

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 \_\_\_\_\_ \*\*  
☒ Gas Lease: No. of Gas Wells 1 \*\*  
☐ 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: Cherokee Basin Coal Area

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

Effective Date of Transfer: September 20th, 2004  
KS Dept of Revenue Lease No.: 227170  
Lease Name: Reed  
C - SW - SE - NE Sec. 9 Twp. 29S R. 15 ☒ E ☐ W  
Legal Description of Lease: E/2 of NE of S9-T29S-R15E  
County: Wilson  
Production Zone(s): Cherokee Shale  
Injection Zone(s): \_\_\_\_\_

Surface Pit Permit No.: \_\_\_\_\_  
(API No. if Drill Pit, WO or Haul)

\_\_\_\_\_ feet from ☐ N / ☐ S Line of Section  
\_\_\_\_\_ feet from ☐ E / ☐ W Line of Section

Type of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☐ Drilling OK

Past Operator's License No. NEW LEASE; SEE ATTACHED  
Past Operator's Name & Address: \_\_\_\_\_  
Title: \_\_\_\_\_

Contact Person: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Date: \_\_\_\_\_  
Signature: \_\_\_\_\_

New Operator's License No. 32912  
New Operator's Name & Address: Carroll Energy, LLC  
PO Box 766  
Independence, KS 67301  
Title: Land Manager

Contact Person: Terry Carroll Jr.  
Phone: 620-330-7213  
Oil / Gas Purchaser: Postrock Midcontinent Prod. Inc  
Date: 11-17-2011  
Signature: [Signature]

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

\_\_\_\_\_ is acknowledged as  
the new operator and may continue to inject fluids as authorized by  
Permit No.: \_\_\_\_\_ . Recommended action: \_\_\_\_\_

Date: \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_ is acknowledged as  
the new operator of the above named lease containing the \_\_\_\_\_  
permitted by No.: \_\_\_\_\_ .

Date: \_\_\_\_\_  
Authorized Signature

DISTRICT \_\_\_\_\_ EPR 12/15/11 PRODUCTION 12-16-11 UIC 12-16-11  
Mail to: Past Operator \_\_\_\_\_ New Operator \_\_\_\_\_ District \_\_\_\_\_

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

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**Side Two**

**Must Be Filed For All Wells**

KDOR Lease No.: 227170

\* Lease Name: Reed

\* Location: E/2 of NE of S9-T29S-R15E

[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.

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 # 32912  
Name: Carroll Energy, LLC  
Address 1: PO Box 766  
Address 2:  
City: Independence State: KS Zip: 67301 +  
Contact Person: Terry Carroll Jr.  
Phone: ( 620 ) 330-7213 Fax: ( 800 ) 917-1618  
Email Address: tc@carrolenergy.com

Well Location:  
C SW SE NE Sec. 9 Twp. 29 S. R. 15 ☒ East ☐ West  
County: Wilson  
Lease Name: Reed Well #: 1

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

**Surface Owner Information:**

Name: David R. Reed  
Address 1: 535 N. 15th  
Address 2:  
City: Fredonia State: KS Zip: 66736 +

*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: 11-17-2011 Signature of Operator or Agent:  Title: Land Manager

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1913. Wilson County  
Register of Deeds  
Book: 277 Pages: 310  
Receipt #: 4625 Total Fees: \$12.00  
Pages Recorded: 2  
Date Recorded: 10/5/2004 11:11:03 AM

ORIGINAL COMPARED WITH RECORD

## OIL AND GAS LEASE



AGREEMENT, Made and entered into this 20th day of September, 2004, by and between  
David R. Reed and Betty N. Reed, husband and wife

Party of the first part, hereinafter called LESSOR (whether one or more) and Carroll Energy, LLC  
Party of the second part, hereinafter called LESSEE.

WITNESSETH, That the said LESSOR, for Thirty-Five Dollars per acre (\$35.00/acre) and other consideration, cash in hand paid, receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the LESSEE to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto said LESSEE, for the sole and only purpose of mining and operating for oil and gas including gas from coalbed methane and from coal seams and all other formations and structures, and laying pipe lines, and building tanks, power stations and structures thereon to produce, save, and take care of said products, all that certain tract of land situated in the County of Wilson, State of Kansas, described as follows, to wit:

The East Half of the Northeast Quarter (E/2 NE/4) EXCEPT Beginning at the Northwest corner of the Northeast Quarter of the Northeast Quarter (NW/4 NE/4), thence east 390 feet, thence South 560 feet, thence West 390 feet, thence North 560 feet to the point of beginning; all in

Section(s) 9, Township(s) 29 South, Range 15 East and containing 75 acres more or less.

IT is agreed that this lease shall remain in full force for a term of 2 years from this date, and as long thereafter as oil or gas, or either of them, is produced from said land by the LESSEE in paying quantity. After the primary term hereof, cessation of production for One (1) year will result in the expiration of this lease unless a minimum royalty payment is made as provided herein below, unless said production cessation shall be caused by the refusal of the gas purchaser to purchase gas from said lease. In such case this lease shall remain in full force and effect just as if there were production during such time as the gas purchaser continues to refuse gas from said lease.

IN consideration of the premises the said LESSEE covenants and agrees:

FIRST: To pay LESSOR, free of cost, the equal one-eighth (1/8) part of the gross proceeds of oil sold from the leased premise, said payments to be made monthly.

SECOND: To pay LESSOR for gas, where gas is found and sold from the lease premises, the equal one-eighth (1/8) part of the gross proceeds at the mouth of the well, said payments to be made monthly.

THIRD: To pay LESSOR for gas used off the premises or in the manufacture of casing-head gasoline, one-eighth (1/8) of the gross proceeds, at the prevailing market rate for the gas used, for the time during which such gas shall be used, said payments to be made monthly.

FORTH: To permit LESSOR the free use of gas or casing-head gas from wells producing or capable of producing such substances, for domestic purposes in the principal dwelling house on said land. LESSOR shall make all connections from the wellhead and shall take such gas or casing-head gas at his own risk and expense.

FIFTH: After the primary term hereof, and where there is an oil, gas and/or disposal well, or wells on the lands covered by this lease and such well or wells combined do not produce a minimum royalty payment to LESSOR greater than or equal to the minimum royalty payment as defined herein, and there is no other production, drilling operations or other operations being conducted capable of keeping this lease in force under any of its provisions, then LESSEE may pay as a minimum royalty payment to LESSOR the sum of \$ 10.00 per year per net royalty acre, less any amounts paid to LESSOR under the terms of this lease during the prior twelve (12) month period, such payment to be made to LESSOR on or before the anniversary date of this lease following the primary term hereof, and thereafter on each anniversary date of this lease, and upon such payment it shall be considered that this lease is maintained in full force and effect.

IF said LESSOR owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the LESSOR only in the proportion which his interest bears to the whole and undivided fee, and the signing of this agreement shall be binding on each of the above named parties who sign, regardless of whether it is signed by any of the other parties.

LESSEE shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from ponds, streams, or wells of the LESSOR.

WHEN requested by LESSOR, LESSEE shall bury his pipelines and electric lines below plow depth.

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

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LESSEE shall pay to LESSOR a onetime drill site location fee of \$400.00 for each new well drilled under the terms of this Agreement as a liquidated damage fee for any damage it may cause to the land from its operations. In addition, at the end of the drilling and completion operations for each new well, LESSEE shall return the surface area to as close as practical to its original condition.

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 LESSEE shall commence to drill a well, or re-work an existing well, within the term of this lease or any extension thereof, the LESSEE shall have the right to drill such well or continue such re-work operations 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 the like effect as if such well had been completed within the term of years herein first mentioned.

IF the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed subject to LESSEE'S written notification to LESSOR and LESSOR'S written acceptance thereof (such acceptance thereof not to be unreasonably withheld) then 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. If the leases premises are now or hereafter owned in severality or in separate tracts, the premises, never the less, may be developed and operated as an entirety, and the royalties shall be paid to each separate owner in the proportion that the acreage owned by him bears to the entire leased area. 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 hereafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks for the oil and/or gas produced from such separate tracts.

SHOULD this lease be assigned as to a part or as to parts of the above described lands, by either party, and the assignee or assignees of such part or parts shall fail or make default in the payment of the part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payments of said rentals.

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.

#### ACKNOWLEDGMENT

WHEREOF Witness our hand as of the day and year first written above.

David R. Reed  
David R. Reed

Betty N. Reed  
Betty N. Reed

STATE OF Kansas )  
 ) SS:  
COUNTY OF Montgomery )

BE IT REMEMBERED that on this 20th day of September, of 2004, before me a Notary Public in and for the County and State aforesaid, appeared David R. Reed and Betty N. Reed, Husband and Wife, who is/are personally known to me to be the same person(s) who executed the above and foregoing Oil and Gas Lease and duly acknowledged the execution of the same as their own free and voluntary act and deed for said purposes.

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

MY commission



[Signature]  
Notary Public