

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form T-1
July 2014

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

**REQUEST FOR CHANGE OF OPERATOR
TRANSFER OF INJECTION OR SURFACE PIT PERMIT**

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

Check Applicable Boxes:

- ☐ Oil Lease: No. of Oil Wells _____ **
- ☐ Gas Lease: No. of Gas Wells _____ **
- ☐ Gas Gathering System: _____
- ☐ Saltwater Disposal Well - Permit No.: _____
- Spot Location: _____ feet from ☐ N / ☐ S Line
_____ feet from ☐ E / ☐ W Line
- ☐ Enhanced Recovery Project Permit No.: _____
- Entire Project: ☐ Yes ☐ No
- Number of Injection Wells _____ **

Field Name: _____

**** Side Two Must Be Completed.**

Effective Date of Transfer: _____

KS Dept of Revenue Lease No.: _____

Lease Name: _____

_____ - _____ - _____ Sec. _____ Twp. _____ R. _____ ☐ E ☐ W

Legal Description of Lease: _____

County: _____

Production Zone(s): _____

Injection Zone(s): _____

Surface Pit Permit No.: _____
(API No. if Drill Pit, WO or Haul)

_____ feet from ☐ N / ☐ S Line of Section

_____ feet from ☐ E / ☐ W Line of Section

Type of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☐ Drilling

Past Operator's License No. _____

Contact Person: _____

Past Operator's Name & Address: _____

Phone: _____

Title: _____

Date: _____

Signature: _____

New Operator's License No. _____

Contact Person: _____

New Operator's Name & Address: _____

Phone: _____

Oil / Gas Purchaser: _____

Date: _____

Title: _____

Signature: _____

Acknowledgment of Transfer: The above request for transfer of injection authorization, surface pit permit # _____ has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

_____ is acknowledged as
the new operator and may continue to inject fluids as authorized by
Permit No.: _____ . Recommended action: _____

Date: _____

Authorized Signature

_____ is acknowledged as
the new operator of the above named lease containing the surface pit
permitted by No.: _____ .

Date: _____

Authorized Signature

DISTRICT _____ EPR _____ PRODUCTION _____ UIC _____

KDOR Lease No.: _____

[illegible]

* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

KANSAS CORPORATION COMMISSION
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Form KSONA-1
July 2014
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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.

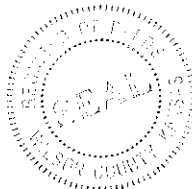
Select one of the following:

- ☐ 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 hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

Date: _____ Signature of Operator or Agent: _____ Title: _____



Wilson County Register of Deeds
Book: 391 Page: 181
Receipt #: 29371 Total Fees: \$124.00
Pages Recorded: 12 HTF: \$12.00
Clerk Tech: \$6.00
Rod Tech: \$24.00
Treas Tech: \$6.00
Date Recorded: 4/14/2017 4:03:19 PM

**ASSIGNMENT OF OIL AND GAS LEASES
AND BILL OF SALE**

Connie O'Neill Receipt

KNOW ALL MEN BY THESE PRESENTS, that Bailey Oil Company sometimes d/b/a Bailey Oil Company, Inc., and sometimes d/b/a Bailey Oil Co., Inc. a Kansas corporation at P.O. Box 446, 1015 Main, Neodesha, KS 66757 hereinafter called "Assignor," for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does grant, bargain, sell convey, transfer, assign and deliver all of Assignor's right, title, working interest and overriding royalty interest unto MCMS OIL, LLC, with an address of 41 Madison Ave., 25th Floor, New York, NY 10010, hereinafter called "Assignee", its successors and assigns, in and to the following oil and gas leases and personal property:

- (A) The Oil and Gas Leases described on Exhibit A and the leasehold estate and right, privileges and interests created by said leases subject to all the terms and conditions of said oil and gas lease and extensions thereof (collectively, the "Leases"); AND
- (B) All equipment, wells, structures and personal property, to include fixtures and improvements, currently located on the Leases described above in paragraph (A), and used or useable in connection with oil and gas exploration, production, treatment, storage and marketing activities together with all rights incident thereto and all easements, permits, rights of way, surface fees, surface leases, servitudes and agreements related thereto, all tenements, hereditaments and appurtenances to the Leases, and all files and records pertaining to the same, including but not limited to drilling data, electric logs, lease files, land files, well files, division order files, geophysical data, studies, evaluations, projections, reports, appraisals, valuations, maps, regulatory files and records, as well as Seller's inventory of pipe, supplies, spare parts and surplus equipment (collectively, the "Personal Property").

The Leases and Personal Property are collectively referred to as the "Assigned Property."

ASSIGNMENT TERMS:

1. **GENERAL WARRANTY.** Assignor makes this Assignment with general warranty. Assignee accepts the Assigned Property with general warranty by Assignor that nothing has encumbered the title to the same and that any encumbrances held by Assignor are hereby assigned to Assignee. The Net Revenue Interest (N.R.I.) listed on Exhibit A are for the purpose of warranting certain ownership interests, this is an assignment of all of Assignor's right title and working and overriding royalty interest in said leases notwithstanding the N.R.I. interest listed in Exhibit A. Assignor warrants that it has good merchantable title to the Assigned Property free and clear of all liens and encumbrances

2. **MERGER OF OVERRIDING ROYALTY.** In the event the interest assigned herein consists partly of overriding royalty interest and partly of working interest. It is the intention of the Parties that any overriding royalty interest in and to the Leases which burdens the working interest assigned hereon be merged back into the working interests and lose its status as an overriding royalty interest immediately upon the receipt of said interest by Assignee. Therefore, Assignee will be the owner of all of the working interest in and to the Leases, without any overriding royalty interest burdening said working interest. Provided however that all overriding royalty interests assigned hereto burdening any working interest which is not assigned herein shall not be merged with the working interest and shall retain its status as overriding royalty.

3. **RESERVATIONS AND EXCEPTIONS.** The foregoing notwithstanding, Assignor reserves and excepts from this Assignment the following:

ORIGINAL COMPARED WITH RECORD

- a. The Lessor's royalty under those leases as to which Seller, or its affiliates are the landowner or mineral owner, such reserved royalty applying to the "Fee I", "Graham", "J.B. Keys", "Kilgore", and "Klayder Miller" Leases, as well as 80 acres out of the "Bacon" Lease.
- b. Overriding royalty interests with respect to the "Barnes" Lease (.079688 N.R.I), the Renn" Lease (.054688 N.R.I), the "Snavey Bros" Lease (.025000) and the "W.F. Jones" Lease (.054688 N.R.I) which reservations shall nevertheless result in the Conveyance to Buyer of 100% working interest and the associated N.R.I. set forth in Exhibit "A".
- c. The leases are subject to Farmout Agreement in favor of Colt Natural Gas, LLC dated November 21, 2001 and related assignments, pertaining to the production of natural gas, the interest of the farmee/assignee being now held by LR Energy, Inc. Seller, or its affiliates, hold a 5% overriding royalty interest in natural gas produced under the terms of the Farmout Agreement and related assignments, and such overriding royalty interest is reserved to Seller, or its affiliates.
- d. The old Bessemer motor (once used to power shackle rods) on the Graham Lease and Seller shall promptly remove the same".
- e. The restriction on surface use of a 12 acre tract of the Fee I Lease as such restriction is described in Exhibit "A" attached hereto.

4. TRANSFER OF RIGHTS. To the extent transferable, Assignee is hereby granted the right of full substitution and subrogation in and to any and all rights and warranties which Assignor has or may have with respect to the Assigned Property conveyed herein of which Assignor has or may have against any and all preceding owners, vendors or warrantors. The Assigned Property shall include all right, title and interest which Assignor may have in and to the Leases, including but not limited to, leasehold interests, rights of assignment or reassignment, overriding royalties, contractual rights, regulatory authorities and permits or licenses, easements and rights-of-way.

5. FURTHER ASSURANCES. The parties agree to execute, acknowledge and deliver such other and further instruments or documents, and to take such other and further actions as may be reasonably necessary to carry out the provisions of this Assignment.

6. EFFECTIVE DATE. This Conveyance shall be effective as of February 1, 2017, at 12:01 a.m., Central Standard Time.

TO HAVE AND TO HOLD the above described property and easement with all and singular the rights, privileges, and appurtenances thereunto or in any wise belonging to the said Assignee herein, its successors, personal representatives, administrators, executors and assigns forever.

BAILEY OIL COMPANY:

By: 

Gene M. Bailey

President

STATE OF KANSAS COUNTY OF WILSON, ss:

This instrument was acknowledged before me on the th12 day of April, 2017, by Gene M. Bailey, as President of Bailey Oil Company, a Kansas corporation.

Appointment/Commission Expires:

Jon R. VIETS Notary Public

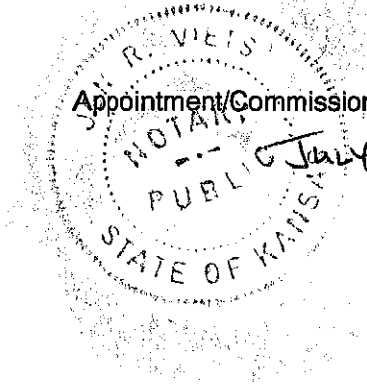


Exhibit "A"
Description of Leases

LEASE	COUNTY	STATE	WI	NRI
BACON	WILSON	KS	1.0000	0.8750
BARNES	WILSON	KS	1.0000	0.820312
BENEDICT	WILSON	KS	1.0000	0.8750
FEE I	WILSON	KS	1.0000	0.8750
GRAHAM	WILSON	KS	1.0000	0.8750
HALLBAUER	WILSON	KS	1.0000	0.8750
J.B. KEYS	WILSON	KS	1.0000	0.8750
KAMMERER	WILSON	KS	1.0000	0.8750
KILGORE	WILSON	KS	1.0000	0.8750
KLAYDER MILLER	WILSON	KS	1.0000	0.8750
LILLIE SNAVELY	WILSON	KS	1.0000	0.8750
MOULTON	WILSON	KS	1.0000	0.8750
RENN	WILSON	KS	1.0000	0.820312
SCHOONOVER	WILSON	KS	1.0000	0.8750
SNAVELY BROS	WILSON	KS	1.0000	0.87500
W.F. JONES	WILSON	KS	1.0000	0.820312

SCHEDULE OF LEASES

BACON LEASE

LESSOR: Bob Bacon Real Estate and Insurance, Inc.
LESSEE: Albion Bailey
DATE: March 1, 1974
RECORDED: Book 100, Page 619
PROPERTY: Township 30 South, Range 15 East, 6th P.M.
Section 1: W/2 SE/4, containing 80 acres, more or less
Township 30 South, Range 15 East, 6th P.M.
Section 12: N/2 NE/4, SE/4 NE/4, and
Township 30 South, Range 16 East, 6th P.M.
Section 7: West 34 acres of the NW/4 NW/4, SW/4 NE/4, S/2 NW/4, W/2
SE/4 NE/4
containing in said Sections 7 and 12, 293.80 acres, more or less.
Township 30 South, Range 16 East, 6th P.M.
Section 7: NE/4 NW/4 west of the public road and 4 acres off the East side
of the NW/4 NW/4

WARRANTED NRI: 0.8750

BARNES LEASE

LESSOR: W. T. Barnes and wife, Emily J. Barnes
LESSEE: The Prairie Oil & Gas Co.
DATE: June 13, 1901
RECORDED: Misc. Book 4, Page 221
PROPERTY: S.W. 1/4 of the S.E. 1/4 Section 21 Township 30 Range 16 acres 40;
W. 1/2 of the S.E. 1/4 of the S.E. 1/4 Section 21 Township 30 Range 16
acres 20; containing in whole sixty acres, more or less, Wilson County,
Kansas.

WARRANTED NRI: 0.820312

BENEDICT LEASE

LESSOR: George W. Katzer
LESSEE: Albion W. Bailey
DATE: July 9, 1977
RECORDED: Book 109, Page 321
PROPERTY: South half (S/2) of Southwest quarter (SW/4) of Section twenty two (22),
also: North half (N/2) of Northwest quarter (NW/4) of section twenty seven
(27), all in Township 30 South, Range 16 East, and containing 160 acres,
more or less, Wilson County, Kansas.

WARRANTED NRI: 0.8750

FEE I LEASE

LESSOR: Bailey Farm Partnership
LESSEE: Bailey Oil Co. Inc.
DATE: September 1, 2001
RECORDED: Book 163, Page 529
PROPERTY: Township 30 South, Range 16 East, 6th P.M.
Section 18: Northeast NE/4 except for 14 2/3 out of the Northeast corner being a cemetery of the City of Neodesha, also, the East half of the Northwest quarter (E/2 NW/4); also the West half of the Northwest quarter of the Southeast quarter (W/2 NW/4 SE/4); and, also a tract of land described as follows:
Commencing at a point approximately 220 feet East of the Southwest corner of the Southeast quarter of the Northwest quarter (SE/4 NW/4), said point being directly North of the East line of the American Portland Cement Company's Subdivision, thence South to the Southeast corner of Lot 13 in Block 3 of said American Portland Cement Company's Subdivision, a distance of approximately 7.25 chains, thence East to the half section line, thence North to the Southeast corner of the Southeast quarter of the Northwest quarter (SE/4 NW/4) of said section, thence West to beginning, said tract containing approximately 12 acres, Wilson County, Kansas.
RESTRICTION: Notwithstanding this Assignment, the Assignee shall not, without prior Written consent of the Lessor, conduct operations upon the surface of the 12 acre tract last above described.
WARRANTED NRI: 0.8750

GRAHAM LEASE

LESSOR: F. P. Graham and Mary A. Graham
LESSEE: W. M. Neeley
DATE: May 7, 1913
RECORDED: Misc. Book 19, Page 24
PROPERTY: Township 30 South, Range 16 East, 6th P.M.
Section 7: Southeast quarter (SE/4) lying West and South of the Verdigris River, except a tract described as follows: Commencing at the Southwest corner of the Southeast quarter (SE/4) of said quarter section, thence North 400 feet, thence East 700 feet, thence South 400 feet, thence West 700 feet, to the place of beginning.
Section 8: Southwest quarter (SW/4) lying South of Verdigris River and all that part of the North Half of the Southwest quarter (N/2 SW/4) that is South and West of Verdigris River.
Section 17: All that part of the Northwest quarter (NW/4) that lies North of Neodesha Cemetery and West and North of Missouri-Pacific Railway.
All in Wilson County, Kansas.
WARRANTED NRI: 0.8750

HALLBAUER LEASE

LESSOR: C. O. Pingrey and Kate W. Pingrey
LESSEE: E. L. Carnahan & Co.
DATE: March 16, 1904
RECORDED: Misc. Book 9, Page 411
PROPERTY: Lots No. Twelve (12) Thirteen (13) and Seven (7) of the Northern Sub-Division of part of the Northwest (NW1/4) Quarter of Section No. Seventeen (17) Township No. Thirty (30) South of Range No. Sixteen (16) East, containing Fourteen acres, more or less, Wilson County, Kansas.
WARRANTED NRI: 0.8750

J. B. KEYS LEASE

LESSOR: Gene M. Bailey, et al
LESSEE: Bailey Oil Company
DATE: March 31, 2017
RECORDED: To Be Recorded
PROPERTY: Township 30 South, Range 16 East, 6th P.M. Beginning at the Southeast corner of the Northeast quarter (NE/4) of Section 28, running thence West 1,225 feet; thence North 696.4 feet to the South line of the Frisco Railroad right-of-way; thence Southeasterly along the side of said right-of-way to the East line of said Section; thence South 372 feet to point of beginning; also, beginning at a point 675 feet West and 775 feet South of the Northeast corner of said Section 28; thence East 6.60 chains; thence Southeast 7.55 chains to a point on the East line of Section 28, which is 19.44 chains South of the Northeast corner of said Section; thence South to North line of the right-of-way of Frisco Railroad; thence West to point due South of beginning; thence North 1,199.6 feet to beginning, except a tract 110 feet square in the Northwest corner thereof.
SPECIAL: Consolidates prior oil and gas leases
WARRANTED NRI: 0.8750

KAMMERER LEASE

LESSOR: Carl J. Kammerer
LESSEE: Bailey Oil Co. Inc.
DATE: November 14, 2001
RECORDED: Book 163, Page 533
PROPERTY: Commencing at a point on the South line of the Southwest quarter (SW/4) of Section 6, Township 30 South, Range 16 East of the Sixth Principal Meridian 1075 feet West of the Southeast corner of the SW/4 of said Section 6, and running thence West on the South line of said Section 6, 1522.1 feet, to Southwest corner of said Section 6; thence running North on

West line of said Section 6, to Northwest corner of the SW/4 of said Section 6, thence running East on the line running East and West through the center of said Section 6, to the center of the public highway, the center of said highway being a point 1960.5 feet West of the center of said Section 6, thence running in a Southeasterly direction down the center of said public highway 477 feet to a point 1767 feet West of the East line of the SW/4 of said Section 6, thence continuing in a Southeasterly direction down the center of said public highway 686 feet to a point 1526.3 feet West of the East line of said SW/4 of said Section 6, thence continuing in a Southeasterly direction down the center of said public highway 1576.2 feet to place of beginning; AND

The East half of the Southeast fractional quarter (E/2 SE/4) of Section 1, Township 30 South, Range 15 East of the Sixth Principal Meridian; AND

The Northeast quarter of the Northeast quarter (NE/4 NE/4) AND all that part of the East half of the Southeast quarter of the Northeast quarter (E/2 SE/4 NE/4) lying North and West of the Verdigris River, all in Section Seven (7); AND all that part of the Northwest quarter (NW/4) North and West of the river in Section Eight (8), Township Thirty (30) South, Range Sixteen (16) East of the Sixth Principal Meridian; AND

The Northwest quarter of the Northeast quarter (NW/4 NE/4) and the Northeast quarter of the Northwest quarter (NE/4 NW/4) and Lot 1, LESS West 34.81 acres of said Lot 1; ALSO LESS that part lying West of the county road in NW/4 containing 22 acres more or less, all in Section Seven (7), Township Thirty (30) South, Range Sixteen (16) East of the Sixth Principal Meridian, containing 62 acres more or less, Wilson County, Kansas.

WARRANTED NRI: 0.8750

KILGORE LEASE

LESSOR: Eli T. Kilgore and wife, Sarrah F. Kilgore
LESSEE: Earl L. Clay
DATE: December 26, 1917
RECORDED: Misc. Book 28, Page 152
PROPERTY: Commencing at the north east corner of the North East 1/4 of Section 28 Township 30 South Range 16, thence West 11-25/100 chains, thence South 11-7/8 chains, thence East 7-63/100 chains, thence south east 7-55/100 chains to East line of said Section 28 thence North along said Section line 19-44/100 chains to place of beginning containing 17 acres more or less, Wilson County, Kansas.

WARRANTED NRI: 0.8750

KLAYDER MILLER LEASE

LESSOR: Franke A. Miller, a single person, and Betty D. Klayder, a widow

LESSEE: Bailey Oil Company, Inc.
DATE: September 22, 1981
RECORDED: Book 118, page 387
PROPERTY: Lots three (3) and four (4) and the East half (E/2) of the Southwest quarter (SW/4) of Section 7, Township 30S, Range 16 E, and containing 158.46 acres, more or less, Wilson County, Kansas.
WARRANTED NRI: 0.8750

LILLIE SNAVELY LEASE

LESSOR: S. A. Snavely and Lillie M. Snavely, his wife
LESSEE: R. T. Parkin
DATE: September 31, 1918
RECORDED: Misc. Book 29, Page 111
PROPERTY: All of the land owned by S. A. Snavely in the North West quarter 1/4 Sec. 27 Town. 30 Range 16 acres 52, more or less, excepting forty acres held by the Prairie Oil and Gas Co. off of the West side Sec. 27 Town. 30 Range 16 Acres 40.
WARRANTED NRI: 0.8750

MOULTON LEASE

LESSOR: R. D. Moulton and Rosella Moulton, his wife
LESSEE: A. W. Bailey
DATE: March 6, 1916
RECORDED: Misc. Book 20, Page 368
PROPERTY: E. 1/2 S.E. 4 N.E. east of river, section 7, township 30, range 16, acres 3.75
E. 1/2 S.E. 4 east & north of river, section 7, township 30, range 16, acres 15.96
S.E. 4 N.W. 4 section 8, township 30, range 16, acres 40
S.W. 4 N.W. 4 south & east of river, 30, 16 32.25
S.W. 4 N. & E. of river, section 8, township 30, range 16, acres 64.93
except lands described in book 26 page 473, Register of Deeds office
Wilson Co. Kansas, containing 151 acres, more or less.
WARRANTED NRI: 0.8750

RENN LEASE

LESSOR: George S. Renn and Lucille W. Renn, husband and wife; R. W. Rothrock, widower; Edith E. Porter, widow; Pauline Black and Asa R. Black, husband and wife; Rachel R. Mitchell and Paul Mitchell, husband and wife; Max E. Murray and Barbara Murray, husband and wife; Beatrice Murray, a widow of Frank Murray; Robert Renn and Ethel W. Renn, husband and wife;

Philip Renn, unmarried; Mary Catherine Renn, unmarried; W.B. Renn and Elizabeth H. Renn, husband and wife
LESSEE: Fred E. Wood
DATE: October 1, 1962
RECORDED: Book 87, Page 593
PROPERTY: All of the NE/4, Section 21, Township 30, Range 16, and the SE/4 of the NW/4 of Section 21, Township 30, Range 16, excluding the following described land: Beginning at the Southwest corner of the SE/4 of the NW/4 of Section 21, Township 30, Range 16, thence North 627.35 feet, North 58E18' East 1330.40 feet East 197 feet South 656.9 feet, South 58E14' West 1098.55 feet, South 85.40 feet West 385 feet to place of beginning. The leased premises containing 190 acres more or less, Wilson County, Kansas.
WARRANTED NRI: 0.820312

SCHOONOVER LEASE

LESSOR: Melvern G. Schoonover and Bernadette M. Schoonover, husband and wife
LESSEE: Bailey Oil Company, Inc.
DATE: November 1, 1980
RECORDED: Book 113, Page 391
PROPERTY: Lot Twenty Three (23) and Lot Seven (7) In Northern Subdivision of part of the NW1/4 of Section 17, Township 30, Range 16, less the following tract: Commencing at a point 70 feet West of Northeast corner of Lot 13, running thence North 70 feet, thence West to the Missouri Pacific Railroad Right of Way, thence South along said right of way to Northwest corner of Lot 13, thence East to point of beginning, containing 13 acres more or less, Wilson County, Kansas.
WARRANTED NRI: 0.8750

SNAVELY BROS. LEASE

LESSOR: Joseph D. Snavelly and wife, and Lillie M. Snavelly and her husband
LESSEE: The Prairie Oil & Gas Co.
DATE: May 2, 1901
RECORDED: Misc. Book 4, Page 178
PROPERTY: S² NW⁴ Section 27, Township 30, Range 16, acres 80
N² SW⁴ Section 27, Township 30, Range 16, acres 80
containing in the whole 160 acres, more or less, Wilson County, Kansas.
WARRANTED NRI: 0.8750

W. F. JONES LEASE

LESSOR: Melvin and Jean Hare
LESSEE: Bailey Oil Company, Inc.

DATE:
RECORDED:
PROPERTY:

September 9, 2001
Book 163, Page 537

Tract A: Beginning at a point 739 feet West of the Northeast corner of Section 28, Township 30 South, Range 16 East in center of gravel road, thence South along center line of gravel road 775 feet, thence Westerly making an angle $94^{\circ}37'$ to the right from the last described course following the center of the gravel road 1,348.4 feet, thence Westerly and Southwesterly following the center of said gravel road to West line of East half of Northwest Quarter (E/2 NW/4) of Section 28, thence North to center of Verdigris River, thence up the center of said Verdigris River in the North line of said Section 28, thence East to point of beginning;

LESS: Commencing at a point 739 feet West of the NE corner of the Northeast Quarter of Section 28, Township 30 South, Range 16 East in the center of gravel road; thence South along centerline of gravel road 775 feet; thence Westerly making an angle of $94^{\circ}37'$ to the right of the last described line following the center of the gravel road for a distance of 250 feet; thence Northerly at a right angle to the centerline of the gravel road a distance of 33 feet to the North right-of-way line of said gravel road, said point being the place of beginning; thence Northerly at a right angle to the North line of the gravel road a distance of 40 feet; thence Westerly parallel to said North line a distance of 40 feet; thence Southerly at a right angle to said North line a distance of 40 feet to the North line of the gravel road; thence Easterly along said North line a distance of 40 feet to the point of beginning.

ALSO LESS A tract one hundred ten (110) feet square in the Northwest corner of the Northeast Quarter (NE/4) of Section 28, Township 30 South, Range 16 East.

Tract C: Beginning at the Southwest corner of North Half (N/2) of the South Half (S/2) of the Southeast Quarter (SE/4) of Section 21, Township 30 South, Range 16 East, thence West on South line of North Half of South Half of South Half of said Section 21, a distance of 715 feet to center of Verdigris River, thence Northwesterly along the center of said river to its intersection with the North line of the South half of the South half of said Section 21, thence East along the North line of South Half of South Half of Section 21 for a distance of 2,795 feet, more or less, to a point on center line of public highway, known as old U.S. No. 75, thence Southerly along the center line of public highway, old U.S. No. 75, aforesaid for a distance of 665 feet, more or less, to South line of North Half of South Half of South Half of said Section 21, thence West along South line of North Half of South Half of South Half of said Section 21, a distance of 1,910 feet, more or less to a point of beginning.

Beginning at a point in the center of public highway known as U.S. No. 75, which point is 739 feet West of the Southeast corner of Section 21, Township 30, Range 16 East, thence West along the South line of aforesaid Section 21 for a distance of 2,129 feet to the center of the Verdigris River, thence Northwesterly up the center of said river to its intersection with the North line of the South Half of the South Half of the South Half of said Section 21, thence East along the North line of the South Half of the South

Half of the South Half of said Section 21, for a distance of 2,625 feet, more or less, to a point on the center line of aforesaid U.S. No. 75 highway; thence Southerly along the center of said public highway 665 feet, more or less, to a point of beginning.

The South Half (S/2) of the North Half (N/2) of the Southeast Quarter (SE/4) of Section Twenty-one (21), Township Thirty (30) South, Range Sixteen (16) East;

LESS: Beginning at a point 663.5' South of the Northeast corner of the SE/4 of Section 21, Township 30 South, Range 16 East of the 6th P.M., thence West 708.0' to the center of public road, thence southerly along the center of road 664.45' to a point 729.0' West of the East line of Section 21, thence East 729.0', thence North 663.5' to the point of beginning.

All in Wilson County, Kansas.

WARRANTED NRI: 0.820312

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1
July 2014
Form Must Be Typed
Form must be Signed
All blanks must be Filled

**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 # 35122
Name: LAKESHORE OPERATING, LLC
Address 1: 23 1/2 E MADISON AVE SUITE A
Address 2: _____
City: IOLA State: KS Zip: 66749 + 3329
Contact Person: WESLEY KETCHAM
Phone: (844) 557-4673 Fax: (_____) _____
Email Address: WESLEY@LAKESHORERESOURCESLLC.COM

Well Location:
_____ - _____ - SE Sec. 8 Twp. 30 S. R. 16 ☒ East ☐ West
County: WILSON
Lease Name: SOUTH MOULTON Well #: SEE T1 SIDE TWO
If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:
LEASE IS IN S7-T30S-R16E & S8-T30S-R16E

Surface Owner Information:

Name: WILLIAM M FRANKENBERRY
Address 1: FRONTIER FARM CREDIT
Address 2: BOX 9373
City: NEODESHA State: KS Zip: 66757 + _____

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 hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

12/5/2018

PRESIDENT

Date: _____ Signature of Operator or Agent: _____ Title: _____

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (this "Agreement"), dated December 19, 2018, is by and among Daylight Petroleum LLC, a Delaware limited liability company (the "**Manager**"), and each legal entity that executes this Agreement on the signature page hereto as a "Company" (each such entity individually, the "**Company**"). The Manager and the Company are hereinafter referred to as a "Party" or the "Parties" as applicable.

Recitals

A. The Company is engaged in the business of leasing, acquiring, exploring, owning, operating, producing, developing, gathering, transporting, storing or marketing hydrocarbons in the continental United States of America, whether as owner, operator, joint venturer, transporter, gatherer or in any other capacity or role (the "**Business**");

B. In compliance with its applicable bylaws, certificate of formation, limited liability company agreement or other similar governing agreements (the "**Governing Documents**"), the Company and its duly constituted board of directors, board of managers, managing member or other governing body or persons (the "**Company Managers**") have determined that effective operation of the Business of the Company requires the expertise and resources of the Manager;

C. The Company desires to engage the Manager, and the Manager is willing to provide or cause to be provided certain services to the Company, as described below and in accordance with the terms set forth in this Agreement.

Agreement

NOW THEREFORE, in consideration of the mutual promises set forth herein and benefits to be derived from them, the Parties agree as follows:

1. Appointment.

(a) Manager. The Company hereby appoints the Manager, and the Manager hereby accepts such appointment, to provide the Services (as defined below) by and on behalf of, and for the account of, the Company, pursuant to and as set forth in this Agreement and in accordance with the Company's Governing Documents.

(b) Independent Contractor. The Services rendered by the Manager shall be as an independent contractor. Nothing in this Agreement, and no past or future conduct of the Parties shall be construed to create a joint venture, partnership, or any other similar arrangement between the Company and the Manager, nor to authorize either Party to act as agent for the other Party, except as expressly set forth in this Agreement. Without limiting the foregoing, (a) neither Manager nor any affiliate, officer, employee or agent thereof shall be deemed to be an employee of the Company by virtue of this Agreement; and (b) nothing herein shall be deemed or construed to cause any party hereto to be responsible in any way for the debts and obligations of the other party hereto.

(c) Company Property. All rights and assets of the Company, to the extent acquired using Company funds, shall be taken and held in the name of the Company and neither the Manager nor its affiliates shall take title to any assets owned of record or beneficially by the Company during the term of this Agreement, except for nominee arrangements directed by the Company and provided that assets acquired using Company funds and the funds of other persons, the ownership and title thereto shall be allocated in accordance with the amount of each entity's contribution to the aggregate funds. All memoranda, files, notes, lists, records, databases, geological and geophysical data, engineering data, maps, interpretations and other technical information, and other documents or papers (and all copies thereof) to the extent relating to the Company and its subsidiaries, whether written or stored on electronic media, made or compiled by or on behalf of Manager in the course of Manager's performance of Services pursuant to this Agreement, or made available to Manager in the course of its performance of services pursuant to this Agreement, relating to the Company or its subsidiaries, or to any entity that may hereafter become a controlled affiliate thereof shall be the property of the Company ("**Company Property**"); provided, however, that Manager's general administrative records pertaining to its corporate form or governance, employment records, and governing instruments and records pertaining to general organization or administration of the Manager, including rolodexes and similar items, shall be the property of Manager. Any Company Property shall, except as otherwise agreed by the Company in writing, be delivered to the Company promptly upon the termination of this Agreement for any reason.

(d) No Joint Employment. The Parties agree that they are not joint employers of any of the employees of the Manager with respect to the Services, and, except as provided herein with respect to the reimbursement, payment or advancement of Qualified Costs, and with respect to indemnification by the Company, the Company shall have no liability for the actions of the Manager with respect to its employees. The employees of the Manager shall work directly under the Manager's supervision, direction and control, provided the Manager shall cause its employees to act consistently with any directions or requests specifically communicated to the Manager by the Company or the Company Managers from time to time that relate to the performance of the Services. Without limiting the foregoing, the Manager shall make all appropriate payroll deductions and payroll tax payments with respect to its employees.

(e) Property and Expense Allocation. It is acknowledged by each Company that, at the discretion of Manager, additional Companies may execute this Agreement after the date hereof. In the event Manager acquires property used in Services for more than one Company, the ownership thereof and title thereto shall be proportionately allocated pursuant to Section 1(c) above. Similarly, Qualified Costs incurred for Services performed for more than one Company, including General and Administrative Expenses (as hereinafter defined) attributable to employees of Manager (including payroll and benefits) that perform Services for more than one Company shall be allocated by Manager to the respective Companies in a reasonable manner, to be materially consistent with the time, effort and resources spent on such Companies.

2. Services.

(a) Services. Subject to the general directions of the Company and the Company Managers as may be issued from time to time, the Manager hereby agrees to perform the following services (collectively, the "**Services**"): (i) conduct the day-to-day operations of the

Company, including with respect to accounting administration, general administration and the ownership, maintenance and development of the Company's Business Assets (as hereinafter defined) and its Business; (ii) advise and consult with the Company regarding the Company's development and operations; (iii) provide management expertise and consulting services for the development and implementation of all operational and financial plans of the Company and for strategic decisions of the Company; (iv) provide the support necessary to assist the Company with any acquisitions or dispositions of assets, and financings related thereto, however structured, and in connections with any sale of the Company or its assets or equity; and (v) provide such management, support and administrative services with respect to the Business and such other services as shall be reasonably requested from time to time by the Company.

(b) Operatorship. Unless the Company and Manager otherwise agree, Manager shall be designated as the operator of record with all applicable governmental bodies with respect to the oil, gas and/or mineral leases and other interests of the Company arising from or pertaining to an oil, gas and/or mineral estate, and any interest of the Company in any applicable midstream equipment, pipelines, facilities or infrastructure used in the Business (collectively, the "**Business Assets**"), and Manager shall provide assistance to the officers of the Company in complying with all associated regulatory filings and compliance activities. The Company shall use reasonable efforts to name the Manager as the operator under all operating agreements binding on the Business Assets, provided that where the Company does not have the authority or required consent of third parties, the Company and Manager or an affiliate of Manager shall not be precluded from entering into a mutually acceptable form of operating agreement naming Manager (or one of its affiliates) as the contract operator of any Business Asset.

(c) Authority. Subject to the terms hereof, the Manager shall have the authority to, on behalf of the Company, perform the duties and obligations of the operator under all applicable operating agreements that cover and govern the operations of the Business Assets. Without limiting the foregoing, but subject to the terms hereof, the Manager shall have the authority to, on behalf of the Company (and in its name, except as expressly provided otherwise herein):

i. negotiate sales contracts with third party purchasers for any oil, condensate, natural gas liquids or natural gas produced by or for the account of the Company on such terms and conditions as the Manager reasonably deems appropriate and in the best interests of the Company;

ii. cause the Company to execute and deliver any and all sales contracts, transfer orders, division orders and other instruments that may, at any time, be required by any purchasers of production for the purposes of effectuating the payment of the proceeds from sales of production;

iii. establish and maintain the books and records, including accounting, land, production, contract and other records and files necessary and appropriate for the proper conduct by the Company of its Business;

iv. monitor the receipts, income and expenditures of the Company;

v. assist in the preparation and filing of the schedules and tax returns of the Company;

vi. engage, coordinate, supervise and/or assist with the engagement of third party engineers, attorneys, auditors and other professionals and service providers to the Company in connection with the Business, including the delivery of the financial statements, tax returns and engineering reports;

vii. supervise, manage, direct and operate all aspects of the day-to-day management and administration of the Company with respect to its Business, including assistance in the sourcing and diligence of acquisitions of Business Assets and divestitures and management of the Business Assets, and engaging in business development efforts;

viii. interface with the third party operators and monitor the status of the operations conducted by such third party operators;

ix. negotiate, execute and deliver, in the name and on behalf of the Company, as its agent, contracts and other agreements or instruments pertaining to the Business, Business Assets or any Services;

x. interface with the Company's lenders, vendors, contract counterparties, and other third parties pertaining to the Business;

xi. file or cause to be filed all necessary or appropriate filings with federal, state and local authorities, including applications for permits, authorizations or exemptions;

xii. assist in filing and recording documents and papers as is necessary and appropriate to evidence the Company's ownership of any of the Business Assets;

xiii. give or receive notices, execute drawdown certificates, furnish required reports and information and monitoring compliance, or similar activities as required or permitted by any agreement binding upon the Company; and

xiv. perform such other acts which are necessary or appropriate to carry out its obligations hereunder;

provided, however, the foregoing grant of authority shall be subject to the terms and provisions of any agreement that the Company is a party to and shall not provide any power to Manager that would conflict with or be prohibited by the terms of any such agreements, it being understood that the presence of a term in an agreement and the absence in another shall not by itself be deemed a conflict.

(d) Proceeds and Invoices. All revenues and income of the Company shall be and remain the property of the Company and no such revenues or income shall be retained by the Manager. The Manager shall receive revenues, income and proceeds otherwise payable to Company and pay (or net) costs and expenses chargeable to the Company's interest from such revenues, income and proceeds, as part of its operations of the Business Assets and such amounts

shall be administered, paid and distributed in the manner provided for in the applicable operating agreement governing operations for such Business Asset; *provided, however*, if there is not an applicable operating agreement for such Business Asset, then in a manner materially consistent with the terms of an AAPL 1989 Form Operating Agreement and the standards established by the Council of Petroleum Account Societies of North America (“COPAS”) in the COPAS 2005 Model Form Accounting Procedure. To the extent received by the Manager and not paid by Manager from Company revenues, the Manager shall promptly provide to the Company all invoices or bills for debt service, taxes payable by the Company, royalties, overriding royalties and other burdens on production, lease acquisition costs, goods, services, amounts payable under operating agreements, and expenditures related to the business of the Company to allow the Company to timely pay such costs and expenses.

3. Compensation; Reimbursement.

(a) Reimbursement of Qualified Costs. As its sole compensation hereunder, the Company shall reimburse (or advance, as provided in Section 3(c) below) the Manager for all costs incurred by the Manager on behalf of the Company to perform the Services, including lease operating expenses and capital expenditures allocable to the Business Assets or operation of the Business (collectively, the “**Qualified Costs**”). Without limiting the foregoing, Qualified Costs shall include general and administrative expenses of Manager to the extent allocated to the Company pursuant to Section 1, including labor costs, organizing costs, travel and entertainment and business development expenses, costs and expenses for professional services (including engineering, geological, land, geotechnical, and similar services provided by persons not employed by Manager), licensing and permitting fees and expenses, incremental capital expenses for furniture, fixtures, equipment, and vehicles that may be required for Manager to perform its services and obligations under this Agreement, occupancy costs, including telephone, rent, office equipment, insurance costs, and other similar costs and expenses generally considered general and administrative expenses incurred by Manager (collectively, “**General and Administrative Expense**”). At Manager’s option, the Manager may invoice the Company on a monthly basis for the Qualified Costs incurred and paid by the Manager from its own funds, and such Qualified Costs shall be payable by the Company within thirty (30) days following receipt of such invoice.

(b) No Other Compensation. The Qualified Costs shall constitute the sole and exclusive compensation owed by the Company to Manager for performing its services pursuant to this Agreement (but without limiting the release, defense and indemnification obligations hereunder), and (ii) any other amounts due and owing Manager, as operator of any Business Assets, shall be paid to, and shall be the sole and exclusive property of, the Company (subject to the allocations of property set forth in Section 1).

(c) Advances and Manager Account. It is not the intent of this Agreement for Manager to advance any of its own funds to pay any Qualified Costs. Except where Manager, in its discretion, uses its own funds to incur and pay Qualified Costs (subject to reimbursement as provided above), all Qualified Costs shall be paid from an account of Manager established and administered in accordance with provisions and procedures set forth in Section 2(d) above, and shall be funded by net revenues received by the Company or Manager to which Company is entitled and arising from ownership or operation of its Business Assets. If there are Qualified Costs to be paid or incurred by the Manager that are in excess of the funds in any such account,

the Manager may provide a written cash call ("**Cash Call**") to the Company of the amount of such Qualified Costs, which shall be promptly funded. If the Company does not so fund a Cash Call, the Manager shall have no liability or responsibility under this Agreement for any unpaid cost or expense, or any failure to perform any Service or other obligation hereunder, that results from or is related to the failure to fund the Cash Call or the insufficiency of funds in any account.

4. Term and Termination.

(a) Term. This Agreement shall be effective as of the date hereof and shall continue for thirty-six (36) months after the date hereof (the "**Initial Term**"). Upon the end of the Initial Term, and on each anniversary thereof, the term of this Agreement shall automatically be extended for one additional year from such date, until the termination of this Agreement pursuant to Section 4(b).

(b) Termination. Notwithstanding Section 4(a), this Agreement may be terminated: (i) by the mutual written consent of the Manager and the Company; (ii) by the Manager if the Company fails to pay any undisputed amount due to the Manager hereunder after 30 days prior written notice to the Company, and such amount remains unpaid at the end of such 30 days period; (iii) by the Company by the delivery of a written notice to the Manager that the Company elects to terminate this Agreement, and provided such termination shall not be effective until the date that is 30 days after the date of such notice or such earlier date set forth in such termination notice, (iv) at the option of Manager on the date of the closing of a sale of all or substantially all of the Business Assets or equity of the Company or (v) automatically on the conclusion of the liquidation and windup of the Company.

(c) Effect of Termination. Upon termination exercised pursuant to Section 4(b), this Agreement shall become void and of no further force and effect, except for the provisions that survive termination pursuant to Section 7(a), which shall continue in full force and effect in accordance with their terms.

5. Ownership of Work Product and Confidentiality.

(a) Work Product. The work produced by the Manager under the terms of this Agreement, including, without limitation, all work papers, drafts, notes, reports, extracts and other written or electronic recordings developed solely in connection with the performance of the Services hereunder ("**Work Product**"), shall be the property of the Company. The Manager shall have no right or interest in any such Work Product, and may only use such Work Product to perform Services hereunder, all in accordance with the limitations, duties and obligations imposed by this Agreement.

(b) Confidentiality. The Manager agrees that all non-public information received from or otherwise relating to, the Company, its affiliates, members, or any third party who has entrusted the Company with confidential information with the expectation that such information will be kept confidential, is confidential and will not be, without prior written consent of the Company, disclosed or otherwise released to any other person except as reasonably necessary or appropriate, in the sole discretion of Manager, to perform the Services. It is acknowledged by the Company that the possession of confidential information of such Company

by employees or representatives of Manager that also perform services for another Company shall not be deemed a breach of this Agreement.

6. Liability and Indemnification. The Manager shall not be liable to the Company, and the Company shall defend, indemnify, and save and hold harmless the Manager and its members, managers, officers, and employees (each, an “**Indemnified Party**”), from and against any and all claims, liabilities, damages, losses, costs and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and reasonable attorneys’ fees and other legal or other costs and expenses of investigating or defending against any claim or alleged claim but excluding any liabilities for taxes of the Indemnified Party) that are asserted against such Indemnified Party arising out of the performance by the Manager of the Services pursuant to this Agreement (each of the foregoing, a “**Claim**”); provided, however, that an Indemnified Party shall not be entitled to indemnification hereunder to the extent such Claim arises from the gross negligence or willful misconduct of any Indemnified Party.

7. Miscellaneous.

(a) Survival. Sections 4(c), 5, 6 and 7 shall survive the termination of this Agreement in accordance with their terms. Upon termination of this Agreement, all funds in the possession of the Manager belonging to the Company that have not been expended or previously contractually committed shall be returned to the Company. Furthermore, upon such termination, the Manager shall and shall cause each of its employees, agents and representatives to promptly deliver to the Company all Business records then in the possession of the Manager or such employees’, agents’ or representatives’ possession.

(b) Entire Agreement. The Parties acknowledge that this Agreement embodies the entire understanding and agreement among the Parties for the provision of Services by the Manager to the Company and supersedes any and all prior negotiations, understandings, or agreements in regard thereto.

(c) Governing Law. THIS AGREEMENT AND THE PERFORMANCE OF THE TRANSACTIONS AND OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(d) Modification and Waiver. No waiver, amendment or modification, including those by custom, usage or trade or course of dealing, of any provision of this Agreement will be effective unless in writing signed by the Party against whom such waiver, amendment or modification is sought to be enforced. Performance of any obligation required of a Party under this Agreement may be waived only by a written waiver signed by a duly authorized officer of the Company or the Manager, as applicable, and such waiver shall be effective only with respect to the specific obligations described in that waiver.

(e) Notices. All notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be given by personal delivery, by certified

or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, transmitted via electronic mail or by facsimile transmission, to the addresses given for that Party as set forth below or such other address as that Party may specify by notice to the other Party. All such notices, requests and other communications will be effective only upon receipt, except that if received after 5:00 p.m. (in the recipient's time zone) on a Business Day or if received on a day that is not a Business Day, such notice, request or communication will not be effective until the next succeeding Business Day. 'Business Day' shall mean a day, other than a Saturday or a Sunday, on which commercial banks are open for business with the public in Houston, Texas.

(f) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns; *provided, however*, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either Party without the prior written consent of the other Party. Any assignment in violation of the foregoing shall be void.

(g) Counterparts. This Agreement may be executed in two or more counterparts (including facsimile counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

(h) No Third Party Beneficiaries. Except as otherwise provided in Section 6, it is the intent of the Parties that no third-party beneficiary rights be created or deemed to exist in favor of any Person not a party to this Agreement, unless otherwise expressly agreed to in writing by the Parties.

[Signature Page to Follow]


Executed by the Parties as of the day and year first written above.

COMPANY:

KSMS OIL, LLC

By: Phoenician Resources Fund I, LLC, its managing member


By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member

OKMS OIL, LLC,

By: Phoenician Resources Fund I, LLC, its managing member

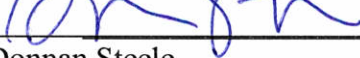
By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member


JEMS OIL, LLC

By: Phoenician Resources Fund I, LLC, its managing member


By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member


ETMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

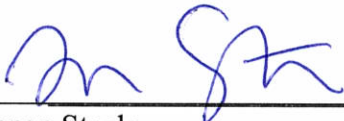
MCMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

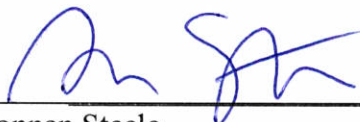
DPMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

PBMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

PHOENICIAN RESOURCES ASSET MANAGEMENT, LLC

By: 
Name: Donnan Steele
Title: Managing Partner

[Signature Page Follows]

[Signature page to Daylight MSA]

MANAGER:

DAYLIGHT PETROLEUM LLC

By: PHOENICIAN RESOURCES ASSET MANAGEMENT, LLC

By: 

Name: Donnan Steele

Title: Managing Partner

By: 

Name: Borja Madrid

Title: Managing Partner