

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.: _____. Recommended action: _____

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
OIL & GAS CONSERVATION DIVISION

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: _____

Smith Lease

LESSOR:

Charles V. Smith, et ux

LESEE:

Almar Oil Company

DATE:

October 2, 1954

RECORDED:

Book M-70, Page 524

PROPERTY:

Township 30 South, Range 16 East

Section 30: SW/4 SW/4 less a tract beginning at the Northwest corner of the S/2 SW/4 of said Section 30, thence South along U.S. Highway #75 200 feet, thence East 250 feet, thence North 200 feet, thence West 250 feet to the point of beginning.

SPECIAL:

None

KCC WICHITA
MAY 08 2017
RECEIVED



Wilson County Register of Deeds
Book: 391 Page: 172
Receipt #: 29371 Total Fees: \$94.00
Pages Recorded: 9 HTF: \$9.00
Clerk Tech: \$4.50
Rod Tech: \$18.00
Treas Tech: \$4.50
Date Recorded: 4/14/2017 4:03:18 PM

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

Connie O'Neill Assignor

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

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 such overriding royalty interest is reserved to Seller, or its affiliates.

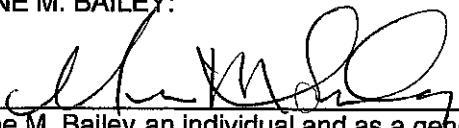
4. TRANSFER OF RIGHTS. To the extent transferable, Assignee is hereby granted the right of full substitution and subrogation in and to any and all rights and warranties which Assignor has or may have with respect to the Assigned Property conveyed herein of which Assignor has or may have against any and 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.

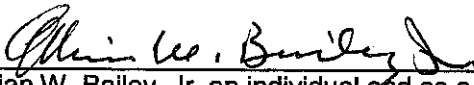
6. EFFECTIVE DATE. This Conveyance shall be effective as of February 1, 2017, at 12:01 a.m., Central Standard Time.

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.

GENE M. BAILEY:

By: 
Gene M. Bailey an individual and as a general partner of Bailey & Bailey

ALBIAN W. BAILEY, Jr.:

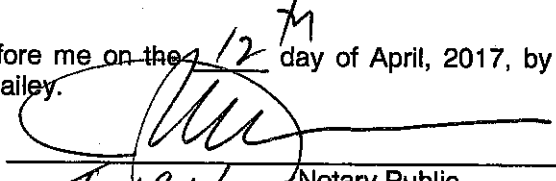
By: 
Albion W. Bailey, Jr. an individual and as a general partner of Bailey & Bailey

STATE OF KANSAS COUNTY OF Wilson, ss:

This instrument was acknowledged before me on the 12th day of April, 2017, by Gene M. Bailey, an individual and as a general partner of Bailey & Bailey.

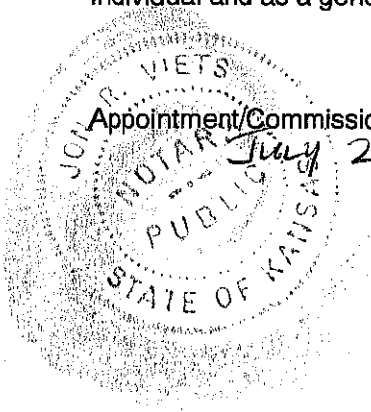
Appointment/Commission Expires:

July 28, 2018


Notary Public

STATE OF KANSAS COUNTY OF Wilson, ss:

This instrument was acknowledged before me on the 12th day of April, 2017, by Albian W. Bailey, Jr., an individual and as a general partner of Bailey & Bailey.



John R. Viets Notary Public

Exhibit "A"

Description of Leases

LEASE	COUNTY	STATE	WI	NRI
BAILEY FARM (HUSER)	WILSON	KS	1.0000	0.8750
DENT	WILSON	KS	1.0000	0.8750
DICKENS	WILSON	KS	1.0000	0.8750
KIMBALL	WILSON	KS	1.0000	0.820312
LECHNER	WILSON	KS	1.0000	0.8750
MCMILLEN	WILSON	KS	1.0000	0.840625
SANDBOTHE	WILSON	KS	1.0000	0.8750
SMITH	WILSON	KS	1.0000	0.8750

SCHEDULE OF LEASES

BAILEY FARM (HUSER) LEASE

LESSOR: Bailey Farm Partnership
LESSEE: Bailey Oil Co. Inc., and corrected lease to Gene M. Bailey and Albion W. Bailey, Jr.
DATE: July 17, 2001 and corrected on July 28, 2001
RECORDED: Book 162, page 641 and corrected lease at Book 163, page 25
PROPERTY: Approximately 235 acres in Sec. 13, 14, 23, 24, Township 30, Range 15
The SW/4 of the SW/4 of Section 13, and
The SE/4 of the SE/4 of Section 14, and
The NE/4 of the NE/4 of Section 23, and
Less three (3) acres West of Road in W/2 of NE/4 of NE/4 in Section 23, Township 30, Range 15, and
The NW/4 of the NW/4 of Section 24 lying West of Fall River and the S/2 of the NW/4 and the NE/4 of the NW/4 of Section 24 lying West of Fall River, all in Township 30, Range 15, Wilson County, Kansas.
WARRANTED NRI: 0.8750

DENT LEASE

LESSOR: Robert A. Dent
LESSEE: Gene M. Bailey and Albion W. Bailey, Jr.
DATE: October 1, 1991
RECORDED: Book 144, Page 49
PROPERTY: Beginning 26 rods 11 feet East of the Southwest corner of the SE 1/4 of Section 18, Township 30, Range 16 thence East 110 feet; thence North 40 rods; thence West 110 feet; thence South 40 rods to beginning.
Beginning 33 rods 5 1/2 feet East of the Southwest corner of the SE 1/4 of Section 18, Township 30, Range 16, thence East 220 feet; thence North 40 rods; thence West 220 feet; thence South 40 rods to beginning.
Beginning at a point 16 rods North of the Southwest corner of the Southeast 1/4 of Section 18, Township 30, Range 16, thence running North 64 rods to the Northwest corner of the Southeast 1/4, of said Section 18, thence East 20 rods, thence South 64 rods, thence West 20 rods to the place of beginning, all in Wilson County, Kansas.
WARRANTED NRI: 0.8750

DICKENS LEASE

LESSOR: Loren Dickens and Joan Dickens, husband and wife
LESSEE: J.E.B. Oil Research, Inc.
DATE: June 1, 1982
RECORDED: Book 121, Page 645

PROPERTY: Commencing at the NE corner of S 28, thence W 739 ft to the center of the gravel road, thence S along the centerline of the gravel road for a distance of 775 ft for a point of beginning; thence S for a distance of 1199.6 feet more or less, to the Northerly right-of-way line of the St. L.&S.F. Railway Co. thence Northwesterly along said right of way line to its intersection with the W line of the NE 1/4 of NW 1/4 of said S 28, thence N 108.3 ft. to the centerline of the gravel road, thence following the centerline of the gravel road in an Easterly, North-easterly and Easterly direction for a distance of about 3538 ft. to point of beginning.

WARRANTED NRI: 0.8750

KIMBALL LEASE

LESSOR: Albion W. Bailey, Jr. and Gene M. Bailey
LESSEE: Albion W. Bailey, Jr. and Gene M. Bailey
DATE: August 1, 1997
RECORDED: Book 153, Page 293
PROPERTY: All of Lot 27, Ward's Subdivision of the Northeast Quarter (NE/4) of Section 19, Township 30 South, Range 16 East of the 6th P.M., less a tract beginning at the Northwest corner of said lot, thence South 3.21 chains, thence North 79° East to a point on the West line of the Frisco Railway right-of-way, thence Northwest following said right-of-way to point due East of beginning, thence West to beginning, and all of Lot 21, Ward's Subdivision of the Northeast Quarter (NE/4) of Section 19, Township 30 South, Range 16 East of the 6th P.M.; less that part of said Lots 24 and 27 of Ward's Subdivision described as follows:
Beginning at a point where the East and West center line of Section 19 intersects the West right-of-way line of the St. Louis and San Francisco Railway, which point is 1,749 feet East of the center of said section, thence West along the center line of said section 840 feet, thence North 410 feet, thence East 531.23 feet to the West right-of-way line of the St. Louis and San Francisco Railway, thence Southeasterly along said right-of-way 513.24 feet to point of beginning, excepting therefrom a strip of ground 20 feet wide off the Northeasterly side of said premises, extending Southeasterly 180 feet from the Northeast corner thereof, measured along said West right-of-way of said railroad, also less a tract beginning 1,108.14 feet North of the center of said Section 19, thence North 79°00' East 50 feet to point of beginning, thence North 79°00' East 765.76 feet to the West right-of-way line of the Frisco Railroad, thence Southeast along right-of-way to point 410 feet North of South line of the Northeast Quarter (NE/4) of said Section 19, thence West 850 feet, thence Northwest to point of beginning. ALSO, commencing at a point 92 rods East and 360 feet South of the Northwest corner of Section 19, Township 30 South, Range 16 East of the 6th P.M., thence South to center of Fall River, thence down center of Fall River to North and South center line of Section 19, thence North on half section line to point 510 feet South of Northeast corner of the

Northwest Quarter (NW/4) of said Section, thence West 150 feet, thence North 150 feet, thence West 940 feet to place of beginning; ALSO, commencing at the Northwest corner of the Southeast Quarter (SE/4) of Section 19, Township 30 South, Range 16 East of the 6th P.M., thence South 50 rods, thence East 50 rods, thence North 50 rods, thence West 50 rods to place of beginning; Wilson County, Kansas.

WARRANTED NRI: 0.820312

LECHNER LEASE

LESSOR: Robert Gail Lutke and/or Anna Lee Lutke
LESSEE: Gene M. Bailey and Albion W. Bailey, Jr.
DATE: July 17, 2001
RECORDED: Book 162, Page 645
PROPERTY: Beginning 331-1/2 feet East of the Northwest corner of the SW 1/4 of the SE 1/4 of Section 18, Township 30, Range 16 East, thence East 663 feet, thence South 264 feet, thence West 663 feet, thence North 264 feet to beginning. Also lots four (4) through twelve (12), Block one (1) Marion Cross Addition Township SE 1/4.
All of the above being in Section 18, Township 30 Range 16 E, Wilson County, Kansas.

WARRANTED NRI: 0.8750

McMILLEN LEASE

LESSOR: Mildred Horwitz, H.A. Horwitz, Winnie D. Wright, Betty J. McMillen and National Bank of Commerce of Charleston W.Va. Trustee of Loren H. Rodgers
LESSEE: Albion W. Bailey Jr. and Gene M. Bailey
DATE: February 1, 1990
RECORDED: Book 141, Page 201
PROPERTY: Section 8 Township 30 Range 16E, containing 17 acres more or less. Beginning at a point 514.6 feet East of the S.W. corner of the NE/4 of Section 8, Township 30S, Range 16E, thence North 31E15' East 627.3 feet, thence North 22E15' East 198.3 feet, thence North 11E22' East 167.4 feet, thence North 311.4 feet, thence West 975 feet, thence South 912 feet, thence East 514.6 feet, thence South 263.0 feet to point of beginning, containing 19.5 acres, more or less. This deed [sic] is subject to grant of easement for roadway recored [sic] Book 116, Page 103, Wilson County Register of Deeds.
Excepting 2.8 acres, all lying within and being a part of SW/4 of NE/4 of said Section 8 heretofore conveyed to Sinclair Pipeline Co. by deed dated July 23, 1956, and described as follows:
Beginning at a point on the West boundary of NE/4 of Section 8 Township 30S Range 16E, Wilson County, Kansas, which is located 466 feet North from the center of said Section 8, thence East 410 feet; thence North 300

feet; thence West 410 feet to West boundary of NE/4 of said Section 8; thence South with said West boundary 300 feet, more or less, to point of beginning, and contain 2.8 acres, more or less, all lying within and being a part of SW/4 of NE/4 of said Section 8.

WARRANTED NRI: .840625

LESSOR: Mildred Horwitz, H.A. Horwitz, Winnie D. Wright and Betty J. McMillen
LESSEE: Albion W. Bailey Jr. and Gene M. Bailey
DATE: February 1, 1990
RECORDED: Book 141, Page 204, 207, 210 and 213
PROPERTY: Section 8 Township 30 Range 16E, containing 17 acres more or less. Beginning at a point 514.6 feet East of the S.W. corner of the NE/4 of Section 8, Township 30S, Range 16E, thence North 31E15' East 627.3 feet, thence North 22E15' East 198.3 feet, thence North 11E22' East 167.4 feet, thence North 311.4 feet, thence West 975 feet, thence South 912 feet, thence East 514.6 feet, thence South 263.0 feet to point of beginning, containing 19.5 acres, more or less. This deed [sic] is subject to grant of easement for roadway recored [sic] Book 116, Page 103, Wilson County Register of Deeds.
Excepting 2.8 acres, all lying within and being a part of SW/4 of NE/4 of said Section 8 heretofore conveyed to Sinclair Pipeline Co. by deed dated July 23, 1956, and described as follows:
Beginning at a point on the West boundary of NE/4 of Section 8 Township 30S Range 16E, Wilson County, Kansas, which is located 466 feet North from the center of said Section 8, thence East 410 feet; thence North 300 feet; thence West 410 feet to West boundary of NE/4 of said Section 8; thence South with said West boundary 300 feet, more or less, to point of beginning, and contain 2.8 acres, more or less, all lying within and being a part of SW/4 of NE/4 of said Section 8.

WARRANTED NRI: .840625

SANDBOTHE LEASE

LESSOR: Vincent Thomas Sandbothe and Nancy Jane Sandbothe, husband and wife; and Joseph W. Sandbothe and June Marie Sandbothe, husband and wife
LESSEE: Albion W. Bailey, Jr. and Gene M. Bailey
DATE: December 8, 1983
RECORDED: Book 127, Page 177
PROPERTY: The Northwest Quarter (NW/4) of Section 31, Township 30 South, Range 16 East, Wilson County, Kansas.

WARRANTED NRI: 0.8750

SMITH LEASE

LESSOR: Gene B. Bailey, et al
LESSEE: MCMS Oil, LLC

DATE: April 4, 2017

RECORDED: To be recorded

PROPERTY: The Southwest Quarter of the Southwest Quarter of Section 30, Township 30, Range 16 East, less a tract beginning at the Northwest corner of the South Half of the Southwest Quarter of said Section 30, thence South along U.S. Highway #75, 200 feet, thence East 250 Feet, thence North 200 feet, thence West 250 feet, to point of beginning., all in Wilson County, Kansas.

WARRANTED NRI: 0.8750

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]

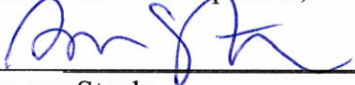
Executed by the Parties as of the day and year first written above.

COMPANY:

KSMS OIL, LLC

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

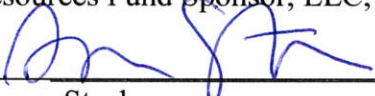
By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member

OKMS OIL, LLC,

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

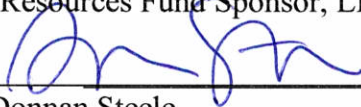
By: Phoenician Resources Fund Sponsor, LLC, its managing member

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

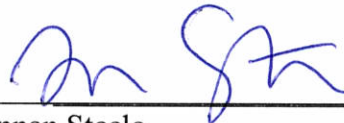
MCMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

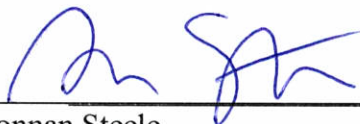
DPMS OIL, LLC

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