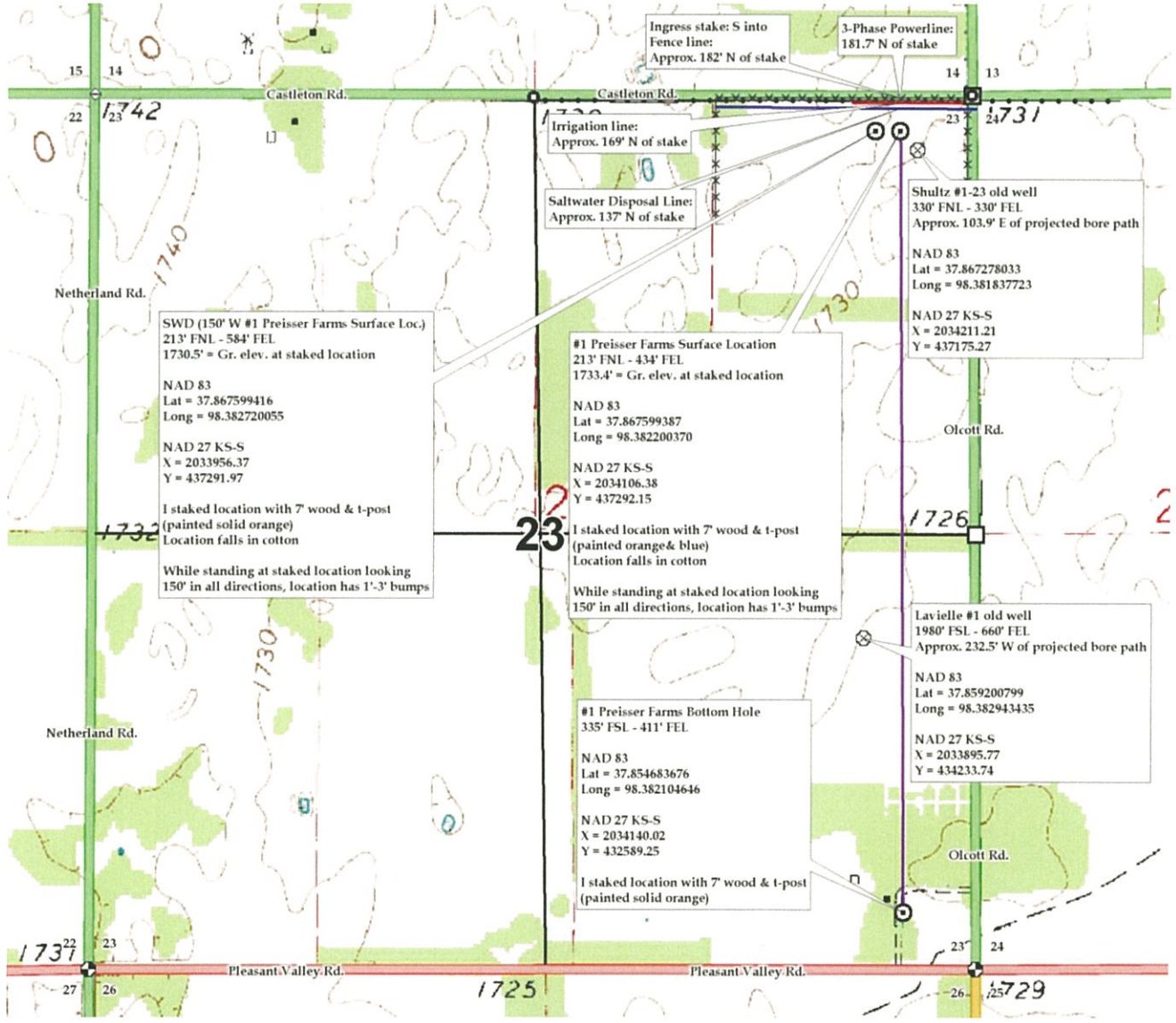
- ⊙ irr. well
- ⊕ water hydrant
- ⊙ tank battery
- ⊙ staked loc.
- ⊗ prod. well/aband. well
- ▣ house
- ▣ building
- G— gas line
- W— water line
- E— transmission powerline
- 3 phase powerline
- single phase powerline
- x—x—x— fence
- ▨ gravel/sand rd.
- ▨ gravel trail/lease rd.
- ▨ dirt rd.
- ▨ dirt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



DIRECTIONS: From the Center of Langdon, KS at the intersection of Front St. & Pleasant Valley Rd. - Now go 3 miles West on Pleasant Valley Rd. to the SE corner of section 23-25s-10w - Now go 1 mile North on Olcott Rd. to the NE corner of section 23-25s-10w - Now go approx. 0.1 mile West on Castleton Rd. to ingress stake S into at fence line - Now go approx. 213' South through cotton 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.*

LANDOWNER/CONTACT: Lawrence Preisser: 620-243-4214





00-25s-10w-999
CRD NO.

00-25s-10w
DMT NO.

PRO-STAKE

LLC

Construction Site Staking

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

13542
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DATE REVISED:



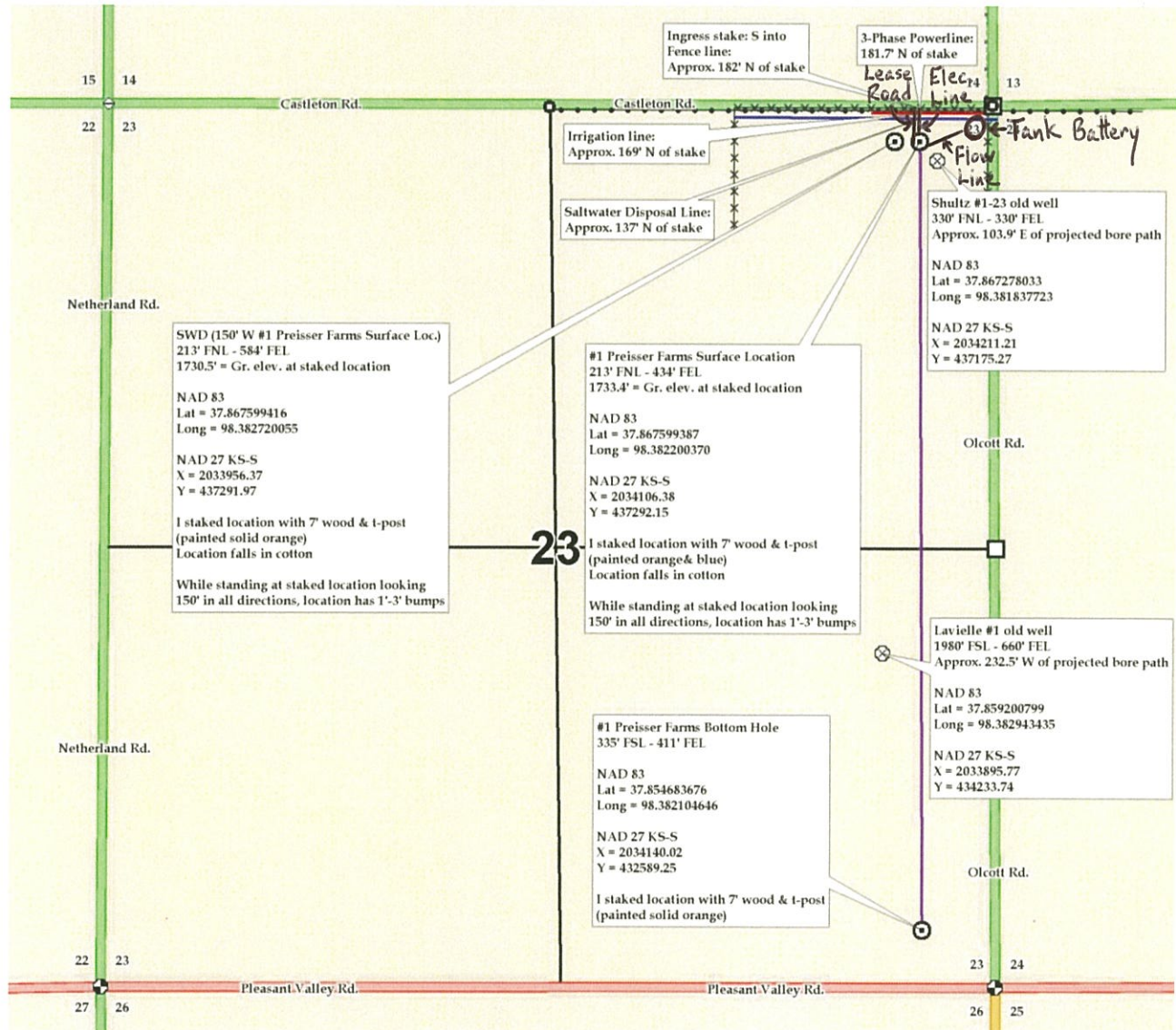
LEGEND

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

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*This drawing does not constitute a monumented survey or a land survey plat.
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LANDOWNER/CONTACT: Lawrence Preisser: 620-243-4214



MTG SUB 528 P 102 09.15.2017

STATE OF KANSAS
RENO COUNTY

This instrument was filed for record on the
15 day of JUN A.D. 2017
at 2:30 o'clock P. M and duly
recorded in Book 526 on Page 143
Fee \$ 116.00 (8)

Michelle Updegrave
Recorder of Deeds

OIL AND GAS LEASE
(Paid Up)

LS # 10150

AGREEMENT, Made and entered into this 1st day of May 2017 with an effective date of July 23rd, 2017, by and between
Lawrence A. Preisser, a single man
105 Southeast 130th Avenue
Cunningham, KS 67035

party of the first part, hereinafter called lessor (whether one or more) and **Palomino Petroleum Inc., 4924 SE 84th St. Newton, KS 67114**, party of the second part, hereinafter called Lessee.

WITNESSETH: That lessor, for and in consideration of Ten (\$10.00) and More Dollars, cash in hand paid, receipt of which is hereby acknowledged and of the royalties herein provided and of the covenants and agreements hereinafter contained to be performed on the part of the lessee, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto lessee, the herein described land with any reversionary rights therein for the purpose of exploring by geological, geophysical, seismic and other methods, drilling, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and all other constituents and all other gases) and the exclusive right of injecting water, brine and other substances into the subsurface strata and for laying pipe lines, constructing roads, electric lines and building tanks and structures thereon, necessary or convenient for the economical operation of said land alone or conjointly with lands unitized or pooled therewith to produce, save, treat, take care of, process, store and transport said products, all that certain tract of land, situated in the County of Reno, State of Kansas, described as follows, to-wit:

NE/4 ✓

of Section 23, Township 25 South, Range 10 West, and containing 160 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of three (3) year from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land or land with which said land is pooled or unitized by the lessee

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

(a). To deliver in-kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 1/8th part of all oil (including condensate) produced and saved from the leased premises, but in no event more than 1/8th of the actual amount received by lessee. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's gross proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of severance and similar taxes.

(b). To pay lessor for gas (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 1/8th part of the gross proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of severance and other similar taxes; lessor's interest to be free of all costs of production, but in no event more than 1/8th of the actual amount received by lessee. If, after the primary term of this lease gas from any well or wells on the premises capable of producing gas in commercial quantities is not sold or used off the premises or in the manufacture of gas for a period of one (1) year or more, during which time there is no other production from the leased premises, then lessee may pay or tender as royalty for such annual period a sum of one dollar (\$1.00) per net acre within ninety (90) days after the end of such annual period and if such payment is made it will be considered that gas is being produced for purposes of perpetuating the lease beyond its primary term.

2. 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, as to any or all horizons, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the portion surrendered.

3. 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 or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations 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 the year first mentioned.

4. Lessee shall have the right, but not the obligation, to unitize all or any part of the Leased Premises or interest therein with any other

lands or interests, as to any or all depths or zones, and as to any or all substances covered by this Lease, either before or after the commencement of production, whenever in Lessee's judgment it is necessary or advisable to do so in order to prudently develop or operate the Leased Premises, so as to promote the conservation of such minerals in and under said land. Any gas unit for a vertical well created pursuant to the lease shall be limited to 160 acres and any oil unit for a vertical well shall be limited to 40 acres; provided, any 40 acre vertical oil unit created with property covered by this lease and adjoining any contiguous property not covered by this lease shall contain at least 20 acres of Lessor's property covered by this lease and any 160 acre vertical gas unit created with property covered by this lease and adjoining any contiguous property not covered by this lease shall contain at least 80 acres of Lessor's property covered by this lease. The unit formed by such unitizing for a horizontal oil or gas well shall not exceed 640 acres, plus a maximum acreage tolerance of 10%. 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. In exercising its rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the Leased Premises shall be treated as if it were production, drilling or reworking operations on the Leased Premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Unitizing hereunder shall not constitute a cross-conveyance of interests.

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 their interest bears to the whole and undivided fee.

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

7. When requested by the lessor, lessee shall bury pipe lines below plow depth.

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

9. Lessee shall pay for all damages caused by its operations on said land.

10. 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.

11. If the estate of either party hereto is assigned, 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 the assignment.

12. 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.

13. This lease shall be effective as to each lessor on execution hereof as to their 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.

14. 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.

15. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor and be subrogated to the rights of the holder hereof.

16. Lessee hereby agrees to pay for any and all damages occasioned by its operations hereunder, including crop damage caused by pipelines installed on or removed from the premises. Lessee shall pay Lessor a reasonable amount, which includes crop damages, for each drill site location on the leased premises. Upon completion of Lessee's operations on each well, Lessee agrees to restore the

premises to as nearly as practical the same condition they were in prior to the commencement of operations hereunder. All trash and debris shall be removed before the surface of the premises is restored.

17. This Lease is expressly made subject to the terms and conditions of Exhibit attached hereto and made a part of.

IN TESTIMONY WHEREOF, we sign this the 1st day of June, 2017.

"LESSOR"

BY: Lawrence A. Preisser
Lawrence A. Preisser

ACKNOWLEDGMENT

STATE OF KANSAS)
COUNTY OF Rhett) ss:

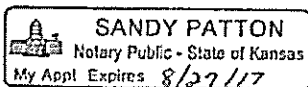
BE IT REMEMBERED that on this 1st day of June, 2017, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, came **Lawrence A. Preisser**, who are known to me to be the same person who executed the within instrument of writing and such persons duly acknowledged the execution of the same.

IN WITNESS WHEREOF, I have hereto set my hand and affixed my seal, the day and year last above written.

Sandy Patton
Notary Public

My Commission Expires:

August 27, 2017



EXHIBIT

EXHIBIT to Oil and Gas Lease dated 1st day of May 2017 with an effective date of July 23rd, 2017 between **Lawrence A. Preisser, a single man**, as Lessor, and **Palomino Petroleum Inc.**, as Lessee.

This Exhibit is hereby made a part of that certain oil and gas lease identified above by date and parties to the same extent as if the provisions hereof had originally been written in the Lease, and this Exhibit and the Lease cover the following described real property in Reno County, Kansas:

1. ROYALTY

1.1. **Free of Cost.** The royalty paid to Lessor by Lessee under the Lease and this Exhibit shall be free of cost to Lessor. "Free of cost" royalty is defined as a royalty that is not subject to reduction for any expenses, charges or costs related to exploration, development or operation of the leasehold, including, without limitation: any expenses, charges or costs incurred by Lessee or Lessee's affiliates, whether incurred on or off the Premises or incurred directly or indirectly, for producing, gathering, treating, storing, separating, compressing, dehydrating, readying, measuring, transporting, or marketing the oil and/or gas produced from the Premises.

2. DAMAGES

2.1. **Payment.** Lessee shall pay Lessor for all loss of crops, grasses, damages to the land and all other damages of whatever kind or nature caused by its operations. Lessee agrees to use its best efforts to reasonably restore the surface to its original contour as nearly as practicable. Should any wells be drilled, roadways be established, structures be erected, or any other use of the leased premises cause damage to lands enrolled in the Conservation Reserve Program (CRP), any repayments of cost-shares, annual payments, interest, and liquidated damages, will be promptly reimbursed to the Lessor by the Lessee, under the direction of the governing Farm Service Agency. Lessee agrees to pay \$1500.00 as minimum damages for any new vertical drill site location and \$2500.00 as minimum damages for any new horizontal well location prior to the commencement of drilling operations. All other payments, if any, shall be due and payable within 90 days of damage, should additional damage occur.

2.2. **Indemnification.** Lessee shall indemnify Lessor against and hold Lessor harmless from any claims, damages, attorney fees, actions or causes of action arising SBNH-4-6-17 O & G Ex.

from or in any way related to Lessee's operations on the Premises or under the Lease or to any acts or omissions of Lessee or Lessee's agents, invitees, licensees, employees, contractors, subcontractors, independent contractors, officers or representatives.

3. SURFACE USE AGREEMENTS

3.1. **Seismic.** By signing the Lease and this Exhibit, Lessor is not granting Lessee the right to conduct seismic exploration on the Premises. Any seismic exploration must be covered by a separate written agreement, which must provide for paying additional compensation to Lessor for such seismic exploration, and which must be signed by Lessor prior to any seismic exploration of the Premises. Lessee shall remain responsible to restore the premises and pay any additional actual damages caused by the seismic activity. Lessee shall not use any heavy equipment on the property when the soil is wet or soft. If rutting or soil compaction occurs due to Lessee's activities, Lessee shall alleviate these conditions by filling ruts and/or ripping compacted areas.

3.2. **Road.** Lessee agrees to pay minimum surface damages of \$5.00 per rod for each access road, payable in advance of commencement of a road, as a deposit toward damages to the Premises caused by Lessee's construction thereof. In the event damages are greater than the minimum deposit paid, Lessee shall settle for the excess damages within 90 days after completion of the road. In the event that Lessee uses any existing roads on the Premises, Lessee shall maintain such roads.

Prior to the construction of any road, Lessee shall consult with Lessor as to the placement thereof, and Lessee shall utilize its best efforts to minimize interference with Lessor's agricultural operations. Roads shall be routed along existing field boundaries where feasible, to avoid fragmenting fields. Culverts or other means shall be used to avoid water retention in terrace channels or waterways. Roads bisecting an existing field shall be constructed with minimal ditches or other obstructions, so as to allow farm machinery (planters, sprayers, and harvesters) to cross the road, reducing the need for additional turns. There shall be no oil or hard surfacing of any access road, drill/well site or installation site, without prior written consent of Lessor.

3.3. **Lines.** Lessee agrees to pay minimum surface damages of \$5.00 per rod for each line, payable in advance of commencement of a line, as a deposit toward damages to the Premises caused by Lessee's construction thereof. In the event damages are greater than the minimum deposit paid, Lessee shall settle for the excess damages within 90 days after completion of the line. "Lines" are defined as oil and gas pipelines and electric and communications lines. There shall be no overhead/aerial electric or communications lines placed over the Premises by Lessee, without prior written consent of Lessor.

All Lines and other subterranean structures shall be buried to a minimum depth of 48 inches. Nothing herein shall be interpreted as prohibiting Lessor's construction of fences, structures, irrigation water lines, gas pipelines or ditches alongside any pipeline or well of the Lessee, so long as the same do not interfere with Lessee's operations.

Lessor and Lessee shall agree in writing on the location of all Lines, prior to the construction thereof. The right to bury Lines extends only to lines required for drilling operations on and carrying production from the Premises, and not to common carrier lines. For purposes of this Exhibit, a Line laid to gather gas production from adjoining land owned by Lessor shall not be considered a common carrier line.

3.4. **Water.** Lessee shall not use water from any pond, stream, well or rural or city water service on the Premises, without prior written consent of Lessor and without compensating Lessor for the use thereof.

3.5. **Fencing.** If Lessor places cattle or other livestock on the Premises, Lessee shall fence all pits and equipment, and install such cattle guards and gates as are necessary to protect and contain such livestock. Lessee shall keep gates locked at all times and furnish Lessor with keys. Lessee shall maintain and promptly repair its fences, cattle guards and gates in a workmanlike manner. Cattle guards and gates shall become the property of Lessor upon termination of the Lease.

3.6. **Site Maintenance.** Lessee shall maintain any drill/well site, equipment site, road or any other area used in its lease operations free of weeds and trash. Lessee shall not use salt or waste water, salt or long-life chemical substances in weed control.

3.7. **Salt Water Disposal.** The installation of any salt water disposal equipment shall be subject to prior written approval of Lessor. Lessee shall not use any well drilled on the Premises as a salt water disposal well without prior written consent of Lessor and without compensating Lessor for the use thereof. The terms of this paragraph do not apply to the disposal of salt water produced from wells located on lands covered by this lease. Any salt water disposal equipment or well on the Premises shall comply with all statutes, orders, rules and regulations of the Kansas Corporation Commission and Kansas Department of Health and Environment.

3.8. **Irrigation.** If the lands covered hereby are irrigated by the use of an overhead sprinkler system, presently in operation or installed hereafter, Lessee's operation and equipment shall be installed and conducted in such a manner as to not interfere with Lessor's farming or irrigation operations on said land. Lessee's operations and equipment for production will be placed on this land at places, or at such height and level, which will permit the irrigation sprinklers to normally operate on this land. If the property is irrigated, during growing season Lessee shall conduct no drilling, completion or rework operations except such activities necessitated by SBNH-4-6-17 O & G Ex.

emergency on the property without written consent of the Lessor which consent shall not be unreasonably withheld. No pits will be dug in the sprinkler wheel tracks

4. TERMINATION

4.1. **Definition.** "Automatically terminate" or "automatically terminates" is defined as the immediate rescission and cancellation of the Lease, so that upon an event of automatic termination, Lessee's rights under the Lease and/or to the leasehold shall be immediately rescinded and canceled, without the adjudication of such rescission and cancellation by any court or governmental agency.

4.2. **Shut-In Royalty.** Notwithstanding anything in the lease form to the contrary, the shut-in gas well royalty clause shall not have the effect of extending the term of this lease for a period in excess of two (2) years consecutive after the expiration of the primary term. The shut-in royalty payment shall be \$5.00 per acre. If Lessee fails to pay shut-in payment, the lease will automatically terminate.

4.3. **Depth Clause.** It is understood and agreed that two (2) years following the expiration of the primary term of this lease or upon the expiration of any extension or renewal of the primary term (including without limitation those contained in any continuous development provisions of the Lease), whichever occurs last, this lease shall automatically terminate as to all rights lying below one hundred (100) feet below 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 the lands pooled therewith, whichever is the deepest; provided, however, if the 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 lapse between said operations.

4.4. **Pugh Clause.** Two (2) years following the expiration of the primary term of this lease or the expiration of any extension or renewal of the primary term (including without limitation those contained in any continuous development provisions of the Lease), whichever occurs last, in the event a portion or portions of the leased premises is pooled with other land so as to form a pooled unit or units, this lease will automatically terminate as to all land not included in such unit or units unless held by other production. This lease may be maintained in force as to any land covered hereby and included in such unit or units in any manner provided for herein. Upon the occurrence of any such 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

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pipelines or equipment used in connection with production of oil or gas from the leased premises.

4.5. **Unitization.** If any unit created pursuant to Section 4 of the lease contains less than all of the property covered by this lease, then this lease shall terminate at the end of the primary term as to all such property not included in a producing gas or oil unit unless held by actual production from a well on the property covered by this lease but outside the unit.


5. MISCELLANEOUS

5.1. **Conflict With Lease.** In the event of conflict between the Lease provisions and the Exhibit provisions, the Exhibit provisions shall control.

5.2. **Law.** All provisions of the Lease shall be subject to applicable federal and state laws, statutes, orders, rules and regulations.

5.3. **Binding Effect.** This Exhibit and Lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, devisees, legatees, grantees, executors, administrators, trustees, personal representatives, successors and assigns of Lessor and Lessee; provided, neither Lessee nor any successor or assign of Lessee shall be relieved from any obligation hereunder without the written consent of Lessor to any assignment made by Lessee.

5.4. **Context of Terms.** Whenever necessary in this Lease and Exhibit and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine. Whenever the term "Lessors" or the term "Lessee" is used in this Lease and Exhibit, such terms shall also refer to the successors and assigns of said parties as well.


Lawrence A. Preisser

STATE OF KANSAS
RENO COUNTY

This instrument was filed for record on the
17 day of AUG A.D. 2017
at 1:00 o'clock P.M and duly
recorded in Book 527 on Page 303
Fee \$ 130.00 (9)

Michelle Updegrave
Registrar of Deeds

OIL AND GAS LEASE
(Paid Up)

AGREEMENT, Made and entered into this 24th day of July 2017, by and between

Krista L. Heimberger and Roy Heimberger, wife and husband
5310 NE KINCAID RD
TOPEKA, KS 66617

party of the first part, hereinafter called lessor (whether one or more) and **Palomino Petroleum Inc., 4924 SE 84th St. Newton, KS 67114**, party of the second part, hereinafter called Lessee.

WITNESSETH: That lessor, for and in consideration of Ten (\$10.00) and More Dollars, cash in hand paid, receipt of which is hereby acknowledged and of the royalties herein provided and of the covenants and agreements hereinafter contained to be performed on the part of the lessee, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto lessee, the herein described land with any reversionary rights therein for the purpose of exploring by geological, geophysical, seismic and other methods, drilling, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and all other constituents and all other gases) and the exclusive right of injecting water, brine and other substances into the subsurface strata and for laying pipe lines, constructing roads, electric lines and building tanks and structures thereon, necessary or convenient for the economical operation of said land alone or conjointly with lands unitized or pooled therewith to produce, save, treat, take care of, process, store and transport said products, all that certain tract of land, situated in the County of Reno, State of Kansas, described as follows, to-wit:

✓ SE/4

of Section 23, Township 25 South, Range 10 West, and containing 160 acres, more or less.

1. It is agreed that this lease shall remain in force for a term of three (3) year from date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land or land with which said land is pooled or unitized by the lessee

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

(a). To deliver in-kind to lessor, at the well, or to the credit of lessor into the pipeline or storage tank to which the well may be connected, the 5/32 part of all oil (including condensate) produced and saved from the leased premises, but in no event more than 5/32 of the actual amount received by lessee. In lieu thereof, lessee shall have the option, at any time, to sell lessor's oil, in which case lessor's royalty shall be based on lessee's gross proceeds at the lease, or to purchase lessor's oil for the value of such oil at the lease. In any event, lessor's interest shall be free of all costs of production, but shall bear its proportionate part of severance and similar taxes.

(b). To pay lessor for gas (including casinghead gas, all gaseous substances, and all constituents thereof) produced and sold from the leased premises, 5/32 part of the gross proceeds at the lease from the sale of such gas, after deducting lessor's proportionate part of severance and other similar taxes; lessor's interest to be free of all costs of production, but in no event more than 5/32 of the actual amount received by lessee. If, after the primary term of this lease gas from any well or wells on the premises capable of producing gas in commercial quantities is not sold or used off the premises or in the manufacture of gas for a period of one (1) year or more, during which time there is no other production from the leased premises, then lessee may pay or tender as royalty for such annual period a sum of one dollar (\$1.00) per net acre within ninety (90) days after the end of such annual period and if such payment is made it will be considered that gas is being produced for purposes of perpetuating the lease beyond its primary term.

2. 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, as to any or all horizons, and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the portion surrendered.

3. 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 or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion or complete reworking operations 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 the year first mentioned.

4. Lessee shall have the right, but not the obligation, to unitize all or any part of the Leased Premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this Lease, either before or after the commencement of production, whenever in Lessee's judgment it is necessary or advisable to do so in order to prudently develop or operate the Leased Premises, so as to promote the conservation of such minerals in and under said land. Any gas unit for a vertical well created pursuant to the lease shall be limited to 160 acres and any oil unit for a vertical well shall be limited to 40 acres; provided, any 40 acre vertical oil unit created with property covered by this lease and adjoining any contiguous property not covered by this lease shall contain at least 20 acres of Lessor's property covered by this lease and any 160 acre vertical gas unit created with property covered by this lease and adjoining any contiguous property not covered by this lease shall contain at least 80 acres of Lessor's property covered by this lease. The unit formed by such unitizing for a horizontal oil or gas well shall not exceed 640 acres, plus a maximum acreage tolerance of 10%. 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. In exercising its rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the Leased Premises shall be treated as if it were production, drilling or reworking operations on the Leased Premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Unitizing hereunder shall not constitute a cross-conveyance of interests.

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 their interest bears to the whole and undivided fee.

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

7. When requested by the lessor, lessee shall bury pipe lines below plow depth.

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

9. Lessee shall pay for all damages caused by its operations on said land.

10. 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.

11. If the estate of either party hereto is assigned, 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 the assignment.

12. 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.

13. This lease shall be effective as to each lessor on execution hereof as to their 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.

14. 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.

15. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor and be subrogated to the rights of the holder hereof.

16. Lessee hereby agrees to pay for any and all damages occasioned by its operations hereunder, including crop damage caused by pipelines installed on or removed from the premises. Lessee shall pay Lessor a reasonable amount, which includes crop damages, for each drill site location on the leased premises. Upon completion of Lessee's operations on each well, Lessee agrees to restore the

premises to as nearly as practical the same condition they were in prior to the commencement of operations hereunder. All trash and debris shall be removed before the surface of the premises is restored.

17. This Lease is expressly made subject to the terms and conditions of Exhibit attached hereto and made a part of.

IN TESTIMONY WHEREOF, we sign this the 31st day of July, 2017.

“LESSOR”

BY: *Krista L. Heimberger*
Krista L. Heimberger

Roy Heimberger
Roy Heimberger

ACKNOWLEDGMENT

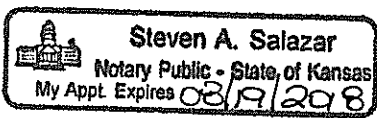
STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

BE IT REMEMBERED that on this 31st day of July 2017, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, came Krista L. Heimberger and Roy Heimberger, who are known to me to be the same person who executed the within instrument of writing and such persons duly acknowledged the execution of the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal, the day and year last above written.

Steven A. Salazar
Notary Public

My Commission Expires:
08/19/2018



EXHIBIT

EXHIBIT to Oil and Gas Lease dated 24th day of July 2017, between **Krista L. Heimberger and Roy Heimberger, wife and husband**, as Lessor, and **Palomino Petroleum Inc.**, as Lessee.

This Exhibit is hereby made a part of that certain oil and gas lease identified above by date and parties to the same extent as if the provisions hereof had originally been written in the Lease, and this Exhibit and the Lease cover the following described real property in Reno County, Kansas:

1. ROYALTY

1.1. **Free of Cost.** The royalty paid to Lessor by Lessee under the Lease and this Exhibit shall be free of cost to Lessor. "Free of cost" royalty is defined as a royalty that is not subject to reduction for any expenses, charges or costs related to exploration, development or operation of the leasehold, including, without limitation: any expenses, charges or costs incurred by Lessee or Lessee's affiliates, whether incurred on or off the Premises or incurred directly or indirectly, for producing, gathering, treating, storing, separating, compressing, dehydrating, readying, measuring, transporting, or marketing the oil and/or gas produced from the Premises.

2. DAMAGES

2.1. **Payment.** Lessee shall pay Lessor for all loss of crops, grasses, damages to the land and all other damages of whatever kind or nature caused by its operations. Lessee agrees to use its best efforts to reasonably restore the surface to its original contour as nearly as practicable. Should any wells be drilled, roadways be established, structures be erected, or any other use of the leased premises cause damage to lands enrolled in the Conservation Reserve Program (CRP), any repayments of cost-shares, annual payments, interest, and liquidated damages, will be promptly reimbursed to the Lessor by the Lessee, under the direction of the governing Farm Service Agency. Lessee agrees to pay \$1500.00 as minimum damages for any new vertical drill site location and \$2500.00 as minimum damages for any new horizontal well location prior to the commencement of drilling operations. All other payments, if any, shall be due and payable within 90 days of damage, should additional damage occur.

2.2. **Indemnification.** Lessee shall indemnify Lessor against and hold Lessor harmless from any claims, damages, attorney fees, actions or causes of action arising SBNH-4-6-17 O & G Ex.

from or in any way related to Lessee's operations on the Premises or under the Lease or to any acts or omissions of Lessee or Lessee's agents, invitees, licensees, employees, contractors, subcontractors, independent contractors, officers or representatives.

3. SURFACE USE AGREEMENTS

3.1. **Seismic.** By signing the Lease and this Exhibit, Lessor is not granting Lessee the right to conduct seismic exploration on the Premises. Any seismic exploration must be covered by a separate written agreement, which must provide for paying additional compensation to Lessor for such seismic exploration, and which must be signed by Lessor prior to any seismic exploration of the Premises. Lessee shall remain responsible to restore the premises and pay any additional actual damages caused by the seismic activity. Lessee shall not use any heavy equipment on the property when the soil is wet or soft. If rutting or soil compaction occurs due to Lessee's activities, Lessee shall alleviate these conditions by filling ruts and/or ripping compacted areas.

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Prior to the construction of any road, Lessee shall consult with Lessor as to the placement thereof, and Lessee shall utilize its best efforts to minimize interference with Lessor's agricultural operations. Roads shall be routed along existing field boundaries where feasible, to avoid fragmenting fields. Culverts or other means shall be used to avoid water retention in terrace channels or waterways. Roads bisecting an existing field shall be constructed with minimal ditches or other obstructions, so as to allow farm machinery (planters, sprayers, and harvesters) to cross the road, reducing the need for additional turns. There shall be no oil or hard surfacing of any access road, drill/well site or installation site, without prior written consent of Lessor.

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Lessor and Lessee shall agree in writing on the location of all Lines, prior to the construction thereof. The right to bury Lines extends only to lines required for drilling operations on and carrying production from the Premises, and not to common carrier lines. For purposes of this Exhibit, a Line laid to gather gas production from adjoining land owned by Lessor shall not be considered a common carrier line.

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5.1. **Conflict With Lease.** In the event of conflict between the Lease provisions and the Exhibit provisions, the Exhibit provisions shall control.

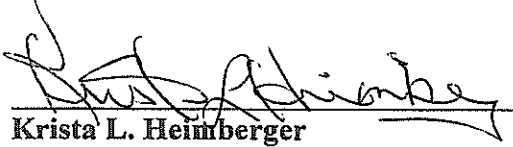
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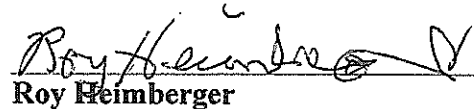
5.3. **Binding Effect.** This Exhibit and Lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, devisees, legatees, grantees, executors, administrators, trustees, personal representatives, successors and assigns of Lessor and Lessee; provided, neither Lessee nor any successor or assign of Lessee shall be relieved from any obligation hereunder without the written consent of Lessor to any assignment made by Lessee.

5.4. **Context of Terms.** Whenever necessary in this Lease and Exhibit and where the context requires, the singular term and the related pronoun shall include the plural, the masculine and the feminine. Whenever the term "Lessors" or the term "Lessee" is used in this Lease and Exhibit, such terms shall also refer to the successors and assigns of said parties as well.

5.5. **Rights Reserved by Lessor.** Notwithstanding anything in the Lease or this Exhibit to the contrary, Lessee is leasing the property subject to tenant's rights and all mortgages, easements, reservations, exceptions, rights of way, covenants, conditions and encumbrances which are of record. Lessee expressly acknowledges that the "exclusivity" expressed in the granting clause of the Lease relates solely to the rights granted in the lease to Lessee to explore, develop, and operate the property for the production of oil and gas and their constituents. Lessee recognizes and acknowledges that Lessor expressly reserves use of the property for Lessor's purposes including, but not limited to, the granting of surface or subsurface rights to others by transactions including, but not limited to, leases, licenses, easements, rights of way, and locations for surface facilities to third parties ("Future Rights") so long as the granting and use
SBNH-4-6-17 O & G Ex.

thereof does not unreasonably conflict with the exclusive right of Lessee to use the property for oil and gas purposes or otherwise unreasonably interfere with the authorized exclusive activities of the Lessee. Lessee expressly agrees that it will cooperate with the Lessor and owners and holders of any such Future Rights in the exercise of such Future Rights but Lessee shall have the right to be held harmless by any Future Rights holder from reasonably necessary out-of-pocket costs and expenses incurred in connection with such cooperation. In no event will Lessor be liable to Lessee for Lessor's use of the property or because of the granting or use of such Future Rights. to others.


Krista L. Heimberger


Roy Heimberger

October 09, 2017

Klee Robert Watchous
Palomino Petroleum, Inc.
4924 SE 84TH ST
NEWTON, KS 67114-8827

Re: Drilling Pit Application
Preisser Farms 1
NE/4 Sec.23-25S-10W
Reno County, Kansas

Dear Klee Robert Watchous:

District staff has inspected the above referenced location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined with bentonite or native clay, constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the reserve pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the reserve pit has occurred. The fluids should be removed again within 72 hours after drilling operations have ceased.

If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (316) 337-7400 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

A copy of this letter should be posted in the doghouse along with the approved Intent to Drill. If you have any questions or concerns please feel free to contact the District Office at (316) 337-7400.