

For KCC Use:

Effective Date: _____

District # _____

SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form C-1

March 2010

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

NOTICE OF INTENT TO DRILL

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

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

Expected Spud Date: _____
month day year

OPERATOR: License# _____

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

Contact Person: _____

Phone: _____

CONTRACTOR: License# _____

Name: _____

Well Drilled For:

Well Class:

Type Equipment:

- | | | | |
|---|-----------------------------------|------------------------------------|-------------------------------------|
| <input type="checkbox"/> Oil | <input type="checkbox"/> Enh Rec | <input type="checkbox"/> Infield | <input type="checkbox"/> Mud Rotary |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Storage | <input type="checkbox"/> Pool Ext. | <input type="checkbox"/> Air Rotary |
| | <input type="checkbox"/> Disposal | <input type="checkbox"/> Wildcat | <input type="checkbox"/> Cable |
| <input type="checkbox"/> Seismic ; _____ # of Holes | <input type="checkbox"/> Other | | |
| <input type="checkbox"/> Other: _____ | | | |

If OWWO: old well information as follows:

Operator: _____

Well Name: _____

Original Completion Date: _____ Original Total Depth: _____

Directional, Deviated or Horizontal wellbore? Yes No

If Yes, true vertical depth: _____

Bottom Hole Location: _____

KCC DKT #: _____

Spot Description: _____

_____ - _____ - _____ Sec. _____ Twp. _____ S. R. _____ E W
(Q/Q/Q/Q) _____ feet from N / S Line of Section

_____ feet from E / W Line of Section

Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: _____

Lease Name: _____ Well #: _____

Field Name: _____

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): _____

Nearest Lease or unit boundary line (in footage): _____

Ground Surface Elevation: _____ feet MSL

Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No

Depth to bottom of fresh water: _____

Depth to bottom of usable water: _____

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: _____

Length of Conductor Pipe (if any): _____

Projected Total Depth: _____

Formation at Total Depth: _____

Water Source for Drilling Operations:

Well Farm Pond Other: _____

DWR Permit #: _____

(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone: _____

AFFIDAVIT

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

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

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

Submitted Electronically

For KCC Use ONLY

API # 15 - _____

Conductor pipe required _____ feet

Minimum surface pipe required _____ feet per ALT. I II

Approved by: _____

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

Spud date: _____ Agent: _____

Remember to:

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

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

E
 W

For KCC Use ONLY

API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

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

Operator: _____

Lease: _____

Well Number: _____

Field: _____

Number of Acres attributable to well: _____

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

Location of Well: County: _____

_____ feet from N / S Line of Section

_____ feet from E / W Line of Section

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

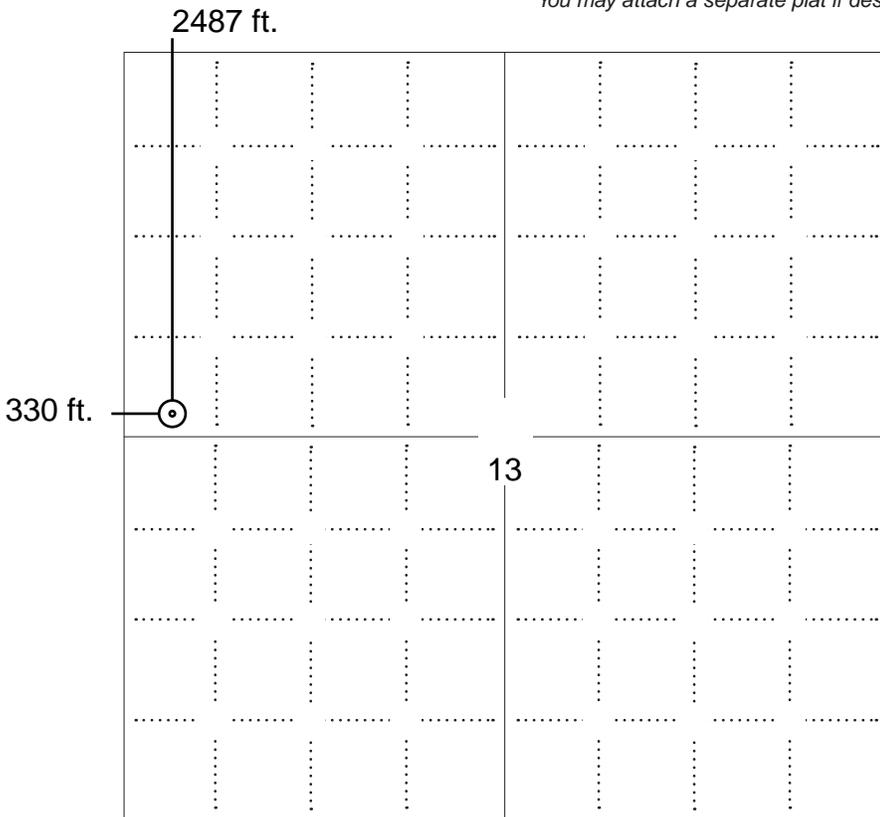
Is Section: Regular or Irregular

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

Section corner used: NE NW SE SW

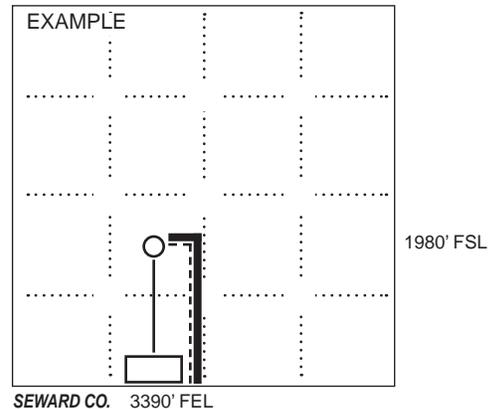
PLAT

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



LEGEND

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



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

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

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

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
May 2010
Form must be Typed

Submit in Duplicate

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

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

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1
July 2021
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 # _____
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 (see Chapter 55 of the Kansas Statutes Annotated), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

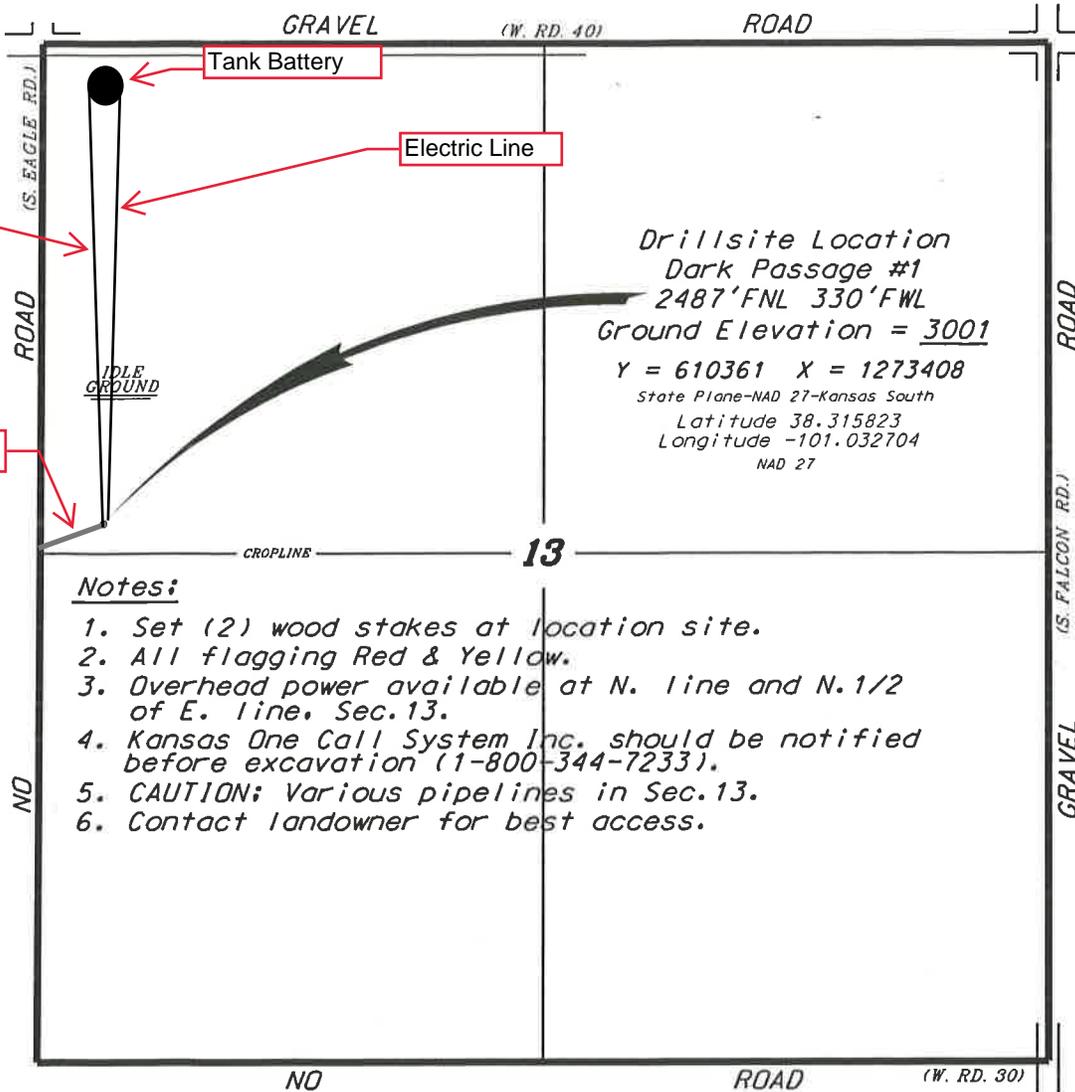
If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I Submitted Electronically

I

PALOMINO PETROLEUM, INC.
DARK PASSAGE LEASE
 NW. 1/4, SECTION 13, T20S, R34W
 SCOTT COUNTY, KANSAS

* Ingress and egress to location as shown on this plat is per usage only and may be legally opened for public use. Contact tenant and county road department for access.



Notes:

1. Set (2) wood stakes at location site.
2. All flagging Red & Yellow.
3. Overhead power available at N. line and N. 1/2 of E. line, Sec. 13.
4. Kansas One Call System Inc. should be notified before excavation (1-800-344-7233).
5. CAUTION; Various pipelines in Sec. 13.
6. Contact landowner for best access.



* Controlling data is based upon the best maps and photographs available to us and upon a regular section of land containing 640 acres.
 * Approximate section lines were determined using the normal standard of care of oilfield surveyors practicing in the state of Kansas. The section corners, which establish the precise section lines, were not necessarily located, and the exact location of the drillsite location in the section is not guaranteed. Therefore, the operator securing this service and accepting this plot and all other parties relying thereon agree to hold Central Kansas Oilfield Services, Inc., its officers and employees harmless from all losses, costs and expenses and said entities released from any liability from incidental or consequential damages.
 * Elevations derived from National Geodetic Vertical Datum.

Date June 6, 2024

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-8344-264-5185 fax www.kbp.com · kbp@kbp.com

AGREEMENT, Made and entered into the 20th day of April 2022 by and between Kelly J. Crist, Manager, Bar 7, LLC

whose mailing address is 1315 Elizabeth Scott City, KS 67871 hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc.

hereinafter called Lessee:

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

Township 20 South, Range 34 West Section 13: NW/4; Section 23: NE/4

In Section Township Range and containing 320 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 2 (two) years from this date (called "primary term"). and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This lease is subject to attached Addendum between Lessor and Lessee.

COMPUTERED NUMERICALS



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 11 day of May A.D. 2022 10 o'clock A.M., and duly recorded in book 319 page 74 Debbie Turner \$ 89.00 Register of Deeds

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

Witnesses: Kelly J. Crist, Manager Bar 7, LLC

OIL AND GAS LEASE

No. _____
FROM

TO

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

This instrument was filed for record on the _____

day of _____, _____

at _____ o'clock _____ M., and duly recorded

in Book _____ Page _____ of _____

the records of this office.

Register of Deeds.

By _____

When recorded, return to _____

Notary Public

My commission expires _____

corporation, on behalf of the corporation.

of _____ a _____

The foregoing instrument was acknowledged before me this _____ day of _____

STATE OF _____ COUNTY OF _____
ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)

Notary Public

My commission expires _____

by _____ and _____

The foregoing instrument was acknowledged before me this _____ day of _____

STATE OF _____ COUNTY OF _____
ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

Notary Public

My commission expires _____

by _____ and _____

The foregoing instrument was acknowledged before me this _____ day of _____

STATE OF _____ COUNTY OF _____
ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

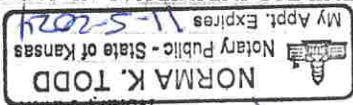
Notary Public

My commission expires _____

by _____ and _____

The foregoing instrument was acknowledged before me this _____ day of _____

STATE OF _____ COUNTY OF _____
ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)



Norma K. Todd

11-5-2024

My commission expires _____

by Kelly J. Crist, Manager, Bar 7, LLC

The foregoing instrument was acknowledged before me this _____ day of _____

STATE OF Kansas COUNTY OF Scott
ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

2022

ADDENDUM to Oil and Gas Lease, dated **April 20, 2022**, by and between

BAR 7, LLC

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing **320** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County**, Kansas:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Acres</u> |
|------------------|--|--------------|
| | <u>Township 20 South, Range 34 West</u> | |
| Tract 1 | Section 13: NW¼ | 160 |
| Tract 2 | Section 23: NE¼ | 160 |

In no event shall the production of oil or gas on either individual tract extend the primary term of the Lease on the other tract listed herein, unless such tract is included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tract whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "**1/8th**" appears in the Lease, it should read "**3/16**" in each case.
4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
6. FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.
7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.

10. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.

11. ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.

12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.

13. DAMAGES.

(a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.

(b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, provided that the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.

14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):

- (a) Any activity expressly or impliedly authorized or required by this Lease.
- (b) Plugging and abandonment of wellbores drilled by Lessee.
- (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.
- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (i.e., a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.

16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.
21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

BAR 7, LLC

By 
Kelly J. Crist, Manager

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OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-9344 264-5165 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 1st day of April 2010 by and between Jeffrey B. Crist a/k/a Jeff B. Crist and Dallas A. Crist, his wife

whose mailing address is 2408 Casey's Drive Garden City, Kansas 67846 hereinafter called Lessor (whether one or more), and Palomino Petroleum Inc.

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

Township 20 South, Range 34 West Section 13: NW/4 Section 14: SE/4 Section 24: SW/4

In Section Township Range and containing 480 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See ADDENDUM attached hereto and made a part hereof.



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 8 day of June A.D. 2010 10 o'clock A.M., and duly recorded in book 234 page 144 \$ 2800 Register of Deeds COMPUTER NUMERICAL do

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

Witnesses:

Jeffrey B. Crist

Dallas A. Crist

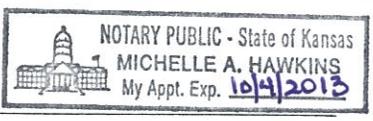
STATE OF Kansas
 COUNTY OF Finney ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 10th day of May, 2010
 by ~~Jeffrey B. Crist a/k/a Jeff B. Crist~~
 Dallas A. Crist, his wife and _____

My commission expires _____

 _____ *Mary K. Olson*
 Notary Public

STATE OF Kansas
 COUNTY OF Finney ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 11th day of May, 2010
 by Jeffrey B. Crist a/k/a Jeff B. Crist and _____

My commission expires October 4, 2013
 _____ *Michelle A. Hawkins*
 Notary Public



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

My commission expires _____

 Notary Public

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

My commission expires _____

 Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____ Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____ County _____

STATE OF _____ County _____

This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

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

My commission expires _____

 Notary Public

ADDENDUM to Oil and Gas Lease, dated April 1, 2010, by and between

JEFFREY B. CRIST (a/k/a JEFF B. CRIST) and DALLAS A. CRIST, husband and wife

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing **480** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County, Kansas**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|------------------|--|--------------------|------------------|
| | <u>Township 20 South, Range 34 West</u> | | |
| Tract 1 | Section 13: NW¼ | 160 | 20 |
| Tract 2 | Section 14: SE¼ | 160 | 20 |
| Tract 3 | Section 24: SW¼ | 160 | 20 |

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "**1/8th**" appears in the Lease, it should read "**3/16**" in each case.
4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
6. FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.

JEFFREY B. CRIST (A/K/A JEFF B. CRIST) AND DALLAS A. CRIST/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
10. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.
13. DAMAGES.
 - (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
 - (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at

JEFFREY B. CRIST (A/K/A JEFF B. CRIST) AND DALLAS A. CRIST/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

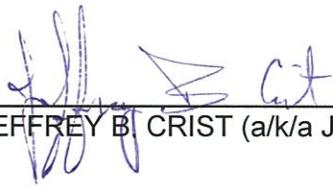
OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the 1st day of April, 2010.



JEFFREY B. CRIST (a/k/a JEFF B. CRIST)



DALLAS A. CRIST

OIL AND GAS LEASE



AGREEMENT, Made and entered into the 1st day of April 2010

by and between Kelly J. Crist and Lisa Crist, his wife

whose mailing address is 1315 Elizabeth Scott City, Kansas 67871 hereinafter called Lessor (whether one or more), and Palomino Petroleum Inc.

hereinafter called Lessee:

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

Township 20 South, Range 34 West Section 13: NW/4 Section 14: SE/4 Section 24: SW/4

In Section Township Range and containing 480 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See ADDENDUM attached hereto and made a part hereof.



STATE OF KANSAS, SCOTT COUNTY, SS

This instrument was filed for record on the

8 day of June A.D. 2010

10 o'clock A.M., and duly recorded in book

234 page 143

Stephanie M. [Signature]

\$ 28.00 Register of Deeds

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

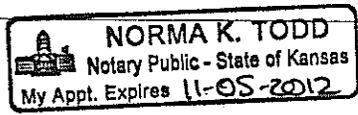
Witnesses:

[Signature] Kelly J. Crist

[Signature] Lisa Crist

STATE OF Kansas
 COUNTY OF Scott ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 The foregoing instrument was acknowledged before me this 18th day of May, 2010
 by Kelly J. Crist and
Lisa Crist, his wife

My commission expires 11-05-2012



[Signature]
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____, _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

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

My commission expires _____
 Notary Public

ADDENDUM to Oil and Gas Lease, dated April 1, 2010, by and between

KELLY J. CRIST and LISA CRIST, husband and wife

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing 480 acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County, Kansas**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|------------------|--|--------------------|------------------|
| | <u>Township 20 South, Range 34 West</u> | | |
| Tract 1 | Section 13: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 2 | Section 14: SE $\frac{1}{4}$ | 160 | 20 |
| Tract 3 | Section 24: SW $\frac{1}{4}$ | 160 | 20 |

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "1/8th" appears in the Lease, it should read "3/16" in each case.
4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
6. FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.

KELLY J. CRIST AND LISA CRIST/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
10. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.
13. DAMAGES.
 - (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
 - (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at

KELLY J. CRIST AND LISA CRIST/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

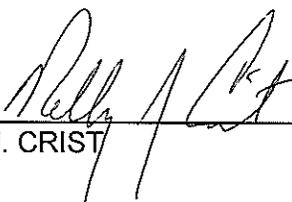
OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

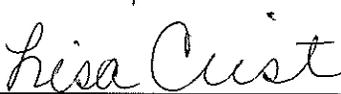
Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the 1st day of April, 2010.



KELLY J. CRIST



LISA CRIST

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-9344-264-5165 fax www.kbp.com · kbp@kbp.com

AGREEMENT, Made and entered into the 1st day of April 2010 by and between Sondra Lou Crist Crook, a single person

whose mailing address is 12944 Travis Street Overland Park, Ks. 66209 hereinafter called Lessor (whether one or more), and Palomino Petroleum Inc. hereinafter called Lessee:

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

Township 20 South, Range 34 West Section 13: NW/4 Section 14: SE/4 Section 24: SW/4

In Section Township Range and containing 480 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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See ADDENDUM attached hereto and made a part hereof.



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 8 day of June A.D. 2010 10 o'clock AM., and duly recorded in book 234 page 140 Michie's Murphy books \$ 28.00 Register of Deeds

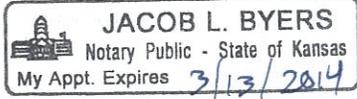
IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Witnesses:

Sondra Lou Crist Crook (Signature) Sondra Lou Crist Crook

STATE OF KS
COUNTY OF JOHNSON ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
The foregoing instrument was acknowledged before me this 10 day of MAY, 2010,
by Sondra Lou Crist Crook, a single person and _____

My commission expires _____



Jacob L. Byers
Notary Public

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

My commission expires _____

Notary Public

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

My commission expires _____

Notary Public

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

My commission expires _____

Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____, _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

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

corporation, on behalf of the corporation.

My commission expires _____

Notary Public

ADDENDUM to Oil and Gas Lease, dated April 1, 2010, by and between

SONDRA LOU CRIST CROOK

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing **480** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County, Kansas**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|------------------|--|--------------------|------------------|
| | <u>Township 20 South, Range 34 West</u> | | |
| Tract 1 | Section 13: NW¼ | 160 | 80 |
| Tract 2 | Section 14: SE¼ | 160 | 80 |
| Tract 3 | Section 24: SW¼ | 160 | 80 |

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "**1/8th**" appears in the Lease, it should read "**3/16**" in each case.
4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
6. FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.

SONDRA LOU CRIST CROOK/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
10. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.
13. DAMAGES.
 - (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
 - (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at

SONDRA LOU CRIST CROOK/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

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Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the 1st day of April, 2010.


SONDRA LOU CRIST CROOK

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-9344 264-5165 fax www.kbp.com kbp@kbp.com

1st April 2010

AGREEMENT, Made and entered into the day of

by and between Crown C #1, LLC an Arizona limited liability company by E and C Operations Limited Partnership, an Arizona Limited Partnership, its Manager; by Marc B. Robbins and Stace L. Robbins, Co-Trustees of AMS Trust 1, Manager of Slice O' Life LLC, an Arizona limited liability company, General Partner

whose mailing address is 7520 North 1st Street Phoenix, Arizona 85020 hereinafter called Lessor (whether one or more), and Palomino Petroleum Inc.

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

Township 20 South, Range 34 West Section 13: NW/4 Section 14: SE/4 Section 24: SW/4

In Section Township Range and containing 480 acres, more or less, and all accretions thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMPUTER do NUMERICAL do

See ADDENDUM attached hereto and made a part hereof.

STATE OF KANSAS, SCOTT COUNTY, SS

This instrument was filed for record on the

8 day of June A.D. 2010

10 o'clock A.M., and duly recorded in book

234 page 145

Delphia Murphy Kayde Register of Deeds

\$ 2800



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

Witnesses: Stace L. Robbins, Trustee

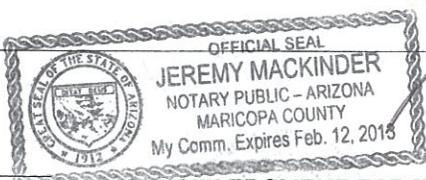
Marc B. Robbins, Trustee

AMS Trust 1

AMS Trust 1

STATE OF Arizona ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)
 COUNTY OF Maricopa
 The foregoing instrument was acknowledged before me this 12 day of May, 2010,
 by Stace L. Robbins and Marc B. Robbins,
Trustees of the AMS Trust 1

My commission expires 2/12/2013



[Signature]
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

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

My commission expires _____
 Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____ Rge. _____

Section _____ Twp. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

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

My commission expires _____
 Notary Public

ADDENDUM to Oil and Gas Lease, dated April 1, 2010, by and between

CROWN C #1, LLC

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing **480** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County, Kansas**:

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|------------------|--|--------------------|------------------|
| | <u>Township 20 South, Range 34 West</u> | | |
| Tract 1 | Section 13: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 2 | Section 14: SE $\frac{1}{4}$ | 160 | 20 |
| Tract 3 | Section 24: SW $\frac{1}{4}$ | 160 | 20 |

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
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CROWN C #1, LLC/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 2

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 - (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
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 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (i.e., a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at

CROWN C #1, LLC/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM - SCOTT COUNTY, KANSAS

PAGE 4

Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned have signed this Addendum effective the 1st day of April, 2010.

CROWN C #1, LLC, an Arizona limited liability company, by E and C Operations Limited Partnership, an Arizona limited partnership, its Manager; by Marc B. Robbins and Stace L. Robbins, Co-Trustees of AMS Trust I, Manager of Slice O' Life, LLC, an Arizona limited liability company, General Partner

AMS Trust I

By Marc B Robbins, Trustee
MARC B. ROBBINS, Co-Trustee

By Stace L Robbins, Trustee
STACE L. ROBBINS, Co-Trustee

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 793 Wichita, KS 67201-0793 316-264-9344-264-5165 fax www.kbp.com · kbp@kbp.com

1st April 2010

AGREEMENT, Made and entered into the day of

by and between Cari Pemberton, a married woman dealing in her sole and separate property and never having lived in Kansas during her married life

whose mailing address is 7933 Prythania Park Drive Colorado Springs, Co. 80923 hereinafter called Lessor (whether one or more), and Palomino Petroleum Inc.

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

Township 20 South, Range 34 West Section 13: NW/4 Section 14: SE/4 Section 24: SW/4

480

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See ADDENDUM attached hereto and made a part hereof. COMPUTER do NUMERICAL do



STATE OF KANSAS, SCOTT COUNTY, SS This instrument was filed for record on the 8 day of June A.D. 2010 10 o'clock A.M., and duly recorded in book 234 page 142 Nelson Murphy Jr \$ 2800 Register of Deeds

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

Witnesses:

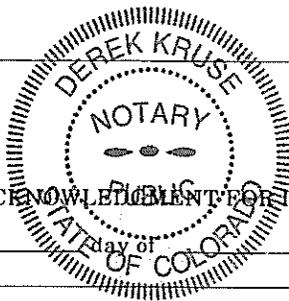
Cari Pemberton Cari Pemberton

STATE OF Colorado
COUNTY OF El Paso

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this 12th day of May, 2010,
by Cari Pemberton, a married woman dealing in her sole and separate property and never
having lived in Kansas during her married life.

My commission expires 6/25/2011



[Signature]
Notary Public

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____

Notary Public

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____

Notary Public

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____

Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____

Section _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____

County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____
of _____ a _____
corporation, on behalf of the corporation.

My commission expires _____

Notary Public

ADDENDUM to Oil and Gas Lease, dated April 1, 2010, by and between

CARI PEMBERTON

hereinafter referred to as Lessor and

PALOMINO PETROLEUM, INC.

hereinafter referred to as Lessee:

This Addendum is a part of that certain Oil and Gas Lease (the "Lease") identified above by date and parties, covering the property described in paragraph 1 below, located in **SCOTT COUNTY, KANSAS**, and containing **480** acres, more or less, to the same extent as if the provisions hereof had originally been written in said Lease. The terms and provisions of this Addendum shall be deemed controlling, notwithstanding anything to the contrary or inconsistent with the provisions contained within the attached Lease, and regardless of whether such contrary or inconsistent items have been deleted.

1. SEPARATE LEASE FOR EACH TRACT. Lessor and Lessee agree that this Lease shall constitute a separate lease agreement with respect to each of the following described tracts in **Scott County, Kansas**:

| <u>Tract No.</u> | <u>Legal Description</u> | <u>Gross Acres</u> | <u>Net Acres</u> |
|------------------|--|--------------------|------------------|
| | <u>Township 20 South, Range 34 West</u> | | |
| Tract 1 | Section 13: NW $\frac{1}{4}$ | 160 | 20 |
| Tract 2 | Section 14: SE $\frac{1}{4}$ | 160 | 20 |
| Tract 3 | Section 24: SW $\frac{1}{4}$ | 160 | 20 |

In no event shall the production of oil or gas on any individual tract extend the primary term of the Lease on the other tracts listed herein, unless such tracts are included in an oil or gas-producing unit pursuant to the provisions of paragraph 17 below. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located, within thirty (30) days following written demand thereof by Lessor, a release of this Lease covering any tracts whose primary term is not extended by actual production on such tract or by being included in a producing unit.

2. CONSTRUCTION AND LOCATION OF EQUIPMENT. No right is granted to the Lessee to erect on any part of said premises any plant or facility for gasoline extraction or for the processing of gas or petroliferous substances, except the normal and necessary heater treater and separator customarily used. Lessee agrees to utilize reasonable efforts to build any meter houses, separators, heater treaters and storage tanks for the purpose of producing and saving any oil and gas upon the above-described premises adjacent to any county or state road or highway adjoining the above-described premises. If Lessee does not believe such structures can feasibly be located adjacent to an adjoining road, Lessee shall consult with the surface owner prior to placement of such structures.
3. ROYALTY. It is agreed by the Lessor and Lessee that where the term "**1/8th**" appears in the Lease, it should read "**3/16**" in each case.
4. ACCESS ROADS AND PIPELINES. Prior to the construction of any road on the leased premises, Lessee shall consult with the surface owner as to the location and direction of the same. However, final determination for the location of the above-described equipment shall reside with Lessee. There shall be no oil road surfaces or hard surfacing of any access roads without the written consent of Lessor. Lessee shall bury pipelines to a depth of not less than forty-two inches (42") below the surface.
5. USE OF WATER BY LESSEE. The use of water provided for under the Lease is limited to use for drilling operations only. Lessee shall specifically not have any right to use fresh water from the above-described premises for the purpose of water flooding or injection in any water flooding program with which the above-described acreage may for any reason be pooled or unitized.
6. FENCING AND CATTLE GUARDS. Lessee shall construct and properly maintain a fence around each pumping unit, pit and tank battery installed on the leased premises in order to prevent injury to livestock. Lessee further agrees to install and maintain cattle guards or gates for access to the premises.

CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

OIL AND GAS LEASE ADDENDUM- SCOTT COUNTY, KANSAS

PAGE 2

7. RESERVATION OF MINERALS. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except interests in gas and oil and their constituent products herein leased to Lessee.
8. TERMINATION. Upon termination of this Lease, the Lessee shall fill all pits and ponds, constructed by Lessee, and remove all structures, placed on the leased premises, by Lessee, and reasonably restore the leased premises to the condition existing at the time this Lease was executed, all within six (6) months following such termination.
9. PROTECTION AGAINST POLLUTION. The Lessee agrees with the Lessor that in connection with the operation and development of the leased premises, Lessee will follow the rules and regulations of the appropriate State or Federal Governmental Agency to protect all fresh water strata and the surface from pollution by salt water and other refuse.
10. SALT WATER DISPOSAL. The Lessee shall consult with Lessor as to the location of any saltwater disposal equipment prior to its installation by Lessee in the operation of the Lease. Except for wells located on the leased premises or on lands pooled or unitized therewith, Lessee is prohibited from disposing of salt water without the written consent of Lessor and without compensating Lessor for the use thereof.
11. ABSTRACT CHARGES. Any abstracting charges on such tract for drilling operations by Lessee under the terms of this Lease shall be paid by the Lessee.
12. NO WARRANTY OF TITLE. Lessor neither warrants title nor agrees to defend title to the lands herein described. The Lessee shall be solely responsible for examining the title to the property, at its cost, and satisfying itself as to the ownership and status of the title to the property herein described.
13. DAMAGES.
 - (a) Lessee shall be liable and responsible unto Lessor for damages suffered by Lessor and caused by Lessee, including, but not limited to, water contamination (surface and subsurface), and/or damages to growing crops, land, pasture grass, or livestock. All damages payable under this paragraph (a) shall be due and payable within three (3) months of Lessee being notified by Lessor of the damages.
 - (b) For each drill site location, Lessee agrees to pay Lessor the sum of Three Thousand Five Hundred Dollars (\$3,500) as liquidated damages (exclusive of lease road and crop damages, if any), based upon the amount of land being disturbed for drilling operations being limited to 2.5 acres or less. If the area disturbed exceeds 2.5 acres, excess damages shall be payable at the rate of Two Thousand Dollars (\$2,000) per acre. Lessee further agrees to pay the sum of Fifteen Dollars (\$15) per rod for lease roads and installation of underground pipelines and electric lines, *provided that* the underground lines are "plowed in" and not trenched. If trenching is used to install the lines, compensation shall be at the rate of Twenty Dollars (\$20) per rod. All damages payable under this paragraph (b) shall be due and payable within thirty (30) days of completion.
14. INDEMNIFICATION. Lessee will indemnify, hold harmless, and defend Lessor against any claim, demand, cost, liability, loss, or damage (including reasonable attorney's fees) suffered by Lessor arising out of the following activities conducted by Lessee, or those having a contractual relationship with Lessee on the leased premises (provided such claim does not arise out of an accident or injury occasioned by the Lessor's acts, negligence or omissions):
 - (a) Any activity expressly or impliedly authorized or required by this Lease.
 - (b) Plugging and abandonment of wellbores drilled by Lessee.
 - (c) Management, use, and disposal of produced water and wastes or substances associated with Lessee's activities.

- (d) The generation, processing, handling, transportation, storage, treatment, recycling, marketing, use, disposal, release of oil, natural gas, natural gas liquids, all other petroleum substances, any waste material, or any "Hazardous Substance" or "Pollutant or Contaminant" as those terms are defined by the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) at CERCLA §101 (14) and (33), 42 U.S.C. §9601 (14) and (33) (1988).

Lessee's obligations created by this section are continuing obligations which will continue in effect, and be enforceable by Lessor, even after the Lease terminates or otherwise ceases to burden the leased premises.

15. LIMITATION ON SHUT-IN ROYALTY. If the Lease is not otherwise being maintained by operations, or if production is not being sold by Lessee from another well or wells on the leased premises or lands pooled or unitized therewith, Lessee shall have one (1) year, herein called "shut-in period", from the date of completion of a gas well (*i.e.*, a well with no liquid production) in which to make pipeline connections for production or marketing of gas. The shut-in period may be extended for three (3) additional periods of one (1) year each, at the option of Lessee. During the shut-in period, Lessee shall pay to Lessor a shut-in royalty at the rate of Five Dollars (\$5) per acre per year, which royalty shall be due and payable on the anniversary date of this Lease. During any shut-in period, it shall be considered that gas is being produced from the leased premises in paying quantities so long as Lessee is paying the shut-in royalty as herein provided.
16. NO SEISMOGRAPH TESTING. Neither Lessee nor any agent of Lessee shall have any right to conduct geophysical exploration by means of seismograph testing upon the leased premises in the absence of obtaining the prior written consent of the surface owner, which the surface owner shall have the right to withhold, at his discretion. In the event the surface has been leased to a third party for farming purposes, the Lessee must also obtain the written consent of the tenant of the leased premises before conducting any type of seismograph testing.
17. UNITIZATION AND POOLING. Upon prior written notice to Lessor, the leased tracts may be unitized or pooled by Lessee with other land or leases in the immediate vicinity thereof, such pooling to be of tracts contiguous to one another and to be in a unit or units not exceeding 80 acres for the production of oil or 640 acres for the production of gas. The tracts leased herein shall be included in any pool or unit, to the extent practical, before Lessee includes lands owned by others. In the event that less than all of a separate tract covered by this Lease is included in a unit for the production of either oil or gas, Lessee agrees to release any portion of the separate tract upon which a producing well has not been completed within the primary term of this Lease.
18. SECONDARY RECOVERY OPERATIONS. Lessee may not include the lands herein described in waterflood unit (or similar secondary recovery unit) without the prior consent of Lessor and without compensating Lessor for all damages (including economic damages resulting from diminished or lost crop production) which Lessor may suffer by reason of additional wells being drilled on the lands herein described as part of the waterflood unit operations.
19. SEPARATE ZONES. It is expressly agreed that if the Lease be in force and effect at the expiration of the primary term, by reason of a well drilling, being re-worked or being completed over the end of the primary term, or in the event of the completion of a well that is producing oil or gas in paying quantities, Lessee shall have a period of five (5) years to drill additional wells. At the end of such five (5) year period, the Lease shall thereupon terminate as to the oil and gas rights in all zones and formations beneath 100' below the stratigraphic equivalent of the deepest producing formation or beneath 100' below the total depth drilled, whichever is the deeper of the two, by any well drilled on the leased premises or lands pooled or unitized therewith, during the term of this Lease. Lessee shall be obligated to file of record in the county courthouse in which the leased premises are located a release of this Lease covering such zones or formations within thirty (30) days following written demand thereof by Lessor.
20. CRP PROVISIONS. The Lessee acknowledges that all or part of the land covered by this Addendum may now or subsequently be enrolled in the Conservation Reserve Program (CRP) of the Commodity Credit Corporation (CCC), United States Department of Agriculture. As long as any part of the leased premises is enrolled in the CRP, the Lessee shall be obligated, at

CARI PEMBERTON/LESSOR
PALOMINO PETROLEUM, INC./LESSEE

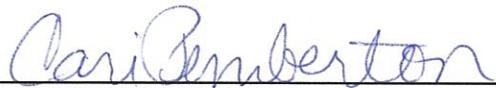
OIL AND GAS LEASE ADDENDUM- SCOTT COUNTY, KANSAS

PAGE 4

Lessee's expense, to restore lands used by Lessee during its operations, to the same condition as nearly as practicable to its original condition as found prior to Lessee's operations and to take all necessary precautions to prevent soil erosion resulting from Lessee's drilling operations. Such work shall be performed in a good and workmanlike manner and in such manner as may be required by the Farm Services Administration (FSA) under the terms of the CRP Contract. If drilling a well causes Lessor to lose any benefits of a CRP Contract that is in existence at the time the well is drilled, including repayment of past CRP payments, or loss of future CRP payments, Lessee shall reimburse Lessor for such damages.

21. BREACH OR DEFAULT. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder for a period of ninety (90) days after Lessor has given Lessee written notice fully describing the breach or default, and only if Lessee fails to remedy the breach or default within such period; provided, however, a thirty (30) day notice shall be all that is required for subsequent actions or inactions by Lessee involving the same breach or default. In the event the matter is litigated and there is a final judicial determination that a breach or default by Lessee has occurred, Lessee shall be responsible for Lessor's actual damages and all attorney fees and expenses incurred by Lessor in pursuing said litigation. In addition to recovery of actual damages, attorney fees and expenses, Lessor may seek forfeiture or cancellation of the Lease as one of its remedies.
22. BINDING EFFECT. This Lease and Addendum to said Lease and all of its terms, conditions and stipulations shall extend to and be binding upon the heirs, devisees, executors, administrators, personal representatives, assigns and successors of the Lessor and Lessee.

IN WITNESS WHEREOF, the undersigned has signed this Addendum effective the 1st day of April, 2010.


CARI PEMBERTON

63U (Rev. 1993)

OIL AND GAS LEASE

Reorder No. 09-115



Kansas Blue Print 700 S. Broadway PO Box 703 Wichita, KS 67201-0793 316-264-9344 264-5185 fax www.kbp.com kbp@kbp.com

AGREEMENT, Made and entered into the 21st day of June 2022 by and between Judith Ann Vulgamore, Trustee of the Trust Agreement of Judith Ann Vulgamore dated 3-7-1996

whose mailing address is 1202 Sage Brush Scott City, KS 67871 hereinafter called Lessor (whether one or more), and Palomino Petroleum, Inc. hereinafter called Lessee:

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

Township 20 South, Range 34 West Section 13: SW/4

In Section Township Range and containing 160 acres, more or less, and all accretions thereto.

Subject to the provisions herein contained, this lease shall remain in force for a term of 1 (one) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or other respective constituent products, or any of them, is produced from said land or land with which said land is pooled.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See attached Lease Addendum "A" between Lessor and Lessee for additional lease terms.

It is agreed by the Lessor and Lessee that where the term "1/8" appears in the Lease, it should read "3/16th" in each case.



STATE OF KANSAS, SCOTT COUNTY, KS This instrument was filed for record on the 29 day of June A.D. 2022 10 o'clock A.M., and duly recorded in book 320 page 64 \$ 72.00 Register of Deeds

COMPUTER 9 NUMERICAL 0

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

Witnesses: Judith Ann Vulgamore, Trustee Trust Agreement of Judith Ann Vulgamore dated 3-7-1996

STATE OF Kansas
COUNTY OF Scott

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this 23rd day of June, 2022,
by Judith Ann Vulgamore, Trustee of the Trust Agreement of Judith Ann Vulgamore and dated 3-7-1996

My commission expires 7/10/2022



STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____
Notary Public

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____
Notary Public

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR INDIVIDUAL (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ and _____

My commission expires _____
Notary Public

No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____ Twp. _____ Rge. _____

No. of Acres _____ Term _____ County _____

STATE OF _____

County _____

This instrument was filed for record on the _____ day of _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

STATE OF _____
COUNTY OF _____

ACKNOWLEDGMENT FOR CORPORATION (KsOkCoNe)

The foregoing instrument was acknowledged before me this _____ day of _____,
by _____ a _____ corporation, on behalf of the corporation.

My commission expires _____
Notary Public

Lease Addendum "A"

Attached to and made a part of that Oil and Gas Lease (the "Lease") by and between **Trust Agreement of Judith Ann Vulgamore dated 3-7-1996** ("Lessor"), and **Palomino Petroleum, Inc.** ("Lessee"), dated 23, June, 2022.

The following provisions are part of the Lease, and if a conflict exists between the following provisions and any of the provisions contained in the Lease, then the following provisions shall apply, control, and take precedence:

PRODUCTION: This Lease may only be extended by production if such production is in paying quantities.

NO HOUSING: Lessee shall not house or otherwise use the Leased Premises to care for employees. Lessee shall not use the Lease Premises to support off lease operations.

NO WARRANTY: This lease is made without warranty of any kind, express or implied. Lessor specifically disclaims any warranty as to title or ownership of the Leased Premises covered by the Lease and will not defend title to the Leased Premises.

COMMENCEMENT: To "commence" a well according to the terms of this Lease will require that a drilling rig capable of drilling to total depth of the proposed well be on location and engaged in actual drilling on the Leased Premises (or in the unit containing the Leased Premises), and that the drilling of said well be continued with due diligence until completion. Construction of a well location or other activities without actual drilling as detailed above will not be deemed commencement of a well.

LIMITATION OF LESSEE'S POOLING AUTHORITY: Any oil well on the Leased Premises, producing in paying quantities, may be pooled with up to 80 acres immediately adjacent to the well unless specifically agreed in writing by Lessor and Lessee. If this Lease is pooled as to oil production, then no less than 20 acres of this lease shall be committed to and receive income from the oil pooling area. As to gas production, the Leased Premises may be pooled with up to 640 acres immediately adjacent to the gas well unless specifically agreed in writing by Lessor and Lessee. If this Lease is pooled as to gas production, then no less than 160 acres of this lease shall be committed to and receive income from the gas pooling area. Lessee shall have no other right to pool this Lease without first obtaining the consent of Lessor, which such consent shall not be unreasonably withheld, provided however, that any oil pooling unit shall not exceed 80 acres.

PERFORMANCE REQUIRED: All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this Lease shall be terminated if Lessee fails to comply therewith or if Lessee's performance under the Lease is prevented by any such Law, Order, Rule or Regulation.

SHUT-IN ROYALTY: In the event gas from a gas well capable of producing in paying quantities is not sold by the Lessee, Lessee may pay, in accordance with this provision, a shut-in royalty to maintain the lease pursuant to the terms herein. Notwithstanding anything to the contrary herein, it is understood and agreed that this Lease may not be maintained in force by payment of shut-in royalty on a gas well for more than two (2) cumulative years solely by the provisions of this shut-in royalty clause. The shut-in royalty rate paid by Lessee to Lessor shall be \$30.00 per acre for every acre in the Lease for any year that the gas well is shut-in. The payment shall be made to Lessor on or before the Lease anniversary date each year the gas well is shut-in.

SALTWATER DISPOSAL: No salt water shall be disposed of on the Leased Premises except water produced from wells located on the Leased Premises.

USE OF SURFACE: Lessee shall consult with Lessor as to the location of all equipment and the routes of ingress and egress on the Leased Premises, provided that Lessor's consent to location and routes shall not be unreasonably withheld. Lessee shall pay Lessor a one-time location payment of \$5,000.00 per every well drilled on said land prior to spudding any well. If any well location disturbs more than 3.5 acres, then, in addition to the location payment, Lessee shall also be liable for and pay all damages caused by operations of Lessee or Lessee's contractors including, but not limited to, damages to growing crops, pastures, fallow lands, grass, fences, equipment, and improvements. In the event of drilling operations, lessee shall restore the surface of the land to its original contour and condition as nearly as is reasonably practicable. During construction of pits, all topsoil shall be piled separately and returned to the surface when the pits are filled.

IRRIGATION: If the Leased Premises are irrigated, presently or installed hereafter, the Lessee, prior to conducting operations thereon, shall consult with the Lessor regarding said drilling operations which shall be conducted so as to minimize interference with Lessor's irrigation operations.

Agreed to and approved by:

 K.R. Watchour, Pres.

Lessee: Palomino Petroleum, Inc.

Date: June 27, 2022

 Judith Ann Vulgamore, Trustee

Lessor: Trust Agreement of Judith Ann Vulgamore dated 3-7-1996

Date: 6-23, 2022

