

SCANNED

KDOR Lease No.: 111357

* Location: **SW/4 25-22S-12E**

KCC WICHITA

* 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 # 31106
Name: Jay Harper dba Harper Oil Company
Address 1: 1599 E 5200 St
Address 2:
City: Cherryvale State: Ks Zip: 67335 + 3611
Contact Person: Jay Harper
Phone: (620) 331-9738 Fax: ()
Email Address: jayharper@yahoo.com

Well Location:
SW Sec. 25 Twp. 22 S. R. 12 ☒ East ☐ West
County: Greenwood
Lease Name: Wernli Well #: See Below

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

Sw/4 25 22s 12E Well #s 1,2,3,4,5,6,11,12

Surface Owner Information:

Name: Verdigris Valley Ranch LLC
Address 1: 1420 C of E Drive, Suite 140
Address 2:
City: Emporia State: Ks Zip: 66801 +

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: 11/23/2011

Signature of Operator or Agent:

Title: Owner

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IV C



BOOK: 51 PAGE: 303-306
DOC NUMBER: 2011-0966

GREENWOOD CO, KANSAS FEE: \$ 20.00
This instrument was filed on this day of
August 17, 2011 at 10:18 AM and duly entered
in Book 51 of OIL & GAS page 303

Marsha E. Ramsey Register
Deputy

OIL AND GAS LEASE

AGREEMENT, made and entered into this 1st day of July 20 11 by and between Verdigris Valley Ranch, LLC, hereinafter called lessor (whether one or more), and H & H Development LLC, hereinafter called lessee.

WITNESSETH, that the said lessor, for and in consideration of TEN (10) AND MORE DOLLARS cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto lessee, for the sole and only purpose of exploring by geophysical, including but not limited to 3-D seismic and all other methods (whether now known or not), drilling for, producing, saving, taking, owning, gathering, transporting, storing, handling and treating oil (including, but not limited to distillate and condensate) and gas (including casinghead gas, coalbed methane gas, helium and all other constituents and substances produced therewith) and, to the extent reasonably necessary or convenient to enable lessee to carry out said purposes, including the dewatering for production of coalbed methane gas, the right of constructing, operating and maintaining pipelines, flowlines, gathering lines, compressors, tank batteries, electric lines, metering facilities and other facilities and structures, all that certain tract of land, together with any reversionary rights and after acquired interest therein, situated in the County of Greenwood State of Kansas described as follows, to wit:

SW/4 of Sec 25-22S-12E

and containing 160 acres, more or less (herein called leased premises).

It is agreed that this lease shall remain in force for a term of three years from this date (herein called primary term), and as long as thereafter as oil or gas, or either of them is produced, or is capable of being produced, from the leased premises or lands pooled or unitized therewith, or the lease is otherwise perpetuated as provided below.

~~In consideration of these premises lessor covenants and agrees:~~

1st. To pay lessor one-eighth (1/8) of the net proceeds, calculated at the mouth of the well, received by lessee, lessor's interest to bear its proportionate share of any off-lease/unit transportation costs, said royalty payments to be made monthly on or before the last day of the month following the month of production. The term "oil" means oil and all of its constituents, including but not limited to condensate and distillate.

2nd. To pay lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold (whether to an affiliate or otherwise) or used off the leased premises or used in the manufacture of any products therefrom, one-eighth (1/8) of the net proceeds received by lessee from the sale thereof, with lessor bearing its proportionate share of costs incurred by lessee in off-lease/unit processing, gathering, transportation and compression of said gas, said royalty payments to be made monthly on or before the last day of the second month following the month of production. 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 or on land pooled or unitized therewith, 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, or on land pooled or unitized therewith, sufficient to keep this lease in force, this lease shall, nonetheless, remain in full force and effect, and it will be deemed

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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 One Dollar (\$1.00) 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 30 days after receipt by lessee of written notice from such lessor of such error accompanied by any documents and other evidence necessary to enable lessee to make proper payment.

This is a paid-up lease. Accordingly, lessee is not required to make annual delay rental payments to lessor in lieu of drilling a well.

If at the expiration of the primary term of this lease, there is no well on the leased premises, or acreage pooled or unitized there with, which is capable of producing oil or gas in paying quantities, but lessee is then engaged in drilling or reworking operations, then this lease shall continue in force so long after the expiration of the primary term as drilling or reworking operations are being conducted on said land or on acreage pooled or unitized therewith; and drilling or reworking operations shall be considered to be conducted if not more than 120 consecutive days shall lapse between the completion or abandonment of a well and the beginning of operations for the drilling or reworking of the well or another well whether such completion or abandonment occurred during or after the primary term. If, at any time, or from time to time, after the expiration of the primary term, there is no production, and there is no well on the leased premises, or on acreage pooled or unitized therewith, which is capable of producing oil or gas in paying quantities and there are no drilling or reworking operations being conducted on the leased premises or land pooled or unitized therewith, this lease shall continue in effect if, within 120 days from the date of cessation of production or drilling or reworking operations, lessee restores the capability of a well to produce in paying quantities, or if lessee has commenced additional drilling or reworking operations or other operations designed to restore production.

Lessee is hereby granted the right at any time and from time to time (whether before or after production has been established either on the leased premises or any other land pooled or unitized therewith) to pool or to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas. However, no unit for the production primarily of oil shall embrace more than 640 acres, or for the production primarily of gas more than 640 acres, plus an acreage tolerance not to exceed 10% thereof, provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written unit declaration(s) in the county in which the leased premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production as if it were covered by and included in the lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut-in gas royalty only that part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to actual production from the unit, lessee shall pay lessor in lieu of their royalties thereon, only such proportion of the royalties stipulated herein as the amount of lessor's acreage place in the unit, or lessor's royalty interest thereon on an acreage basis bears to the total acreage in the unit. A unit established hereunder shall be valid and effective for all purposes of this lease even though there may be land or mineral, royalty or leasehold interest in land within such unit which are not pooled or unitized. A unit established hereunder shall remain in force as to the portion of the unit area covered by this lease so long as this lease remains in force, unless the unit is modified or dissolved by lessee by filing a written declaration in the applicable county records.

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

Lessee shall have the right to use, free of cost, gas, oil and water produced on the leased premises for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury the pipelines associated with this lease below normal plow depth for the leased premises.

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No well shall be drilled nearer than 200 feet to a house or barn on the leased premises without the written consent of the lessor, if lessor is the owner or partial owner of such building.

Lessee shall pay for all damages caused by its operations to growing crops on the leased premises.

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

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to its heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the lands or royalties shall enlarge the obligations or diminish the rights of lessee. No change in the ownership of the land or assignment of royalties shall be binding on lessee until after lessee has been furnished with a written transfer or deed or a true copy thereof. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission on the part of any other leasehold owner.

Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, regulations and orders of any governmental authority having jurisdiction *including restrictions* on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by operation of force majeure, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by failure of purchasers or carriers to take or transport such production, or by any other cause not *reasonably within* lessee's control, this lease shall have a period of 120 days after the termination of such period of prevention or delay within which to commence or resume drilling, production or other operations hereunder, and this lease shall remain in force during such period and thereafter in accordance with the other provisions of this lease. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

This lease shall be effective as to each lessor on execution hereof as to its interest and shall be binding on those signing, notwithstanding some above named lessor may not join in the execution hereof. The word "lessor" as used in this lease means the party or parties who execute this lease as lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to all or any part of the lease premises, as to all strata or any stratum or strata, by delivering or mailing a release thereof to lessor or by placing a release of record in the proper County, and thereafter lessee shall be relieved of all obligations accruing hereunder as to the portion of the leased premises so surrendered. This lease shall continue in force and effect as to all of the lease premises not surrendered.

Lessor hereby warrants and agrees to defend the title to the leased premises, and agrees that lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the leased premises, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

In the event the lessor, at any time, considers that operations are not being conducted in compliance with this lease or that lessee is otherwise in breach of any term of this lease, either expressed or implied, lessor shall notify lessee in writing of the facts relied upon as constituting a breach hereof, and lessee shall have 60 days after receipt of such notice in which to commence any operations or other activities that are then legally necessary to comply with the requirements hereof.

If 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, or lessor's heirs, devisees, personal representatives, successors or assigns, an amount equal to \$10.00 per net mineral acre; and subject to the other provisions of this lease, the primary term shall be extended for an additional term of two (2) years from the end of the initial primary term hereof.

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LESSOR/GRANTER ADDRESS: Verdigris Valley Ranch, LLC LESSOR/GRANTER ADDRESS: _____
1420 C of E Drive, Suite 140 _____
Emporia, KS 66801 _____

IN WITNESS WHEREOF the undersigned executes this instrument as of the date first written above.

Lessor/Grantor Signature: James B. Wernli Lessor/Grantor Signature: _____
James B. Wernli, managing member
Lessor/Grantor Social Security No. /Federal Tax I.D. NO. 51-0554528

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF KANSAS)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by _____

(LESSOR/GRANTER) _____

Notary Public: _____

My commission expires: _____

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF KANSAS)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by _____

(LESSOR/GRANTER) _____

Notary Public: _____

My commission expires: _____

CORPORATE ACKNOWLEDGEMENT

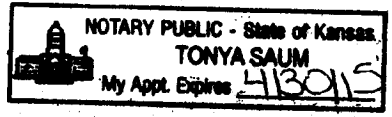
STATE OF KANSAS)
COUNTY OF) Sedgwick

The foregoing instrument was acknowledged before me this 25th day of July, 2011 before me
a Notary Public in and for the county and State aforesaid, personally appeared James B. Wernli
personally to me known to be the managing member of
Verdigris Valley Ranch, LLC and the same person who executed as such the above and
foregoing instrument in writing on behalf of said company and such person duly acknowledged the execution of the same
to be the act and deed of said company.

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

Notary Public: Tonya Saum

My commission expires: 4/30/15



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