

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

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.

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

Check Applicable Boxes:

- ☒ Oil Lease: No. of Oil Wells 3 **
☐ Gas Lease: No. of Gas Wells _____ **
☐ Gas Gathering System: _____
☐ Saltwater Disposal Well - Permit No.: NA
Spot Location: _____ feet from ☐ N / ☐ S Line
_____ feet from ☐ E / ☐ W Line
☐ Enhanced Recovery Project Permit No.: NA
Entire Project: ☐ Yes ☐ No
Number of Injection Wells NA **

Field Name: _____

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

Effective Date of Transfer: 8-12 8/1/12

KS Dept of Revenue Lease No.: 400453 139305 ☒

Lease Name: DJK Ranch

Sec. 18 Twp. 315 R. 10 ☒ E ☐ W

Legal Description of Lease: SE/4 of 18-T31S-10E

County: Elk

Production Zone(s): Miss

Injection Zone(s): NA

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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

Past Operator's License No. 33707

Contact Person: _____

Past Operator's Name & Address: Cronado Kansas LLC

Phone: _____

4745 E 91st Ste 200 Tulsa OK 74133

Date: _____

Title: _____

Signature: Bill of Sale & operating Agreement Attached

New Operator's License No. 31942 ✓

Contact Person: Jim Dixon

New Operator's Name & Address: Mike Dixon

Phone: 620-647-3511

391 Road 12

Oil / Gas Purchaser: Plains

Moline, Ks. 67353

Date: 10-1-12

Title: owner

Signature: Mike Dixon

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 10/12/12 PRODUCTION 10-15-12 UIC 10-15-12
Mail to: Past Operator _____ New Operator _____ District _____

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

080112_D_JK_Ranch.pdf

139305

* Location: 18-31-10

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* 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

Form KSONA-1

July 2010

Form Must Be Typed

Form must be Signed

All blanks must be Filled

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

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 # 31942
Name: Mike Dixon
Address 1: 391 Road 12
Address 2: _____
City: Moline State: Ks. Zip: 67353 + _____
Contact Person: Jim Dixon
Phone: (620) 647-3515 Fax: (620) 647-3515
Email Address: cindydixon@live.com

Well Location:
_____ SE/4 Sec. 18 Twp. 3 S. R. 10 ☒ East ☐ West
County: Elk
Lease Name: DJK Ranch Well #: _____

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

SE/4 of 18-3-10E

Surface Owner Information:

Name: DJK Ranch LPI
Address 1: 421 Ranch RD
Address 2: _____
City: Grenola State: ks. Zip: 67346 + _____

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: 10-1-12 Signature of Operator or Agent: [Signature] Title: Owner

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BILL OF SALE

THIS BILL OF SALE (the "Bill of Sale"), dated effective February 24, 2012 (the "Effective Time"), is from Coronado Kansas, LLC, a Kansas limited liability company, whose address is 4745 E. 91st Street, Suite 200, Tulsa, Oklahoma 74137 ("Assignor") to Curtis E. Kempton and/or DJK Ranch, L.P., whose address is 4027 N. 112th Street, Kansas City, Kansas 66109 ("Assignee").

In exchange for good and valuable consideration in the amount of Twenty Two Thousand Dollars (\$22,000) paid by Assignee to Assignor simultaneously herewith, the sufficiency of which is hereby acknowledged, Assignor hereby sells, assigns, transfers, grants, bargains, and conveys to Assignee all of Assignor's right, title and interest, in and to Assignor's real and personal property located on the following described land situated in Elk County, Kansas:

SE/4, Section 18, T31S, R10E

including, but not limited to, wellbores, pipeline assets, gathering lines, tanks, tank batteries, pump jacks and fencing panels (collectively, the "Assets"). Assignor acknowledges that Assignor's lease comprising the above described land has expired.

TO HAVE AND TO HOLD the Assets unto Assignee and its successors and assigns forever.

This Bill of Sale is made and accepted expressly subject to the following terms and conditions:

A. THIS BILL OF SALE IS MADE ON AN "AS IS, WHERE IS" BASIS WITHOUT WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY.

B. ASSIGNEE ACKNOWLEDGES THAT ASSIGNOR HAS NOT MADE, AND ASSIGNOR HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND ASSIGNEE HEREBY EXPRESSLY WAIVES, ANY REPRESENTATIONS OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO ASSIGNEE BY OR ON BEHALF OF ASSIGNOR. ASSIGNOR EXPRESSLY DISCLAIMS AND NEGATES, AND ASSIGNEE HEREBY WAIVES, AS TO REAL PROPERTY, PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTITUTING A PART OF THE ASSETS (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, AND (iv) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM DEFECTS, WHETHER KNOWN OR UNKNOWN, AND (v) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW. ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES

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CONTAINED IN THIS SECTION ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAW, RULE OR ORDER.

C. This Bill of Sale binds and inures to the benefit of Assignor and Assignee and their respective successors and assigns.

D. Assignee hereby assumes the economic burden of all sales, use and/or transfer taxes attributable to the Assets transferred by this instrument.

E. Assignee hereby releases, and forever discharges Assignor, and to the extent the terms and relationships may be applicable, the respective officers, members, directors, interest holders, affiliates, subsidiaries, partners, principals, agents, associates, servants, employees, insurers, legal and personal representatives, successors, transferees, heirs, and assigns of Assignor of and from any and all claims, demands, bills, debts, controversies, covenants, guaranties or warranties, expressed or implied, sums of money, attorney fees, actual and/or punitive damages, contracts, written or oral, and cause or causes of action, in law or in equity, whether known or unknown, which Assignee ever had, may now have, or which may hereinafter arise.

F. This Bill of Sale may be executed in any number of counterparts, and by different parties in separate counterparts all of which are identical. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one instrument.

EXECUTED on the dates contained in the acknowledgments of this Bill of Sale, to be effective for all purposes as of the Effective Time.

ASSIGNOR:

Coronado Kansas, LLC

By: Mark D. Wilson
Mark D. Wilson, Manager

ASSIGNEE:

Curtis E. Kempton
Curtis E. Kempton

DJK Ranch, L.P.

By: Curtis E. Kempton
Curtis E. Kempton, General Partner

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Acknowledgement

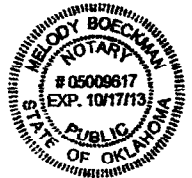
STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 14th day of March, 2012 by Mark D. Wilson, as Manager of Coronado Kansas, LLC.

Witness my hand and official seal.

My commission expires: 10/17/13

Melody Boeckman
Notary Public



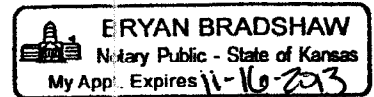
Acknowledgement

STATE OF Kansas)
) ss.
COUNTY OF Schuman)

The foregoing instrument was acknowledged before me this 9 day of March, 2012 by Curtis E. Kempton, individually, and as General Partner of DJK Ranch, L.P.

Witness my hand and official seal.

My commission expires: 11-16-2013



Bryan Bradshaw
Notary Public

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OPERATING AGREEMENT

THIS AGREEMENT is entered into by and between Mike Dixon, hereinafter designated and referred to as "Operator", and DJK, L.P., referred to as "Non-Operator".

WHEREAS, Non-Operator is the owner in fee simple of the SE/4 of Section 18, T31S, R10E, Elk County, Kansas, and has acquired title to three existing wells and related equipment located on said property (the "Subject Property"); and

WHEREAS, Operator has the knowledge and equipment to produce the wells of Non-Operator and is fully licensed by the KCC.

NOW, THEREFORE, the parties hereto make this Operating Agreement to provide for the ownership, development and operation of the Subject Property in accordance with the following:

ARTICLE I Interests of the Parties

A. Initial Interests in Costs and Revenues. The initial fractional interests of the parties in the Subject Property are as follows:

<u>Owner</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>
DJK, L.P.	75% (.7500000)	75% (.7500000)
Mike Dixon	25% (.2500000)	25% (.2500000)
	100%	100%

The respective parties shall bear the indicated fraction (percentage) of the costs associated with each Oil and Gas Lease and shall be entitled to receive the same fraction (percentage) of the revenues associated therewith.

ARTICLE II Title

A. Title Examination. Title examinations shall be conducted at the joint expense of the parties as deemed necessary by Non-Operator in connection with pre-development and/or for division order purposes.

ARTICLE III Operator

A. Designation and Responsibilities of Operator. Mike Dixon shall be the Operator of the Subject Property, and shall conduct and direct and have full control of all operations in the Subject Property as permitted and required by, and within the limits of, this Agreement. Operator shall conduct all operations in a good and workmanlike manner, but he shall have no liability to the Non-

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Likewise, participation in well plugging, clean-up and restoration work required to be performed under State laws, or as a regulatory compliance matter, shall be mandatory.

ARTICLE V Expenditures and Liability of the Parties

A. Liability of the Parties. The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of acquiring, developing and operating the Subject Property. It is not the intention of the parties to create, nor shall this Agreement be construed as creating, a mining or other partnership or association, or render the parties liable as partners.

B. Payments and Accounting. Non-Operator shall promptly pay and discharge expenses incurred in the development and operation of the Subject Property, and shall charge each of the parties hereto their respective proportionate share of costs.

C. Limitation on Expenditures. Operator shall not incur any liability for any single project in excess of \$1,000.00 without the prior consent of the Non-Operator.

D. Insurance. Operator shall comply with the worker's compensation laws of the state in which the Subject Property is located, premiums therefore to be borne by the Operator. Operator shall also maintain in force general commercial liability insurance insuring operations in the Subject Property, and naming Non-Operator as additional insured, with minimum coverage of \$1,000,000 per occurrence, \$2,000,000 aggregate. The cost of such liability insurance shall be borne by the parties.

ARTICLE VI Term of Agreement

This Agreement shall remain in full force and effect so long as the Subject Property subject to this Agreement remains and is producing oil or gas or both in paying quantities to any part of the Subject Property, unless sooner terminated by the Agreement of the parties or sale of all of the interests of the parties to this Agreement.

ARTICLE VII Disposal of Saltwater

Operator has a permitted saltwater disposal well located on Operator's property, adjacent to the Subject Property, to which Non-Operator has made connection for disposal of waste water. Waste water from the Subject Property will be disposed in such fashion as long as this Operating Agreement is in force and effect and thereafter, as the parties may agree.

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Operator for losses sustained or liabilities incurred, except as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator. Operator may resign at any time by giving written notice thereof to the Non-Operator. If Operator assigns the rights of operatorship under the terms of this Agreement without consent of Non-Operator, or is no longer capable of serving as Operator, then Operator shall be deemed to have resigned. Operator may be removed by Non-Operator if he fails or refuses to carry out his duties hereunder.

C. Employees. The number and identity of employees in conducting operations, their selection, and the hours of labor and rates of compensation shall be as determined by Operator.

D. Contractors. The identity and rates of compensation of all drilling, service, construction and other contractors within the Subject Property shall be as determined by Operator.

E. Operator's Reimbursement. Operator shall be entitled to reimbursement for all major expenditures as the parties may agree incurred in development and operations on the Subject Property. The requested reimbursement shall be reviewed monthly by the parties and shall be subject to amendment from time to time as the parties may agree.

F. Related Party Transactions.

1. Operator may from time to time use or apply his own tools, machinery and equipment in the conduct of operations, or may contract with third parties for the use of their tools, machinery and equipment in the conduct of operations, and the party furnishing tools, machinery or equipment shall be entitled to receive compensation for the use thereof at reasonable and competitive industry rates.
2. Operator or Non-Operator may from time to time transfer equipment from Lease to Lease and Operator shall charge and credit the parties for the reasonable replacement value for equipment of like kind, character and quality.

G. Sale of Products. Operator will contract for the sale of oil and/or gas produced from the Subject Property. Interest holders shall not be entitled to take their shares of production in kind.

ARTICLE IV
Development

A. Mandatory Participation. Participation in operations with respect to the existing well or wells, in the nature of workover, repairs, overhauls, replacements, whether minor or major, and whether necessitated by breakage, obsolescence, or regulatory and safety compliance, shall be mandatory.

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ARTICLE VIII
Miscellaneous

A. Amendment. This Agreement may be amended only by written instrument signed by the parties hereto.

B. Governing Law. This Agreement and all matters pertaining hereto, shall be governed by the laws of the State of Kansas.

C. Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns.

IN WITNESS WHEREOF this Agreement is executed by the parties.

OPERATOR

Mike Dixon
Mike Dixon

Date: _____

NON-OPERATOR

DJK, L.P.

By: Curtis Kempton
Curtis Kempton, Partner

Date: 8-3-2012

STATE OF Ks)
COUNTY OF Elk) SS:

BE IT REMEMBERED that on this 3 day of Aug, 2012, before me, a Notary Public in and for the County and State aforesaid, came Mike Dixon who is personally known to me to be the same person who executed the within instrument of writing and such person duly acknowledged the execution of the same to be his free act and deed.

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

Lisa J. Townsley
NOTARY PUBLIC

My Appointment Expires:

A. LISA J. TOWNSLEY

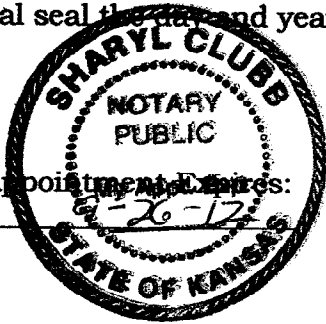
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STATE OF Kansas)
) SS:
COUNTY OF Johnson)

BE IT REMEMBERED that on this 3rd day of August, 2012, before me, a Notary Public in and for the County and State aforesaid, came Curtis Kempton, a partner of DJK, L.P., a limited partnership, who is personally known to me to be the same person who executed the within instrument of writing and such person duly acknowledged the execution of the same to be his free act and deed.

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

My Appointment Expires:



Sharyl Clubb
NOTARY PUBLIC

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