

15-199-20290-000

RECEIVED
STATE CORPORATION COMMISSION

For KCC Use: 2-12-2002
Effective Date: 4
District # 4
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
NOTICE OF INTENT TO DRILL

Form C-1
September 1999
Form must be Typed
Form must be Signed
All blanks must be Filled
FEB 07 2002
02-07-02
CONSERVATION DIVISION
Wichita, Kansas

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

Expected Spud Date 2 month 10 day 02 year

Spot East West
E/2 E/2 E/2 Sec. 15 Twp. 14 S. R. 39
2643 feet from S 10 (circle one) Line of Section
330 feet from W (circle one) Line of Section
Is SECTION Regular Irregular?

OPERATOR: License# 32959
Name: Deep Rock Exploration, Inc.
Address: 111 W. 12th
City/State/Zip: Goodland, Kansas 67735
Contact Person: Ross MuGukin
Phone: (785) 899-7060

(Note: Locate well on the Section Plat on reverse side)
County: Wallace
Lease Name: Larson Well #: 2

CONTRACTOR: License# ADVISE ON ACO-1; MUST BE LICENSED WITH KCC
Name: BK Drilling

Field Name: _____
Is this a Prorated / Spaced Field? Yes No
Target Formation(s): Morrow

Well Drilled For: Oil Gas OWWO Seismic: _____ # of Holes Other _____
Well Class: Enh Rec Storage Disposal Other _____
Well Class: Infield Pool Ext. Wildcat Other _____
Type Equipment: Mud Rotary Air Rotary Cable

Nearest Lease or unit boundary: 330'
Ground Surface Elevation: 3568 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: 300
Depth to bottom of usable water: 1650'

If OWWO: old well information as follows:
Operator: _____
Well Name: _____
Original Completion Date: _____ Original Total Depth: _____

Surface Pipe by Alternate: 1 X 2
Length of Surface Pipe Planned to be set: 350'
Length of Conductor Pipe required: _____
Projected Total Depth: 5500
Formation at Total Depth: Miss

Directional, Deviated or Horizontal wellbore? Yes No
If Yes, true vertical depth: _____
Bottom Hole Location: _____
KCC DKT #: _____

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. 55-101, 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. *In all cases, NOTIFY district office* prior to any cementing.

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

Date: 1-7-02 Signature of Operator or Agent: Ross MuGukin Title: President

For KCC Use ONLY
API # 15 - 199-20290-0000
Conductor pipe required NONE feet
Minimum surface pipe required 350 feet per Alt. (2)
Approved by: RJP 2-7-2002
This authorization expires: 8-7-2002
(This authorization void if drilling not started within 6 months of effective date.)
Spud date: _____ Agent: _____

Remember to:
- 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;
- Obtain written approval before disposing or injecting salt water.
15 14 39W

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

Plat of acreage attributable to a well in a prorated or spaced field

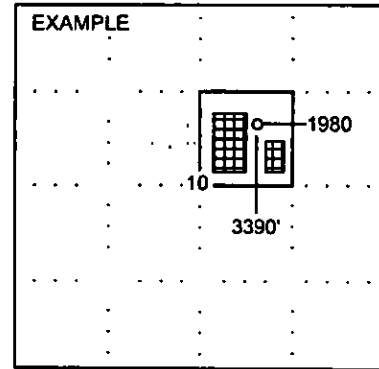
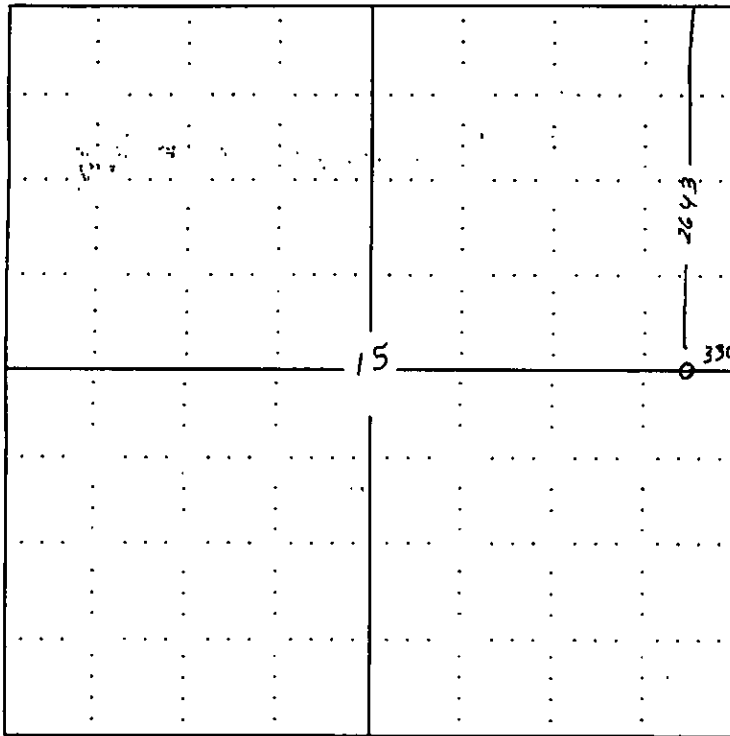
If the intended well is in a prorated or spaced field, please fully complete this side of the form. If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - _____
 Operator: Deep Rock Exploration, Inc.
 Lease: Larson
 Well Number: 2
 Field: _____
 Number of Acres attributable to well: _____
 QTR / QTR / QTR of acreage: _____

Location of Well: County: Wallace
2643 feet from S / (circle one) Line of Section
330 feet from E / W (circle one) Line of Section
 Sec. 15 Twp. 14 S. R. 39 East West
 Is Section X Regular or _____ Irregular
 If Section is Irregular, locate well from nearest corner boundary.
 Section corner used: X NE ___ NW ___ SE ___ SW

PLAT

(Show location of the well and shade attributable acreage for prorated or spaced wells.)
 (Show footage to the nearest lease or unit boundary line.)



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 section's south / north and east / west.
3. The distance to the nearest lease or unit boundary line.
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (CO-7 for oil wells; CG-8 for gas wells).

OIL AND GAS LEASE

FORM NO. 100

THIS AGREEMENT, Entered into this 17th day of December, 2001

between Daniel J. Larson and Rebecca J. Larson, husband and wife

to, hereinafter called lessor, and Hughes Petro, Inc., 2150 Andrea Lane, Ft. Myers, FL 33912, hereinafter called lessee, does witness:

1. That lessor, her and in consideration of the sum of Ten (\$10.00) and OVC Dollars in hand paid and of the covenants and agreements hereinafter contained in the lease, has and she do hereby grant, lease, and let exclusively to the lessee the hereinafter described land, with any reversionary rights therein, and with the right to utilize the lands or any part thereof with other oil and gas leases as drilling and the drilling, mining, and operating for, producing and saving of the oil, gas, gas condensate, gas distillate, casinghead gas and their respective constituent vapors, and all other gases, found thereon, the complete right of injecting water, brine, and other fluids and substances into the subsurface strata, and for constructing roads, laying side lines, building tanks, stumps, electrical lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, take care of, and manufacture all of such substances, and the injection of water, brine, and other substances into the subsurface strata, said tract of land being situated in the County of WALLACE

State of KANSAS, and described as follows:

Southeast Quarter (SE 1/4) of Section Fifteen (15), Township Fourteen (14) South, Range Thirty-nine (39) West of the 6th P.M.

15-199-20290-00-00

containing 160 acres, more or less, TEN Five (5) years (called "primary term") and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

2. This lease shall remain in force for a term of TEN Five (5) years (called "primary term") and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect it, with the equal one-eighth part of all oil produced and saved from the leased premises, or in the lessee's option may pay to the lessor for such one-eighth royalty the market price at the wellhead for oil of the grade and gravity prevailing on the day such oil is run into the pipe line of this storage tank.

4. The lessee shall pay to the lessor as a royalty, one-eighth (1/8) of the proceeds received by the lessee from the sale of oil, gas, gas condensate, gas distillate, casinghead gas used for the manufacture of gasoline or any other product, and of other gases, including their constituent parts, produced from the land hereon leased. If such gas is not sold by the lessee, lessee may pay or tender annually at or before the end of each yearly period during which such gas is not sold, as a shut-in royalty, whether one or more wells are drilled, an amount equal to one dollar per net mineral acre, and while said shut-in royalty is so paid or tendered, it will be considered under all provisions of this lease that gas is being produced in saving quantities. The first yearly period during which such gas is not sold shall begin on the date the first well is completed for production of gas.

5. This lease is a paid-up lease and may be maintained during the primary term without further payments or drilling operations.

6. In the event said lessee owns a less interest in the above described land than the entire and undivided fee simple estate (herein then the royalties herein provided for shall be paid to said lessor only in the proportion which his interest bears to the whole and undivided fee, however, in the event the title to any interest in said land should revert to lessor, in his heirs, or his or their grantees, this lease shall cover such reversion.

7. The lessee shall have the right to dig, free of cost, gas, oil and water fountains on said land for its operations thereon, except water from existing wells of the lessor. When required by lessor, the lessee shall bury its gas lines 3000 feet deep and shall pay for damage caused by its operations in growing crops on said land. No well shall be drilled deeper than 200 feet to the house or barn floor on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove oil casing.

8. 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 the heirs, devisees, executors, administrators, successors and assigns, but no change or division in ownership of the land, or royalties, however accumulated, shall operate to enlarge the obligations or diminish the rights of lessee, and no change of ownership in the land or in the royalties or any sum due under this lease shall be binding on the lessor until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof, or a certified copy of the will of any deceased owner, and of the original recorded instrument of conveyance or duly certified copy thereof necessary in showing a complete chain of title back to the date of the full mineral conveyance, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, or administrator, executor, or heir of lessor.

9. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties accruing hereunder shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to operate wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devise, descent or otherwise, or to furnish separate measuring or recording tanks.

10. Lessee hereby warrants and agrees in and to the land herein described and agrees that the lessee, at no cost, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied or assessed on or against the above described lands and, in event it executes such actions it shall be substituted to the rights of the holder of the lien or mortgage thereon and may reimburse itself by causing to be discharged any such mortgage, or in either case, any royalty accruing hereunder.

11. If after the expiration of the primary term, production of oil or gas should cease from any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within one hundred twenty (120) days thereafter, or if in the expiration of the primary term, oil or gas is not being produced on said land, but lessee is then engaged in drilling or reworking operations thereon, then in either event, this lease shall remain in force so long as operations are prosecuted either on the same well or its within well immediate communication, with no cessation of more than one hundred (100) consecutive days, and if they result in production of oil or gas, this lease shall terminate at a later date thereafter as there is production of oil or gas under any provision of this lease.

12. Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by filing same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage (beyond thirty), then all payments and liabilities thereafter accruing under the terms of this lease as to the portion canceled shall cease and determine, but as to the portion of the acreage not released the terms and provisions of the lease shall continue and remain in full force and effect for all purposes.

13. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease shall not be in any way terminated, vitiated or partially null and void by the issuance of orders for future to comply with any of the orders or implied provisions hereof if such future orders with any such laws, orders, rules or regulations for interpretations thereof if lessee should be prevented during the last six months of the primary term (except from doing a well hereunder) by the order of any constituted authority having jurisdiction thereover, the primary term of this lease shall terminate until six months after said order is suspended.

14. Lessee, at its option, is hereby given the right and power in pool or combine into one or more units the land covered by this lease, or any portion thereof, with other land covered by another lease, or leases 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 such minerals in and under said land, such pooling to be in a unit or units not exceeding 80 acres each in the event of an oil well, or into a unit or units not exceeding 840 acres each in the event of a gas or gas condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Governmental Rules. The quarter owners Lessee shall execute in writing and file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units 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 listed on any part of the pooled acreage it shall be treated as if production is from that lease, whether any well is located on the land covered by this lease or not, and any well drilled on any such unit shall be and constitute a well hereunder in lieu of the regular alternative herein specified. Lessor shall receive oil production from the unit so pooled only such portion of the royalty stipulated herein as the amount of his net royalty interest therein on an acreage basis bears to the total mineral acreage as located in the particular unit involved.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

WELL 141 PAGE 344

(Page 1 of 4)

Daniel J. Larson (Signature)

Rebecca J. Larson (Signature)

THIS AGREEMENT, Entered into this 17th day of December, 2001, between Daniel J. Larson and Rebecca J. Larson, husband and wife

hereinafter called lessor, and Hughes Petro, Inc., 2150 Andrea Lane, Ft. Myers, FL 33912, hereinafter called lessee, do hereby agree:

1. That lessor, for and in consideration of the sum of Ten (\$10.00) and OVC Dollars in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased, and let and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, with any reservations rights therein, and with the right to utilize the lease or any part thereof with other oil and gas leases as to all or any part of the lands covered thereby as hereinafter provided for the purpose of carrying on geological, geophysical and other exploratory work thereon, including core drilling and the drilling, mining, and operating for, producing and selling all of the oil, gas, gas condensate, gas distillate, casinghead gasoline and their respective condensates, vapors, and other gases, found thereon, the exclusive right of injecting water, brine, and other fluids and substances into the subsurface strata and for constructing roads, laying pipe lines, building lease, storage or building power stations electrical lines and other structures thereon necessary or convenient for the economical operation of said land alone or conjointly with neighboring lands, to produce, save, lease, care of, and manufacture all of such substances and the injection of water, brine, and other substances into the subsurface strata, said tract of land being situated in the County of WALLACE

State of KANSAS and described as follows:

Northeast Quarter (NE 1/4) of Section Fifteen (15), Township Fourteen (14) South, Range Thirty-nine (39) West of the 6th P.M.

containing 160 acres, more or less. This lease shall remain in force for a term of Five (5) years, commencing on the date hereof ("primary term") and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of the products covered by this lease is or can be produced.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such one-eighth royalty the market price at the wellhead for oil of the grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

4. The lessee shall owe to the lessor, as a royalty, one-eighth (1/8) of the proceeds received by the lessee from the sale of gas, gas condensate, gas distillate, casinghead gas, gas used for the manufacture of gasoline or any other product, and of other gases, including their condensates, produced from the land herein leased. If such gas is not sold by the lessee, lessee may pay or tender annually at or before the end of each year the amount of such gas as not sold, as a shut-in royalty, whether or not there was an amount equal to one dollar per net mineral acre, and while said shut-in royalty is so paid or tendered, it will be considered under all provisions of this lease that gas is being produced in paying quantities. The first yearly period during which such gas is not sold shall begin on the date the first well is completed for production of gas.

5. This lease is a paid-up lease and may be maintained during the primary term without further payments or drilling operations.

6. In the event 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 to said lessor and in the proportion which his interest bears to the whole and undivided fee; however, in the event the title to any interest in said land should revert to him or his heirs, or his or their grantees, this lease shall cover such reversion.

7. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from existing wells of the lessor, when required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 500 feet to the house or barn or on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after, the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

8. If the estate of either party hereto is assigned and the privilege of assigning in whole or in part is expressly reserved, the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee, and no change of ownership in the land or in the royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof, or a certified copy of the will of any deceased owner and of the probate thereof or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is applicable, together with all original recorded instruments of conveyance or duly certified copies (where necessary) in showing a complete chain of title back to lessor of the full interest claimed, and all insurance policies of title made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, or administrator, executor, or heir of lessor.

9. If the leased premises are now or shall hereinafter be owned in severalty or in separate tracts, the premises may hereinafter be developed and operated as one lease, and all covenants herein shall be deemed to be covenants of the whole and shall apply to each separate owner in the proportion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devise, descent or otherwise, or to furnish separate measuring or recording lands.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option a shall be subrogated to the rights of any holder of such liens and may reimburse itself by asserting the discharge of any such mortgage, tax or other lien, any royalty accruing hereunder.

11. If after the expiration of the primary term, production of oil or gas should cease from any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within one hundred twenty (120) days thereafter, or if at the expiration of the primary term, oil or gas is not being produced on said land, but lessee is then engaged in drilling or reworking operations thereon, then in either event, this lease shall remain in force as long as operations are prosecuted either on the same well or on any other well thereafter commenced, with no cessation of more than one hundred twenty (120) consecutive days, and if there result in production of oil or gas this lease shall continue in effect so long thereafter as there is production of oil or gas under any provision of this lease.

12. LESSEE may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by placing same of record in the proper County. In case said lease is surrendered and cancelled as to only a portion of the acreage covered hereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion cancelled shall cease and terminate, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

13. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease shall not be in any way limited, wholly or partially, nor shall the lessee be liable in damages for failure to comply with any of the express or implied provisions hereof if such failure occurs with any such laws, orders, rules or regulations (or interpretations thereof). If lessee should be prevented during the last six months of the primary term hereof from doing a well hereunder by the order of any constituted authority having jurisdiction thereover, the primary term of this lease shall continue until an month after said order is suspended.

14. Lessee, at its option, is hereby given the right and power to pool or combine one or more units the land covered by this lease, or any portion thereof, with other land covered by another lease or leases when, in lessee's judgment, it is necessary or advisable to do so in order to properly develop and operate said lease premises as to the production of hydrocarbons of such reservoir in and under said land, such pooling to be in a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 800 acres each in the event of a gas or gas condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Governmental Survey or other sections. Lessee shall execute in writing one file for record in the county in which the land is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a unit or units 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 any one of the pooled acreage it shall be treated as if production is had from this lease whether the well is located on the land covered by this lease or not. Any well drilled on any such unit shall be and constitute a well hereunder in lieu of the royalties elsewhere herein specified to be paid on production from the unit so pooled only such portion of the royalty stipulated herein as the amount of the net royalty interest therein on an acreage basis bears to the total mineral acreage so pooled in the particular unit described.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

WITNESS WHEREOF, we on the day and year first above written Daniel J. Larson, Rebecca J. Larson (Page 1 of 4)

ADDENDUM TO OIL AND GAS LEASE

Notwithstanding any provisions in the printed portions of this Oil and Gas Lease to the contrary, the following provisions shall apply to this lease:

1. This lease covers a part of the real estate found within an area of mutual interest, hereafter referred to as the "area of mutual interest" which is more particularly described herein and contains the following described real estate, to-wit:

All of Sections Two (2), Three (3), Four (4), Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11), Thirteen (13), Fourteen (14), Fifteen (15), Sixteen (16), Seventeen (17), Eighteen (18), Nineteen (19), Twenty (20), Twenty-one (21), Twenty-two (22), Thirty (30) and the North Half (N ½) of section Twenty-nine (29), all in Township Fourteen (14) South, Range Thirty-nine (39) West of the 6th P.M., Wallace County, Kansas;

Southeast Quarter (SE ¼) of Section Twelve (12), all of Sections Thirteen (13), Fourteen (14), East Half (E ½) of Section Fifteen (15), all of Section Twenty-four (24) and the East Half (E ½) of Section Twenty-three (23), all in Township Fourteen (14) South, Range Forty (40) West of the 6th P.M., Wallace County, Kansas;

All of Sections Thirty (30), Thirty-one (31) and Thirty-four (34), in Township Thirteen (13) South, Range Thirty-eight (38) West of the 6th P.M.,

and any additional property lessee obtains following execution of this lease.

2. Lessee agrees to commence actual and bona fide operations upon any parcel or parcels within of the area of mutual interest within six (6) months from the date of this lease by erecting a derrick and actually beginning to sink a well or wells for prospecting purposes, and to prosecute such operations diligently and continuously (making reasonable allowances for unavoidable and unforeseen circumstances which lessee cannot control), until oil or gas is found and developed in paying quantities, or until such depth is reached as to reasonably indicate that no oil or gas can be found under the land at the point where operations are being conducted. A failure to comply with this clause shall terminate this lease.

3. If, prior to discovery of oil or gas on within the area of mutual interest, lessee should drill and abandon a dry hole upon any parcel or parcels within the area of mutual interest this lease shall not terminate if lessee commences additional drilling or reworking operations upon any parcel or parcels within the area of mutual interest within one (1) year thereafter.

4. Lessee covenants and agrees that development for oil, gas, and other minerals on the lands covered within the area of mutual interest shall be prosecuted in a diligent manner and in a manner that is consistent with practical operation and development recognized in the oil and gas industry as adequate and proper. After discovery of oil, gas, or other minerals in paying quantity, development is to be at the rate of not less than one (1) well per year until the land within the area of mutual interest is fully developed.

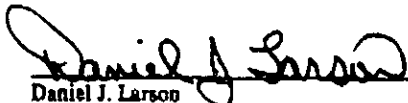
If lessee shall fail to drill additional wells as specified in this section or to prosecute the drilling thereof with reasonable diligence and in a workmanlike manner, lessee shall not be liable to lessor for any damages lessor may suffer as a result of such failure, but this lease shall terminate and lessee shall lose all rights under the lease except as to an area of forty (40) acres around each producing oil well, which area may be selected by lessee, both as to location and shape, and six hundred forty (640) acres around each producing gas well, which area may be selected by lessee, both as to location and shape. As to such retained area or areas, this lease shall remain effective so long as production and operations are continued thereon by lessee in accordance with the other provisions of this lease. Lessee shall have the right to drill as many additional wells as it considers advisable on such retained area or areas.

5. Lessee shall pay Lessor for reasonable damages to all property, real personal or mixed, caused by its operations, on said land, including but not limited to land, growing crops, grass, buildings, livestock, fences and other improvements and personal property. Within six (6) months after the expiration of this lease or termination of this lease as provided herein, lessee shall restore the leased premises to the condition existing as of the date hereof as nearly as practicable and remove all machinery, fixtures and casing placed on said premises.

6. It is expressly understood by the parties hereto that unless Lessee exercises its option to pool or combine units as provided in paragraph 14 of the lease, no Landowner/Lessor shall share in royalties and/or production from any other tract of real estate located within the area of mutual interest.

7. This lease shall be held by the Law Office of R. Dean Dinkel, R. Dean Dinkel, Esq., as escrow agent for leases pending commencement of operations by lessee. This lease will be recorded in the Office of the Wallace County Register of Deeds upon the commencement of drilling operations on the land specifically described in paragraph 1 of the primary lease. If after discovery of oil, gas or other minerals in paying quantities on any tract

described within the area of mutual interest is discovered, the escrow agent shall cause to be recorded in the Office of the Wallace County Register of Deeds all leases in his possession and obtained within the area of mutual interest.


Daniel J. Larson


Rebecca J. Larson

ADDENDUM TO OIL AND GAS LEASE

Notwithstanding any provisions in the printed portions of this Oil and Gas Lease to the contrary, the following provisions shall apply to this lease:

1. This lease covers a part of the real estate found within an area of mutual interest, hereafter referred to as the "area of mutual interest" which is more particularly described herein and contains the following described real estate, to-wit:

All of Sections Two (2), Three (3), Four (4), Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11), Thirteen (13), Fourteen (14), Fifteen (15), Sixteen (16), Seventeen (17), Eighteen (18), Nineteen (19), Twenty (20), Twenty-one (21), Twenty-two (22), Thirty (30) and the North Half (N ½) of section Twenty-nine (29), all in Township Fourteen (14) South, Range Thirty-nine (39) West of the 6th P.M., Wallace County, Kansas;

Southeast Quarter (SE ¼) of Section Twelve (12), all of Sections Thirteen (13), Fourteen (14), East Half (E ½) of Section Fifteen (15), all of Section Twenty-four (24) and the East Half (E ½) of Section Twenty-three (23), all in Township Fourteen (14) South, Range Forty (40) West of the 6th P.M., Wallace County, Kansas;

All of Sections Thirty (30), Thirty-one (31) and Thirty-four (34), in Township Thirteen (13) South, Range Thirty-eight (38) West of the 6th P.M.,

and any additional property lessee obtains following execution of this lease.

2. Lessee agrees to commence actual and bona fide operations upon any parcel or parcels within of the area of mutual interest within six (6) months from the date of this lease by erecting a derrick and actually beginning to sink a well or wells for prospecting purposes, and to prosecute such operations diligently and continuously (making reasonable allowances for unavoidable and unforeseen circumstances which lessee cannot control), until oil or gas is found and developed in paying quantities, or until such depth is reached as to reasonably indicate that no oil or gas can be found under the land at the point where operations are being conducted. A failure to comply with this clause shall terminate this lease.

3. If, prior to discovery of oil or gas on within the area of mutual interest, lessee should drill and abandon a dry hole upon any parcel or parcels within the area of mutual interest this lease shall not terminate if lessee commences additional drilling or reworking operations upon any parcel or parcels within the area of mutual interest within one (1) year thereafter.

4. Lessee covenants and agrees that development for oil, gas, and other minerals on the lands covered within the area of mutual interest shall be prosecuted in a diligent manner and in a manner that is consistent with practical operation and development recognized in the oil and gas industry as adequate and proper. After discovery of oil, gas, or other minerals in paying quantity, development is to be at the rate of not less than one (1) well per year until the land within the area of mutual interest is fully developed.

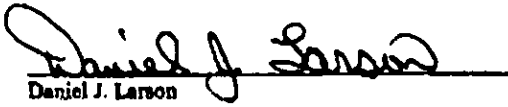
If lessee shall fail to drill additional wells as specified in this section or to prosecute the drilling thereof with reasonable diligence and in a workmanlike manner, lessee shall not be liable to lessor for any damages lessor may suffer as a result of such failure, but this lease shall terminate and lessee shall lose all rights under the lease except as to an area of forty (40) acres around each producing oil well, which area may be selected by lessee, both as to location and shape, and six hundred forty (640) acres around each producing gas well, which area may be selected by lessee, both as to location and shape. As to such retained area or areas, this lease shall remain effective so long as production and operations are continued thereon by lessee in accordance with the other provisions of this lease. Lessee shall have the right to drill as many additional wells as it considers advisable on such retained area or areas.

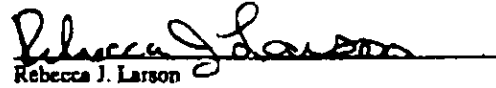
5. Lessee shall pay Lessor for reasonable damages to all property, real personal or mixed, caused by its operations, on said land, including but not limited to land, growing crops, grass, buildings, livestock, fences and other improvements and personal property. Within six (6) months after the expiration of this lease or termination of this lease as provided herein, lessee shall restore the leased premises to the condition existing as of the date hereof as nearly as practicable and remove all machinery, fixtures and casing placed on said premises.

6. It is expressly understood by the parties hereto that unless Lessee exercises its option to pool or combine units as provided in paragraph 14 of the lease, no Landowner/Lessor shall share in royalties and/or production from any other tract of real estate located within the area of mutual interest.

7. This lease shall be held by the Law Office of R. Dean Dinkel, R. Dean Dinkel, Esq., as escrow agent for lessee pending commencement of operations by lessee. This lease will be recorded in the Office of the Wallace County Register of Deeds upon the commencement of drilling operations on the land specifically described in paragraph 1 of the primary lease. If after discovery of oil, gas or other minerals in paying quantities on any tract

described within the area of mutual interest is discovered, the escrow agent shall cause to be recorded in the Office of the Wallace County Register of Deeds all leases in his possession and obtained within the area of mutual interest.


Daniel J. Larson


Rebecca J. Larson