



00-16s-27w-USGS-TR
CRD NO.

00-16s-27w
DMT NO.

PRO-STAKE

LLC

Construction Site Staking

13687
INVOICE NO.



Palomino Petroleum Inc.
OPERATOR

Lane County, KS
COUNTY

Mendenhall #6
LEASE NAME

2518' FSL - 2298' FEL
LOCATION SPOT

2575.9'
GR ELEVATION

38.690188495
NAD 83 LAT

100.292033076
NAD 83 LONG

03 16s 27w
Sec. Twp. Rng.

SCALE: 1" = 1000'
DATE STAKED: Feb. 13th, 2018
MEASURED BY: Bryen M.
DRAWN BY: Bryen M.
AUTHORIZED BY: 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

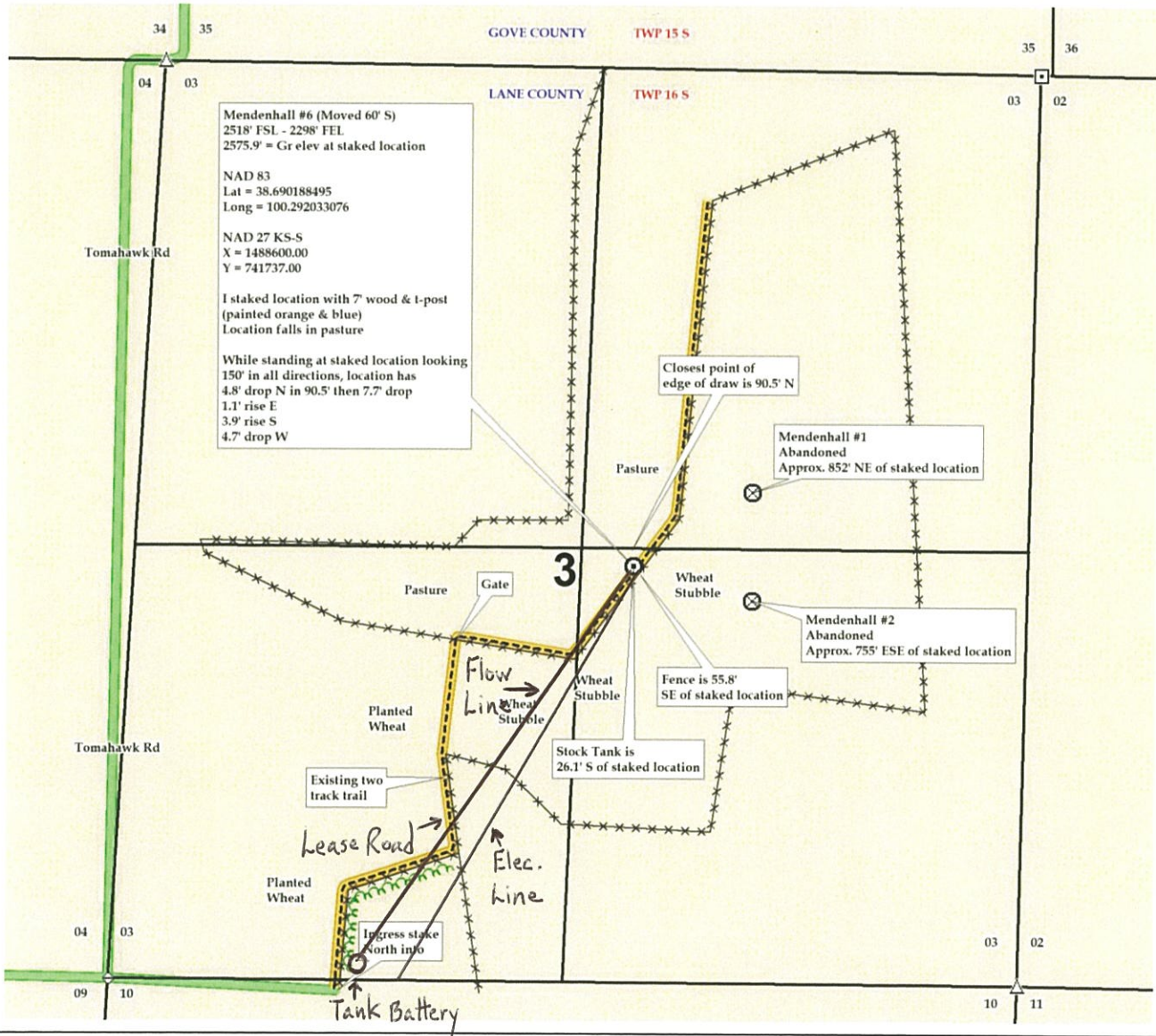
- ⊙ irr. well
- ⊕ water hydrant
- ⊙ tank battery
- ⊙ staked loc.
- ⊙ prod. well/aband. well
- house
- building
- G— gas line
- W— water line
- E— transmission powerline
- 3 phase powerline
- *— single phase powerline
- x—x— fence
- ▬ gravel/sand rd.
- ▬ gravel trail/lease rd.
- ▬ dirt rd.
- ▬ dirt trail/lease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

DIRECTIONS: From the South side of Shields, KS at the intersection of Hwy 4 & Elm St - Now go 6.4 miles NE on Hwy 4 - Now go 2.6 miles North on Red Chief Rd - Now follow CR 285 for 1.7 miles to the SW corner of section 03-16s-27w - Now go approx. 0.25 mile East on existing road to ingress stake North into - Now follow existing trail for 0.75 mile 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: Jerry Rieman - (620)272-6294 (C) (620)397-2456 (H)





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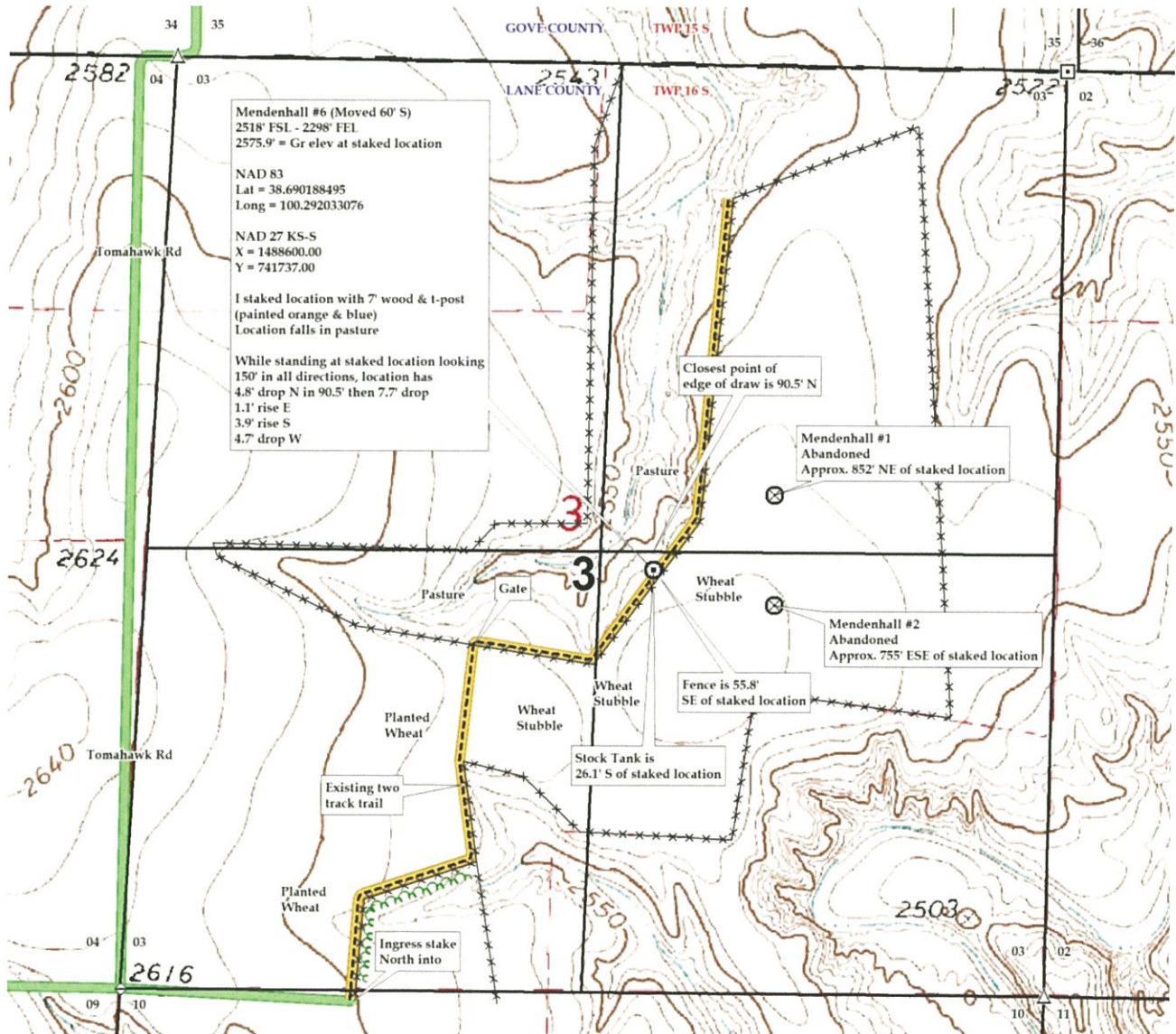
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- E— transmission powerline
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LANDOWNER/CONTACT: Jerry Rieman – (620)272-6294 (C) (620)397-2456 (H)



63U (Rev. 1993)

OIL AND GAS LEASE

Recorder No.
09-115Kansas Blue Print
700 S. Broadway, P.O. Box 703
Vinita, OK 73750-0703
516-264-9344 • 264-5105 Fax
www.kbp.com • kbp@kbp.com

AGREEMENT Made and entered into the 25th day of April 2011
by and between Gaylon E. Mendenhall and Darlene F. Mendenhall, Trustees of the Gaylon E. Mendenhall Revocable Trust
dated 11-22-99

whose mailing address is 6048 Sunset Drive Guymon, OK 73942 hereinafter called Lessor (whether one or more),
and Palomino Petroleum, Inc.

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

Township 16 South, Range 27 West
Section 3: E/2; E/2 SW/4; SE/4 NW/4; N/2 NW/4
Section 4: N/2 NE/4

In Section _____ Township _____ Range _____ and containing 654 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This lease is comprised of two (2) separate leases described as the following tracts:

Township 16 South, Range 27 West
Tract 1) Section 3: E/2; E/2 SW/4; SE/4 NW/4 (460 acres);
Tract 2) Section 3: N/2 NW/4; Section 4: N/2 NE/4 (194 acres)

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

See ADDENDUM attached hereto and made a part hereof.

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

Witnesses:

Gaylon E. Mendenhall, Trustee
Gaylon E. Mendenhall, Trustee

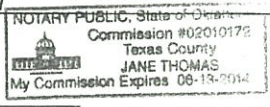
Darlene F. Mendenhall, Trustee
Darlene F. Mendenhall, Trustee

Gaylon E. Mendenhall Revocable Trust dated 11-22-99

Gaylon E. Mendenhall Revocable Trust dated 11-22-99

STATE OF Oklahoma
 COUNTY OF Texas ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 29th day of April, 2011
 by Gaylon E. Mendenhall and Darlene F. Mendenhall, Trustees of the
Revocable Trust dated 11-22-99 Gaylon E. Mendenhall

My commission expires 6-13-14



Jane Thom
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

No. _____
OIL AND GAS LEASE
 FROM _____
 TO _____
 Date _____
 Section _____ Twp. _____ Rge. _____
 No. of Acres _____ Term _____
 County _____
 STATE OF Kansas
 County Lane
 This instrument was filed for record on the 3
 day of May, 2011.
 at 10:30 o'clock A.M., and duly recorded
 in Book 134 Page 106 of
 the records of this office.
 By Deborah J. ...
 Register of Deeds.
 By Betty Johnson
 When recorded, return to _____
 NUMERICAL _____
 DIRECT _____
 INDIRECT _____
 COMP. ORIG. COMPUTER

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

My commission expires _____
 Notary Public

ADDENDUM to Oil and Gas Lease, dated April 25th, 2011 by and between:

Gaylon E. Mendenhall and Darlene F. Mendenhall, Trustees of the Gaylon E. Mendenhall Revocable Trust dated 11-22-99
hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.
hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease identified above by date and parties, covering the E/2; E/2 SW/4; SE/4 NW/4; N/2 NW/4 Section 3 and N/2 NE/4 Section 4 Township 16 South, Range 27 West, LANE COUNTY, KANSAS, and containing 654 acres, more or less. The following provisions are part of the above-described oil and gas lease, and if there is any conflict between these provisions and the provisions of the form Oil and Gas Lease then the following provisions shall apply, take precedence and control:

1. Lessee agrees to maintain all well sites or other area used by its operations reasonably free of weeds and in doing so shall not use salt or any chemical which will damage or reduce the land's fertility.
2. At the expiration of the primary term of the lease the Lessee shall release and record the same of record all zones and horizons below the deepest depth drilled on any well drilled on the leased premise or premises unitized therewith.
3. Lessee shall be liable for and agrees to pay for all damages to the land, livestock, crops (including grass) and improvements on said land caused by Lessee's operations and in the absence of greater damages being shown to exist agrees to pay minimum of \$1,500 for a dry hole or \$2,000 for a producing well on dryland farm land and grassland for ordinary location damages as to each well drilled on said land and a minimum of \$15 per rod on dryland farmland and grass for any pipeline right of way plus damages, if any, whether connecting to the well on the premises or not.
4. In case of actual production royalty payments or shut-in, royalty payments shall never be less than the equivalent of \$5.00 per acre per year in any one year on the net mineral acres owned by Lessor and covered by this lease. Any deficiency shall be promptly paid upon Lessor's request for payment.
5. If Lessee conducts any of its operations upon land on which there exists native grass or CRP grass, it will re-seed the grass as soon as possible after completion of its operation which damages or destroys the grass until a stand sufficient to cover the damaged area is obtained. All pits and areas containing equipment or chemicals, production facilities or equipment installed upon the land will be fenced and enclosed so as to prevent livestock from being able to reach the facilities, pits or equipment and if a break of any fence is made, Lessee will install and maintain cattle guard at the point of each such break.

6. In the event a well or wells producing oil and/or gas should be brought in on land adjacent to the leased premises, Lessee agrees to commence the drilling of such offset well or wells as a reasonable prudent operation would under the same or similar circumstances. If oil and /or gas is discovered on the land covered by this lease, or on lands pooled therewith, Lessee agrees to further develop said land covered by this lease as a reasonable prudent operation would under the same or similar circumstances.
7. Notwithstanding any provision of this lease to the contrary, this is a paid-up lease and all delay rentals necessary to extend this lease to the end of its primary term have been paid and accepted in advance.
8. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, grantees, administrators, executors or assigns of Lessor and Lessee.

By *Gaylon E. Mendenhall, Trustee*
Gaylon E. Mendenhall, Trustee

By *Darlene F. Mendenhall, Trustee*
Darlene F. Mendenhall, Trustee



OIL AND GAS LEASE

AGREEMENT, Made and entered into the 25th day of April 2011
by and between Leland D. Chapman and Sandra J. Chapman, Trustees of the Chapman Living Trust dated 3-18-10

whose mailing address is 104 N. Jackson Avenue Utica, KS 67584 hereinafter called Lessor (whether one or more),
and Palomino Petroleum, Inc. hereinafter called Lessee:

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

Township 16 South, Range 27 West
Section 3: E/2; E/2 SW/4; SE/4 NW/4

In Section _____, Township _____, Range _____ and containing 460 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See ADDENDUM attached hereto and made a part hereof.

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

Witnesses:

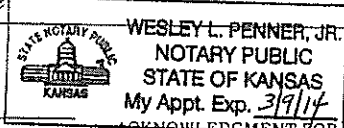
Leland D. Chapman
Leland D. Chapman, Trustee

Sandra J. Chapman
Sandra J. Chapman, Trustee

Chapman Living Trust dated 3-18-10

Chapman Living Trust dated 3-18-10

STATE OF Kansas
COUNTY OF Neosho ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
The foregoing instrument was acknowledged before me this 6th day of May, 2011,
by Leland D. Chapman and Sandra J. Chapman, Trustees of the Chapman Living Trust, dated 3-18-10

My commission expires 3/9/14

Wesley L. Penner, Jr.
Notary Public
Wesley L. Penner, JR.

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

My commission expires _____
Notary Public

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

My commission expires _____
Notary Public

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

My commission expires _____
Notary Public

No. _____
OIL AND GAS LEASE
FROM _____
TO _____
Date _____ Rpt. _____
Section _____ Twp. _____ Rpt. _____
No. of Acres _____ Term _____
County _____
STATE OF Kansas
County Neosho
This instrument was filed for record on the 11
day of May, 2011.
at _____ o'clock A. M., and duly recorded
in Book 134 Page 124 of
the records of this office.
J. Dale Brandy-Kenworthy Register of Deeds
By Beth Ann Bullock - Deputy
When recorded, return to _____

NUMERICAL
DIRECT
INDIRECT
COMP. ORIG.
COMPUTER

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

My commission expires _____
Notary Public

ADDENDUM to Oil and Gas Lease, dated April 25th, 2011 by and between:

**Leland D. Chapman and Sandra J. Chapman, Trustees of the Chapman Living Trust
dated 3-18-10**
hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.
hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease identified above by date and parties, covering the E/2; E/2 SW/4; SE/4 NW/4 Section 3 Township 16 South, Range 27 West, LANE COUNTY, KANSAS, and containing 460 acres, more or less. The following provisions are part of the above-described oil and gas lease, and if there is any conflict between these provisions and the provisions of the form Oil and Gas Lease then the following provisions shall apply, take precedence and control:

1. Lessee agrees to maintain all well sites or other area used by its operations reasonably free of weeds and in doing so shall not use salt or any chemical which will damage or reduce the land's fertility.
2. At the expiration of the primary term of the lease the Lessee shall release and record the same of record all zones and horizons below the deepest depth drilled on any well drilled on the leased premise or premises unitized therewith.
3. Lessee shall be liable for and agrees to pay for all damages to the land, livestock, crops (including grass) and improvements on said land caused by Lessee's operations and in the absence of greater damages being shown to exist agrees to pay minimum of \$1,500 for a dry hole or \$2,000 for a producing well on dryland farm land and grassland for ordinary location damages as to each well drilled on said land and a minimum of \$15 per rod on dryland farmland and grass for any pipeline right of way plus damages, if any, whether connecting to the well on the premises or not.
4. In case of actual production royalty payments or shut-in, royalty payments shall never be less than the equivalent of \$5.00 per acre per year in any one year on the net mineral acres owned by Lessor and covered by this lease. Any deficiency shall be promptly paid upon Lessor's request for payment.
5. If Lessee conducts any of its operations upon land on which there exists native grass or CRP grass, it will re-seed the grass as soon as possible after completion of its operation which damages or destroys the grass until a stand sufficient to cover the damaged area is obtained. All pits and areas containing equipment or chemicals, production facilities or equipment installed upon the land will be fenced and enclosed so as to prevent livestock from being able to reach the facilities, pits or equipment and if a break of any fence is made, Lessee will install and maintain cattle guard at the point of each such break.

(page two)

6. In the event a well or wells producing oil and/or gas should be brought in on land adjacent to the leased premises, Lessee agrees to commence the drilling of such offset well or wells as a reasonable prudent operation would under the same or similar circumstances. If oil and /or gas is discovered on the land covered by this lease, or on lands pooled therewith, Lessee agrees to further develop said land covered by this lease as a reasonable prudent operation would under the same or similar circumstances.
7. Notwithstanding any provision of this lease to the contrary, this is a paid-up lease and all delay rentals necessary to extend this lease to the end of its primary term have been paid and accepted in advance.
8. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, grantees, administrators, executors or assigns of Lessor and Lessee.

By Leland D. Chapman
Leland D. Chapman, Trustee

By Sandra J. Chapman
Sandra J. Chapman, Trustee



OIL AND GAS LEASE

AGREEMENT, Made and entered into the 25th day of April 2011 by and between Lorena M. Kellogg and Wilmer E. Kellogg, Trustees of the Lorena M. Kellogg Living Trust dated 4-15-05

whose mailing address is 3306 Thunderbird Drive Hays, KS 67601 hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc.

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

Township 16 South, Range 27 West Section 3: E1/2; E1/2 SW1/4; SE1/4 NW1/4

In Section Township Range and containing 460 acres, more or less, and all accretions thereto.

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

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

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

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

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

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor. When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor. Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

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

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

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

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

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

See ADDENDUM attached hereto and made a part hereof.

IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written. Witnesses: Lorena M. Kellogg, Trustee; Wilmer E. Kellogg, Trustee. Lorena M. Kellogg Living Trust dated 4-15-05; Lorena M. Kellogg Living Trust dated 4-15-05

ADDENDUM to Oil and Gas Lease, dated April 25th, 2011 by and between:

Lorena M. Kellogg and Wilmer E. Kellogg, Trustees of the Lorena M. Kellogg Living Trust dated 4-15-05
hereinafter referred to as Lessor and


PALOMINO PETROLEUM, INC.
hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease identified above by date and parties, covering the E/2; E/2 SW/4; SE/4 NW/4 Section 3 Township 16 South, Range 27 West, LANE COUNTY, KANSAS, and containing 460 acres, more or less. The following provisions are part of the above-described oil and gas lease, and if there is any conflict between these provisions and the provisions of the form Oil and Gas Lease then the following provisions shall apply, take precedence and control:

1. Lessee agrees to maintain all well sites or other area used by its operations reasonably free of weeds and in doing so shall not use salt or any chemical which will damage or reduce the land's fertility.
2. At the expiration of the primary term of the lease the Lessee shall release and record the same of record all zones and horizons below the deepest depth drilled on any well drilled on the leased premise or premises unitized therewith.
3. Lessee shall be liable for and agrees to pay for all damages to the land, livestock, crops (including grass) and improvements on said land caused by Lessee's operations and in the absence of greater damages being shown to exist agrees to pay minimum of \$1,500 for a dry hole or \$2,000 for a producing well on dryland farm land and grassland for ordinary location damages as to each well drilled on said land and a minimum of \$15 per rod on dryland farmland and grass for any pipeline right of way plus damages, if any, whether connecting to the well on the premises or not.
4. In case of actual production royalty payments or shut-in, royalty payments shall never be less than the equivalent of \$5.00 per acre per year in any one year on the net mineral acres owned by Lessor and covered by this lease. Any deficiency shall be promptly paid upon Lessor's request for payment.
5. If Lessee conducts any of its operations upon land on which there exists native grass or CRP grass, it will re-seed the grass as soon as possible after completion of its operation which damages or destroys the grass until a stand sufficient to cover the damaged area is obtained. All pits and areas containing equipment or chemicals, production facilities or equipment installed upon the land will be fenced and enclosed so as to prevent livestock from being able to reach the facilities, pits or equipment and if a break of any fence is made, Lessee will install and maintain cattle guard at the point of each such break.

6. In the event a well or wells producing oil and/or gas should be brought in on land adjacent to the leased premises, Lessee agrees to commence the drilling of such offset well or wells as a reasonable prudent operation would under the same or similar circumstances. If oil and /or gas is discovered on the land covered by this lease, or on lands pooled therewith, Lessee agrees to further develop said land covered by this lease as a reasonable prudent operation would under the same or similar circumstances.
7. Notwithstanding any provision of this lease to the contrary, this is a paid-up lease and all delay rentals necessary to extend this lease to the end of its primary term have been paid and accepted in advance.
8. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, grantees, administrators, executors or assigns of Lessor and Lessee.

By 
Lorena M. Kellogg, Trustee

By 
Wilmer E. Kellogg, Trustee