

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 1 **
☐ 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: _____

**** Side Two Must Be Completed.**Effective Date of Transfer: 11/11/2013KS Dept of Revenue Lease No.: N/ALease Name: Big RedW2 - NE - NW - NE Sec. 16 Twp. 20 R. 10 ☐ E ☒ WLegal Description of Lease: N1/2 16-20-10County: RiceProduction Zone(s): Arbuckle

Injection Zone(s): _____

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Surface Pit Permit No.: 15-159-22499-00-01
(API No. if Drill Pit, WO or Haul)

Type of Pit: C/S 3/31/14
☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☒ Drilling

330 _____ feet from ☒ N / ☐ S Line of Section

1660 _____ feet from ☐ E / ☒ W Line of Section

Past Operator's License No. _____

Past Operator's Name & Address: _____

Title: _____

Contact Person: _____

Phone: _____

Date: _____

Signature: Dil + Gas Lease AttachedNew Operator's License No. 31528 ✓New Operator's Name & Address: Mike Kelso Oil, Inc.PO Box 467Chase, KS 67524Title: OwnerContact Person: Mike KelsoPhone: 620-938-2943Oil / Gas Purchaser: Plains MarketingDate: 4/2/14Signature: Mike Kelso

Acknowledgment of Transfer: The above request for transfer of injection authorization, surface pit permit # 15-159-22499-00-01 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 4/7/14 PRODUCTION APR 08 2014 UIC 4-8-14
Mail to: Past Operator _____ New Operator _____ District _____

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

* Lease Name: **Big Red** * Location: **W2-NE-NW-NE 16-20-10W**

Well No.	API No. (YR DRLD/PRE '67)	Footage from Section Line (i.e. FSL = Feet from South Line)	Type of Well (Oil/Gas/INJ/WSW)	Well Status (PROD/TA'D/Abandoned)
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[illegible]

* 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
January 2014
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 # 31528
Name: Mike Kelso Oil, Inc.
Address 1: PO Box 467
Address 2:
City: Chase State: KS Zip: 67524 +
Contact Person: Mike Kelso
Phone: (620) 938-2943 Fax: (620) 938-2945
Email Address:

Well Location:
W2 NE NW NE Sec. 16 Twp. 20 S. R. 10 ☐ East ☒ West
County: Rice
Lease Name: Big Red Well #: 6

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

Surface Owner Information:

Name: Marian Ankerholz
Address 1: Box 700
Address 2:
City: Lyons State: KS Zip: 67554 +

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 must provide the name and address of the surface owner by filling out the top section of this form and 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: 4/2/14 Signature of Operator or Agent:  Title: Owner

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

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into the 11th day of November, 2013, by and between Mike D. Kelso, individually, and as authorized representative of Mike Kelso Oil whose mailing address is 1125 South Main, P.O. Box 467, Chase, Kansas 67524, hereinafter cumulatively called Lessee, and Marian K. Ankerholz, whose mailing address is Box 700, Lyons, Kansas, hereinafter called Lessor.

Lessor, in consideration of Eight Thousand and no/100 Dollars (\$8,000.00) and other valuable consideration valuable in hand paid, receipt of which is hereby acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring by geophysical and other means, prospecting, drilling, and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products, injecting gas, water, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, power stations, and other structures and things thereon to produce, save, take care or treat, manufacture, process, store and transport said oil, liquid hydrocarbons, gases and their respective constituent products and other products manufactured therefrom, the following described land, together with any reversionary rights and after-acquired interest, therein situated in Rice County, Kansas, described as follows to-wit:

North Half of Section 16, Township 20 South, Range 10 West of the 6th Principal Meridian, Rice County, Kansas

Subject to the provisions herein contained, this Lease shall remain in force for a term of one (1) year from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas, or other respective constituent products, or any of them, is produced from said land.

In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, as royalty, free of cost, at the wellhead, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or, at Lessee's option, may pay to 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 pipeline or storage tanks, said payments to be made monthly.

2nd. To pay Lessor, as royalty, free of cost, market price at the wellhead, one-sixth (1/6) of the proceeds received by the Lessee from the sale of gas, gas condensate, gas distillate, casinghead gas, gas used for the manufacture of other products, and all other gases, including constituent parts, produced from the land herein leased, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as a royalty (shut in fee) of One Thousand Dollars (\$1,000.00) per year per gas well on the subject lease and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

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This Lease may be maintained during the primary term hereof without further payment or drilling operations. If the Lessee shall commence to drill a well within the term of this Lease or any extension thereof, the Lessee shall have the right to drill such well 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 like effect as if such well had been completed within the primary term first mentioned.

If said Lessor owns 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/her interest bears to the whole and undivided fee.

- 1) Lessee shall have the right to use, free of cost, gas produced and used on said land for Lessee's operation of said Lease.
- 2) Lessee shall bury all pipeline below thirty-six inches (36").
- 3) Lessee is not permitted to use fresh surface water without prior written consent of Lessor.
- 4) Lessee shall pay for damages to the subject surface land owner caused by its operation on said land of Two Thousand, Five Hundred Dollars (\$2,500.00) per location, to be paid prior to making location. Upon completion of drilling operation, the land will be restored to its original condition as is reasonably possible.
- 5) Lessee shall pay for crop damage or reduction in CRP payments due to drilling operations.
- 6) Lessee shall have the right at any time to remove or use all machinery and fixtures placed on said oil and gas lease and said premises, including the right to draw and remove casing as allowed under Kansas Corporation Commission regulations and supervision.
- 7) Lessee shall obtain prior written consent of Lessor for the disposal of salt water in wells on the property, and consent therefore shall not be unreasonably withheld.
- 8) Lessee agrees to properly plug and abandon all oil and/or gas wells on the leased premises after it has finished using such wells or determined that it will not use such wells.
- 9) Lessee's structures and equipment must be removed from the property within one hundred twenty (120) days after the Lease expires, or the structures and equipment are forfeited.
- 10) In restoring the land, Lessee is granted permission to bury existing concrete pads to a depth of thirty-six inches (36").

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed subject to the provisions herein, 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. Any proposed assignment by Lessee must be approved in advance in writing by Lessor. In the event Lessee completes an approved assignment of this Lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Notwithstanding any other provision of this Lease, Lessee may not assign, re-assign, convey any interest, or in any manner allow this Lease or the benefits arising therefrom to be owned, co-owned, controlled, operated, managed, or otherwise shared by Dean Gustus or any of his affiliate companies, entities or enterprises. Violation of this provision renders all of Lessee's entitlements

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under this Lease void, but Lessee's requirement of properly plugging wells and returning the land to its original condition shall not be affected. Violation of this provision shall immediately trigger Lessee's duty to properly plug wells and return the land to its original condition as if production had ceased and the Lease had expired.

Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this Lease as to such portion or portions and be relieved of all obligation as to the acreage surrendered, except that the delivery or filing of such Release shall immediately trigger Lessee's duty to properly plug affected wells and return the released portion of land to its original condition.

All express or implied covenants of this Lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule and Regulation.

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, and the undersigned Lessor, for herself and her heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this Lease or any portion thereof with other land lease or leases in the immediate vicinity thereof, 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 oil, gas, or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the country in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified. Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of her acreage placed in the unit or her royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Seismographic operations shall be permitted subject to payment of One Hundred Dollars (\$100.00) per shot hole additional cost, to be paid prior to seismic operations. Further, no seismic operations shall be conducted during or after weather conditions that would cause rutting or other damage to Lessor's surface. If damage does occur, Lessor will be compensated accordingly.

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IN WITNESS WHEREOF, the undersigned execute this instrument as of the day and year first above written.

Marian K. Ankerholz
Marian K. Ankerholz

Date: 11-11-13

Mike D. Kelso
Mike D. Kelso, individually and
Mike Kelso 011

Date: 11/11/2013

ACKNOWLEDGMENT

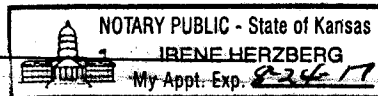
State of Kansas)
County of Rice)ss.

BE IT REMEMBERED that on this 11th day of November, 2013, before me the undersigned, a Notary Public in and for the said County and State, personally appeared **Marian K. Ankerholz**, to me known to be the identical person who executed the foregoing instrument and acknowledged to me that she executed the same as her voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have set my official signature and affixed my notarial seal the day and year above last written.

Irene Herzberg
Notary Public

Commission expires:



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ACKNOWLEDGMENT

State of Kansas
County of Rice

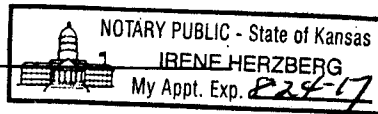
)
)ss.

BE IT REMEMBERED that on this 11th day of November, 2013, before me the undersigned, a Notary Public in and for the said County and State, personally appeared **Mike D. Kelso**, individually, and in his stated capacity as authorized representative of Mike Kelso Oil, to me known to be the identical person who executed the foregoing instrument and acknowledged to me that he executed the same as his voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have set my official signature and affixed my notarial seal the day and year above last written.


Notary Public

Commission expires: _____



Document #: 201303127

STATE OF KANSAS

COUNTY OF RICE

This Instrument was filed on: 11/13/2013

At: 8:00:00 AM and duly recorded in

Book: Oil & Gas 158 Page: 294

Fees: \$24


Rice Co., Register of Deeds

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