



  
**KANSAS**  
CORPORATION COMMISSION

Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner

August 14, 2007

Mr. Jay G. Schweikert  
Lario Oil & Gas Company  
301 S. Market  
Wichita, KS 67202

Re: Haul-Off Pit Application  
McLaughlin Lease Well No. 2-14  
SE/4 Sec. 14-28S-05W  
Kingman County, Kansas

Dear Mr. Schweikert:

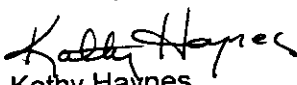
District staff has inspected the above referenced location and has determined that the haul-off pit shall be constructed **without slots**, the bottom shall be flat and reasonably level, and **the free fluids must be removed**. The fluids are to be removed from the haul-off pit **on a daily basis**.

**If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.**

The fluids should be taken to an authorized disposal well. Please call the District Office at (316) 630-4000 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waster Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: [www.kcc.state.ks.us/conservation/forms](http://www.kcc.state.ks.us/conservation/forms).

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.** If you have any questions or concerns please feel free to contact the undersigned at the above address.

Sincerely,



Kathy Haynes  
Environmental Protection and Remediation Department

cc: district office

# LARIO OIL & GAS COMPANY



301 SOUTH MARKET STREET  
WICHITA, KANSAS 67202  
(316) 265-5611 FAX: (316) 265-5610

August 2, 2007

Kansas Corporation Commission  
Conservation Division  
130 S. Market, Room 2078  
Wichita, KS 67202

RE: McLaughlin #2-14  
Amended pit location

Gentlemen:

Enclosed please find a copy of an Agreement to Provide Disposal of Drilling Mud and also a copy of the Oil & Gas Lease for use of the Devore property for a disposal pit for the disposal of the drilling mud from the McLaughlin #2-14 well located 825' FNL & 990' FEL in Sec. 14-28S-5W, Kingman County, Kansas.

Sincerely,

A handwritten signature in cursive script that reads "Jay Schweikert".

Jay Schweikert  
Operations Engineer

CC: File

AGREEMENT TO PROVIDE DISPOSAL OF DRILLING MUD

WHEREAS Stacy DeVore and Clint DeVore, 2377 SE 170th Street, Cheney, Kansas 67025 (hereinafter referred to as Landowners) have agreed to provide Lario Oil & Gas Company an area on the Devore property centered in the in NW SE of Section 14-28S-5W to use for the drilling mud associated with the drilling of the McLaughlin 2-14 well located 825' FNL & 990' FEL in Section 14-28S-5W, Kingman County, Kansas.

It is mutually agreed as follows:

1. Lario Oil & Gas Company shall construct a new pit in which all drilling mud from the drilling operation of the McLaughlin 2-14 will be disposed.
  2. Lario Oil & Gas Company agrees to use Young Construction as the contractor for all dirt work associated with the construction of the pit.
  3. Landowners hereby grant to Lario the right to dispose of all drilling mud during the drilling operation of the McLaughlin 2-14. Lario will not use the pit to dispose of any completion fluids as mandated by the Kansas Corporation Commission. The Landowners agrees that this access shall be for so long as it is needed by Lario to complete the drilling of said well.
  4. Upon completion of operations of said well, Lario shall as soon as practical, close said pit and restore the premises
  5. Lario shall pay to Landowners the sum of Two Thousand Dollars (\$2000.00), upon execution of this agreement, for access and use of said lands.
3. Landowners represent that they have they are the owners of said property and have the right to enter into this agreement

EXECUTED THIS 10 day of May 2007.

LANDOWNERS:

Stacy DeVore  
Stacy DeVore

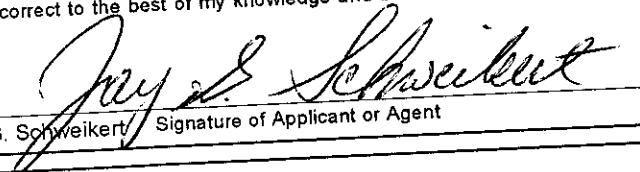
Clint DeVore  
Clint DeVore

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

Form CDP-1  
April 2004  
Form must be Typed

\*\*Amend location of pit

*Submit in Duplicate*

Operator Name: <b>Lario Oil &amp; Gas Company</b>		License Number: <b>5214</b>
Operator Address: <b>301 S. Market, Wichita, KS 67202</b>		
Contact Person: <b>Jay G. Schweikert</b>		Phone Number: <b>( 316 ) 265 - 5611</b>
Lease Name & Well No.: <b>McLaughlin #2-14</b>		Pit Location (QQQQ): <b>    N2    NW    SE</b> Sec. <b>14</b> Twp. <b>28S</b> R. <b>05</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>2310</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <b>1980</b> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <b>Kingman</b> 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 checked="" type="checkbox"/> Haul-Off Pit <small>(If WVP Supply API No. or Year Drilled)</small>	Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: <b>3-5-07</b> Pit capacity: <b>7100</b> (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used?
Pit dimensions (all but working pits): <b>60</b> Length (feet) <b>60</b> Width (feet) _____ N/A: Steel Pits Depth from ground level to deepest point: <b>4</b> (feet)		
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 <b>740</b> feet    Depth of water well <b>100</b> feet		Depth to shallowest fresh water <b>15</b> feet. Source of information: _____ measured    _____ well owner    _____ electric log <input checked="" type="checkbox"/> KDWR
<b>Emergency, Settling and Burn Pits ONLY:</b> 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		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>Bentonite Mud</b> Number of working pits to be utilized: <b>2</b> Abandonment procedure: _____ Allow for evaporation. _____ Fill in & cover pits. Drill pits must be closed within 365 days of spud date.
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		
<b>8/2/17</b> Date	 Jay G. Schweikert / Signature of Applicant or Agent	

**KCC OFFICE USE ONLY**

Date Received: \_\_\_\_\_ Permit Number: \_\_\_\_\_ Permit Date: \_\_\_\_\_ Lease Inspection:  Yes     No

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

# OIL AND GAS LEASE

THIS AGREEMENT, Entered into this 6th day of January, 2006, between, Stacy DeVore a/k/a Stacy Bolinger DeVore and Clint DeVore, her husband, 2377 S.E. 170<sup>th</sup> Avenue, Cheney, Kansas 67025, hereinafter called lessor, and Lario Oil & Gas Company, 301 S. Market, Wichita, Kansas, hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten and More Dollars (\$10.00) 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 reversionary rights therein, and with the right to utilize this 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 saving all of the oil, gas, gas condensate, gas distillate, casinghead gasoline and their respective constituent vapors, and all 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 tanks, storing oil, 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, 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 Kingman, State of Kansas, and described as follows:

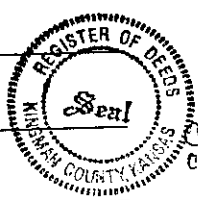
**Township 28 South, Range 5 West  
Section 14: SE/4 excepting therefrom a tract of land described as follows to wit: Beginning at the Northeast Corner of the Southeast Quarter, thence West 889 feet, thence South 245 feet; thence East 889 feet; thence North to point of beginning**

containing 148.20 acres, more or less.

- This lease shall remain in force for a term of **three (3) 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.
- 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 (1/8<sup>th</sup>) 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 like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.
- The lessee shall pay to the lessor, as a royalty, one-eighth (1/8<sup>th</sup>) 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 all other gases, including their constituent parts, 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 yearly period during which such gas is not sold, as a shut-in royalty, whether one or more wells, an amount equal to one dollar per net mineral acre, and while shut in said 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.
- This lease is a paid-up lease and may be maintained during primary term without further payments or drilling operations.
- 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 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, or his heirs, or his or their grantee, this lease shall cover such reversion.
- 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 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during, or after the expiration of the lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all 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 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 of the estate of any deceased owner, whichever is appropriate together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor of the full interest claimed, and all payments 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.
- 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 obligations on the part of the lessee to offset wells on separate tracts into which the land covered by the lease may now or hereafter be divided by sale, devisee, descent or otherwise, or to furnish separate measuring or receiving tanks.
- 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 the event it exercises such options it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage tax or other lien, any royalty accruing hereunder.
- 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 after 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 any other well thereafter commenced with no cessation of more than one hundred-twenty (120) consecutive days, and if they result in production of oil or gas, this lease shall remain in effect so long thereafter as there is production of oil or gas under any provision of this lease.
- 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 canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said 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 this lease shall continue and remain in full force and effect for all purposes.
- 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 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 accords 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 drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, the primary term of this lease shall continue until six months after said order is suspended.
- Lessee, at its option, is hereby given the right and power to 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 640 acres each in the event of a gas and/or condensate or distillate well, plus a tolerance of ten percent (10%) to conform to Governmental Survey quarter sections. 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 payments of royalties on production from the pooled unit, as if it were included in this lease. If production is found on any part of the pooled acreage it shall be treated as if production is had from this lease whether any 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 lessor shall receive on 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 so pooled in the particular unit involved.
- It at the end of the primary term this lease is not otherwise continued in force under the provisions hereof, this lease shall expire, unless lessee on or before the end of the primary term shall pay or tender to lessor the sum of **Seven Dollars (\$7.00)** multiplied by the number of net mineral acres owned by lessor in the land above described and then subject to this lease; and subject to the other provisions of this lease, this lease shall thereby be modified and the primary term shall be extended for an additional term of **Two (2) years** from the end of the primary term. Said payment may be made by check or draft of Lessee or any assignee thereof, mailed or delivered direct to lessor at the address first provided above, on or before the end of the primary term.
- This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

STATE OF KANSAS, KINGMAN COUNTY, AS:  
THIS INSTRUMENT WAS FILED FOR RECORD ON THE  
17 DAY OF January A.D., 2006 AT 11:30  
O'CLOCK A. M. AND DULY RECORDED IN 16  
BOOK 0-17 PAGE 193 FEE \$ 13.00  
John M. Stubbill  
RECORDER OF DEEDS



Stacy DeVore  
Stacy DeVore  
Clint DeVore  
Clint DeVore

ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla. and Colo.)

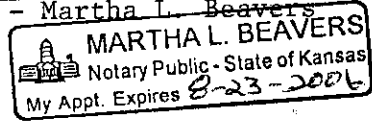
STATE OF KANSAS )  
COUNTY OF SEDGWICK ) ss.

Before me, the undersigned, a Notary Public, within and for said county and state on this 11<sup>th</sup> day of January, 2006, personally appeared Stacy DeVore a/k/a Stacy Bolinger DeVore, to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purpose therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My appointment expires 8-23-2006

Martha L. Beavers  
Notary Public - Martha L. Beavers



ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)

STATE OF KANSAS )  
COUNTY OF SEDGWICK ) ss.

Before me, the undersigned, a Notary Public, within and for said county and state on this 11<sup>th</sup> day of January, 2006, personally appeared Clint DeVore, to me personally known to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purpose therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My appointment expires 8-23-2006

Martha L. Beavers  
Notary Public - Martha L. Beavers



ACKNOWLEDGMENT FOR CORPORATION

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

On this \_\_\_\_ day of \_\_, A.D., 20, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared \_\_\_\_\_, to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing Instrument as its President and acknowledged to me that they executed the same as their free and Voluntary act and deed, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My appointment expires \_\_\_\_\_

\_\_\_\_\_  
Notary Public