

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form T-1
March 2010
Form must be Typed
Form must be Signed
All blanks must be Filled

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

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

Check Applicable Boxes:

- ☒ Oil Lease: No. of Oil Wells 5 **
☐ Gas Lease: No. of Gas Wells _____ **
☐ Gas Gathering System: _____
☐ Saltwater Disposal Well - Permit No.: _____
Spot Location: _____ feet from ☐ N / ☐ S Line
_____ feet from ☐ E / ☐ W Line
☐ Enhanced Recovery Project Permit No.: _____
Entire Project: ☐ Yes ☐ No
Number of Injection Wells _____ **

Field Name: Peru-Sedan

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

Effective Date of Transfer: 4/22/11
KS Dept of Revenue Lease No.: 101418
Lease Name: Thorne
_____ SE Sec. 12 Twp. 34 R. 12 ☒ E ☐ W
Legal Description of Lease: SE S1, T34, R12 exc SW SE S1, T34, R12E
County: Montgomery
Production Zone(s): Pennsylvanian System
Injection Zone(s): Pennsylvanian System

Surface Pit Permit No.: _____
(API No. if Drill Pit, WO or Haul) _____ feet from ☐ N / ☐ S Line of Section
_____ feet from ☐ E / ☐ W Line of Section
Type of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☒ Drilling OK

Past Operator's License No. 33623 Exp. 6/30/10
Past Operator's Name & Address: Allenergy Incorporated
P.O. Box 453201, Grove, OK 74345
Title: VPO

Contact Person: Rex Horning
Phone: 719-252-9352
Date: 6-8-11
Signature: UNDER PROTEST Rex Horning

New Operator's License No. 34548 ✓
New Operator's Name & Address: Pemco, LLC
1102 N. Lenapah Ave., Skiatook, OK 74070
Title: Member

Contact Person: Rick Coody
Phone: 918-521-3086
Oil / Gas Purchaser: Coffeyville Resources
Date: 6/28/11
Signature: Rick Coody
**RECEIVED
JUN 29 2011
KCC WICHITA**

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

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

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

DISTRICT _____ EPR 9-27-11 PRODUCTION 9.30.11 UIC 9-28-11
Mail to: Past Operator _____ New Operator _____ District _____

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

042211_Thorne.pdf

Must Be Filed For All Wells

KDOR Lease No.: 101418

* Lease Name: Thorne

* Location: SE S12, T34, R12 exc. SW SE S1, T34, R12E

[illegible]

A separate sheet may be attached if necessary

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

RECEIVED
JUN 29 2011
KCC WICHITA

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

**CERTIFICATION OF COMPLIANCE WITH THE
KANSAS SURFACE OWNER NOTIFICATION ACT**

Form KSONA-1
July 2010
Form Must Be Typed
Form must be Signed
All blanks must be Filled

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 # 34548
Name: Pemco, LLC
Address 1: 1102 N. Lenapah Ave.
Address 2: _____
City: Skiatook State: OK Zip: 74070 + _____
Contact Person: Rick Coody
Phone: (918) 521-3086 Fax: (_____) _____
Email Address: _____

Well Location:
_____ - _____ - SE Sec. 1 Twp. 34 S. R. 12 ☒ East ☐ West
County: Montgomery
Lease Name: Thorne Well #: _____

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

RECEIVED

JUN 29 2011

KCC WICHITA

Surface Owner Information:

Name: Danny and Elaine Thorne
Address 1: 2965 Indian Rd.
Address 2: _____
City: Havana State: KS Zip: 67347 + _____

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

- ☒ I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.
- ☐ I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

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

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

Date: 6/28/11 Signature of Operator or Agent: Rick Coody Title: Member


REGISTER OF DEEDS

OIL AND GAS LEASE

THIS AGREEMENT, entered into this 24TH day of JUNE, 2010, between Danny L. Thorne and Elaine Thorne, husband and wife, (hereinafter called lessor) and Pemco, LLC, (hereinafter called lessee), does witness:

1. That lessor, for and in consideration of the sum of One Dollar (\$1.00) 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, for the purpose of carrying on geological, geophysical, and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline, including all associated hydrocarbons produced in a liquid or gaseous form and including gas found in and produced from coal formations or coal seams and all zones in communication therewith, which gas is sometimes referred to as coal bed methane, coal seam gas or occluded gas and all other gases and their respective constituent vapors, (including coalbed methane gas, helium, and all other constituents and substances produced therewith), including the dewatering for production of coalbed methane gas, and for constructing roads, laying pipe lines, building tanks, storing oil, and erecting other structures thereon which are necessary or convenient for the economical operation of said land to produce, save, take care of, and manufacture all of such substances, said tract of land with any reversionary rights therein being situated in the county of Chautauqua, state of Kansas, and described as follows:

The North Half of the Southeast Quarter (N/2 SE/4) and the Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section 1, and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section 12, all in Township 34 South, Range 12 East

containing 160 acres, more or less.

2. This lease shall remain in force for a term of two (2) years from the effective date hereof, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of the products covered by this lease are 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 (1/8th) part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such 1/8th royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line or into storage tanks.

4. To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) and all other substances covered hereby, a royalty of three-sixteenths (3/16ths) of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of the ad valorem, production, severance, and other excise taxes and the cost incurred by Lessee in delivering, processing, compressing, transporting, dehydrating, or otherwise making gas or other substances merchantable, with said payments to be made monthly, not more than sixty (60) days following the last day of the month in which gas is delivered into the pipeline and credited to Lessee's account by the gas purchaser.

RECEIVED

JUN 29 2011

KCC WICHITA

5. If Lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the Lessee shall have the right to drill such well to completion or complete reworking operations 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. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work, other than surveying or staking the location, is done thereon which is necessary for such operations.

6. During any period (whether before, on, or after expiration of the primary term hereof), at any time, and from time to time, when gas is not being sold or used and a gas well capable of producing in paying quantities is shut in on the leased premises, whether or not said well has theretofore actually produced, and there is no current production of oil or gas or operations on the leased premises sufficient to keep this lease in force, this lease shall, nonetheless, remain in full force and effect, and it will be deemed that gas is being produced in paying quantities: as to a well so shut in, whether one or more, Lessee shall be obligated to pay or tender to Lessor a royalty of ten dollars (\$10.00) per year per net royalty acre retained hereunder, the payment or tender to be due on or before the anniversary date of this lease next ensuing after the expiration of 120 days from the date the well is shut in and thereafter on the anniversary date of this lease during the period in which the well is continuously shut in; and this lease shall not terminate for a failure of Lessee to pay or tender royalty pursuant to this provision, but Lessee shall be obligated to promptly pay Lessor the amount of the shut-in royalty due. If any payment made hereunder shall be erroneous in any regard (whether deposited in the wrong depository, paid to parties other than the ones entitled thereto as shown by Lessee's records, in an incorrect amount, or otherwise), this lease shall be maintained in the same manner as if such erroneous payment or deposit had been properly made, provided that the erroneous payment or deposit be corrected within thirty (30) after receipt by Lessee of written notice from such Lessor of such error accompanied by and documents and other evidence necessary to enable Lessee to make prompt payment. The provisions of the forgoing "shut-in" gas well clause shall not limit the Lessee's implied duty to market gas producible from the premises.

7. In case said lessor owns a less interest in the above-described land, other than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to said lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the interest so acquired.

8. The lessee shall have the right to use gas, oil, and water found on said land for its operations thereon, except water from the wells or ponds 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, and within six (6) months 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. Lessee shall grade to the original level and restore the surface to its original condition, as nearly as practicable, within six (6) months after the expiration of this lease.

9. If the estate of either party hereof is assigned (and the privilege of assigning in whole or

RECEIVED

JUN 29 2011

KCC WICHITA

in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or 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 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 to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

10. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and 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.

11. 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 option, 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 or rentals accruing hereunder.

12. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate, provided lessee (a) resumes production, (b) initiates operations for recompleting an existing well within sixty (60) days from such cessation or (c) initiates operations for drilling a new well within sixty (60) days from such cessation, and this lease shall remain in force during the diligent prosecution of such operations and, if production results therefrom, then as long as production continues.

13. 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 and any rentals thereafter paid may be apportioned on an acreage basis, 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.

14. 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, during the last six months of the primary term hereof, lessee should be prevented from drilling a well hereunder by the order of any constituted authority having jurisdiction there over, or if lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling thereof not being available on account of any cause, the primary term of this lease shall continue until six months after said order is

RECEIVED

JUN 29 2011

KCC WICHITA

suspended and/or said equipment is available, but the lessee shall pay delay rentals herein provided during such extended time.

15. This lease is subject to the terms and provisions of Exhibit "A" attached hereto.

16. 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.

Danny L. Thorne
Danny L. Thorne

Elaine Thorne
Elaine Thorne, Lessors

STATE OF KANSAS)
COUNTY OF MONTGOMERY)

The foregoing instrument was acknowledged before me this 24 day of June, 2010, by Danny L. Thorne and Elaine Thorne, husband and wife.

Melodi C. Jones
NOTARY PUBLIC

My Appointment Expires:



EXHIBIT "A"

ADDENDUM TO OIL AND GAS LEASE BY AND BETWEEN DANNY L. THORNE AND ELAINE THORNE, HUSBAND AND WIFE, LESSORS, AND PEMCO, LLC, LESSEE.

In consideration of the mutual covenants and agreements of the parties set forth in said Oil and Gas Lease, and other good and valuable consideration, it is further agreed by and between Lessors and Lessee as follows:

1. To the extent that the terms and conditions set forth in this Addendum conflict with any terms and conditions set forth in the oil and gas lease to which it is attached, this Addendum shall supercede the terms and conditions of the oil and gas lease.
2. Lessee shall pay to Lessors agreed surface damages prior to the commencement of drilling of any well on the leased premises, the sum of \$500.00, for all damages. Lessee shall pay to Lessors agreed surface damages prior to the setting of any tank battery facility located on the leased premises the sum of \$1,000.00 for all damages.
3. Lessee shall maintain all roadways used in its operations upon the leased premises in a good and workmanlike manner. Lessee agrees to consult with Lessor concerning the location and route of any lease roads on the property (including the continuing use of any existing lease roads). Lessor agrees that they shall not unreasonably withhold their consent to the location and route of any such roads. Lessee agrees to use only one (1) road to each well site. Width of traveled lease roadways shall be reasonable, and in no event shall the width exceed 20 feet. Lessee agrees to gravel roads in areas where needed (i.e. crop land, low-lying areas). Lessee agrees to use all-terrain vehicles when possible as opposed to heavier means of transportation so as to avoid ruts and other damage to Lessor's property.
4. All pipelines or underground electric lines of Lessee located within the tillable crop land and upon the leased premises shall be buried to a depth of not less than 18 inches below the surface of the leased premises.
5. Lessee shall clean up and remove from each well site, tank battery site and gas equipment location, all materials and debris within 120 days after the same has been drilled, completed and/or established. All equipment and appurtenances shall be kept in as clean, neat and orderly appearance as is practical.

RECEIVED

JUN 29 2011

KCC WICHITA

6. Lessee shall, for each pit, slush pond or saltwater pond dug during the course of its drilling operations place all topsoil from the ground on the leased premises into a pile on one side of such pond or pit and place all rough ground, rocks, stumps and subsurface soil into a pile on the opposite side of such pond or pit. Additionally, lessee shall fill in all pits not currently being used.

7. Within 120 days after the completion (completion to include all associated activities such as logging, perforating and fracturing) of the drilling or reworking of any well upon the leased premises requiring the use of a drilling or reworking pit, Lessee shall backfill such drilling or reworking pit, replacing the topsoil on top, and shall, as much as possible, return the surface of the land to its original condition. In like manner, upon completion or abandonment of any well, pit, pond, pipeline, tank battery, or other structure upon or disturbance of the surface of the leased premises, Lessee shall, within 120 days of such completion or abandonment, return the surface of the land to its original condition as nearly as practicable.

8. Lessee shall have the right during the term of this lease and within 120 days after the expiration of all or any portion thereof to remove all machinery, fixtures or other structures placed upon said premises by Lessee including the right to draw and remove all casing.

9. Lessee may not extend the term of this lease under the shut-in clause (paragraph 6) for a period exceeding two (2) total years.

10. Lessee shall construct and maintain good and substantial fences around all tank batteries, wells and other leasehold facilities.

11. The effective date of this lease shall be January 28, 2011.

In witness whereof, the parties have executed this Addendum to Oil and Gas Lease this 19th day of FEBRUARY, 2011.

Danny L Thorne
Danny L. Thorne

Elaine Thorne
Elaine Thorne, Lessors

RECEIVED

JUN 29 2011

KCC WICHITA

Pemco, LLC

By: *Rick Coody*
Rick Coody, Managing Member, Lessee_

RECEIVED
JUN 29 2011
KCC WICHITA

IN THE DISTRICT COURT OF MONTGOMERY COUNTY, KANSAS

SITTING AT COFFEYVILLE

PEMCO, LLC

Plaintiff

vs.

Case No. 10 CV 43 C

ALLENERGY INCORPORATED, et. al.

Defendants

SHERIFF'S BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

That, Whereas, on the 10th day of February, 2011 an Order of Sale, of that date, was duly issued in the above-entitled action out of said Court, by the Clerk thereof, and duly delivered to the Sheriff of Montgomery County, Kansas, upon and in pursuance of said judgement and decree entered therein;

And Whereas, after due and proper notice, the said Sheriff of Montgomery County, in accord with the commands of said writ, did sell at public sale the equipment only upon the following described oil and gas lease, to-wit:

THORNE LEASE - Equipment Only

LESSOR: Danny L. Thorne and Elaine Thorne, husband and wife

LESSEE: Cogasco, LLC

RECORDED: Book 129 of Records at Page 13

DATE: September 22, 2005

LEGAL DESC.: N/2 SE/4 and SE/4 SE/4 of Sec. 1; NE/4 NE/4 of Sec. 12, all in T34S, R12E of the 6th PM, Chautauqua County, Kansas.

to Pemco, LLC for the sum of \$1,000.00, being bid from its judgment (to the extent the judgment exceeded accrued personal property tax) it being the highest and best bidder

RECEIVED
JUN 29 2011
KCC WICHITA

therefore, and said sum being the highest and best bid made therefore.

And Whereas, the Court, did confirm the said sale and duly order the said Sheriff of said county to make to the purchaser thereof at said sale a good and sufficient Sheriff's Bill of Sale for equipment only upon said oil and gas lease;

NOW THEREFORE, I, Robert Dierks, Sheriff of Montgomery County, Kansas by virtue of the authority in me, by law, vested, and in consideration of the premises and the bid of the said Pemco, LLC, do hereby sell and convey to the said Pemco, LLC the equipment only upon the following described oil and gas lease, situated in the County of Chautauqua and State of Kansas, to-wit:

THORNE LEASE - Equipment Only

LESSOR: Danny L. Thorne and Elaine Thorne, husband and wife

LESSEE: Cogasco, LLC

RECORDED: Book 129 of Records at Page 13

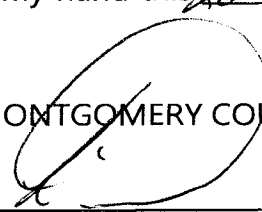
DATE: September 22, 2005

LEGAL DESC.: N/2 SE/4 and SE/4 SE/4 of Sec. 1; NE/4 NE/4 of Sec. 12, all in T34S, R12E of the 6th PM, Chautauqua County, Kansas.

to have and to hold the same, to the said Pemco, LLC, its heirs, successor and assigns forever.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 28 day of March, 2011.

SHERIFF OF MONTGOMERY COUNTY, KANSAS

BY: 
Robert Dierks

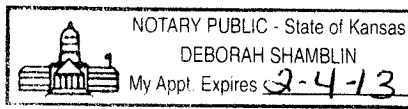
RECEIVED
JUN 29 2011
KCC WICHITA

STATE OF KANSAS)
)ss:
COUNTY OF MONTGOMERY)

Subscribed and sworn to before me this 28 day of March, 2011 by
Robert Dierks as Sheriff of Montgomery County, Kansas.

Deborah Shamblin
Notary Public

My Commission Expires:



RECEIVED
JUN 29 2011
KCC WICHITA