

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 7 + 1 WSW.

☐ 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.: E-23,423

Entire Project: ☒ Yes ☐ No

Number of Injection Wells 3 ..

Field Name: Thayer South Unnamed field
**** Side Two Must Be Completed.**

Effective Date of Transfer: 7-2-14

KS Dept of Revenue Lease No.: N/A

Lease Name: Lacen Lease (Smith Lease)

_____ SW Sec. 1 Twp. 30 R. 17 ☒ E ☐ W

Legal Description of Lease: SW4 1-30-17

County: Neosho **KCC WICHITA**

Production Zone(s): AUG 01 2014

Injection Zone(s): Bethesville **RECEIVED**

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

Type of Pit: ☐ Emergency ☐ Burn ☐ Settling

_____ feet from ☐ N / ☐ S Line of Section
_____ feet from ☐ E / ☐ W Line of Section
☐ Haul-Off ☐ Workover OK ☐ Drilling

Past Operator's License No. 6001(Inactive)

Past Operator's Name & Address: Robert E. Austin
19 W. Central, Miami, OK 74354

Title: Operator

Contact Person: _____

Phone: _____

Date: _____

Signature: _____

Oil Agreement Attached

New Operator's License No. 35092

New Operator's Name & Address: Coal Hollow, LLC
3675 S. Santa Fe, Chanute, KS 66776

Title: Operator

Contact Person: Keith Crawford

Phone: 913-636-1083

Oil / Gas Purchaser: _____

Date: 7-28-14

Signature: Keith D. Crawford

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.

Coal Hollow LLC is acknowledged as
the new operator and may continue to inject fluids as authorized by
Permit No.: E-23,423 Recommended action: Need
MTS + U3C's - out of Compliance
Date: 8-18-14
Cheryl L. Beyer
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 <u>8-14-14</u>	PRODUCTION <u>8-21-14</u>	UIC <u>8-18-14</u>
Mail to: Past Operator _____	New Operator <u>8-18-14</u>	District <u>(3)</u>	<u>8-18-14</u>

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

Lease Name: **Lacen Lease (Smith Lease)**

* Location: SW/4 1/30/17E

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
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 # 35092
Name: Coal Hollow, LLC
Address 1: 3675 S. Santa Fe
Address 2: _____
City: Chanute State: KS Zip: 66776 + _____
Contact Person: Keith Crawford
Phone: (913) 636-1083 Fax: (_____) _____
Email Address: _____

Well Location:
_____ Sec. _____ Twp. _____ S. R. _____ ☐ East ☐ West
County: Neosho
Lease Name: Lacen Lease (Smith Lease) Well #: _____

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

SW/4 of 1-30-17E

Surface Owner Information:

Name: Donald & Kathy Lacen
Address 1: 2420 60 Road
Address 2: _____
City: Thayer State: KS Zip: 66776 + _____

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: 7-28-14 Signature of Operator or Agent: Keith D. Crawford Title: Owner

KCC WICHITA
AUG 01 2014
RECEIVED

NEOSHO COUNTY
1-30-17

Donald + Kathy
Laceu
2420 60 Rd.
Thayer, KS 66776

JUN 1 1987

- PRODUCER
- ✓ T.A. PRODUCER
- ⊙ INJECTOR
- * GAS
- ⊗ PLUGGED

Gains #1

#9
#5
#17
#15
#16
#18
#2-W1
#8
#3
#2
#1

KCC WICHITA

AUG 01 2014

RECEIVED

* HARDESTY #5

RECEIVED
HARDESTY #1

STATE CORPORATION COMMISSION

MAY 29 1987

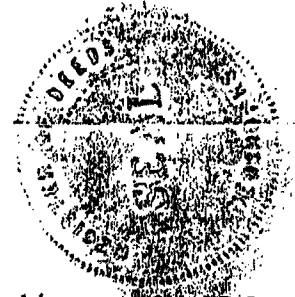
CONSERVATION DIVISION

WICHITA, KANSAS

GAINS

SMITH

STATE OF KANSAS, NEOSHO COUNTY, SS
GLENDA K. TAYLOR, REGISTER OF DEEDS
Book: 487 Page: 172
Pages Recorded: 4 Recording Fee: \$20.00
Date Recorded: 7/3/2014 10:00:00 AM



Oil Lease Agreement

NOW ON this 26 day of JUNE, 2014, this Oil Lease Agreement is by and between DONALD L. LACEN and CATHI D. LACEN, husband and wife (both hereinafter called 'LESSOR'), and COAL HOLLOW, LLC (hereinafter called 'LESSEE').

FOR TEN DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged, LESSOR has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto LESSEE, for the purposes of investigating, exploring by geophysical and other means, drilling, producing, saving, taking, owning, gathering, transporting, storing, handling, processing, treating, and marketing, oil and liquid hydrocarbons (including, but not limited to, distillates and condensates) and, to the extent reasonably necessary or convenient to enable LESSEE to carry out said purposes, including the right of constructing, operating and maintaining pipelines, flowlines, gathering lines, compressors, tank batteries, electric lines, roadways, metering facilities and equipment, facilities for the injection of water, other fluids and gaseous substances into subsurface strata, and other facilities, structures, and equipment required by LESSEE for said purposes, all of the following described land, together with any reversionary rights and after acquired interest therein, described as follows, to-wit:

The East Half of the Southwest Quarter (E/2 SW/4) of Section 1, Township 30, Range 17, Neosho County, Kansas

containing 79 acres more or less (hereinafter referred to as the 'leased premises').

1. **SCOPE OF LEASE** - An oil and gas lease on the leased premises was granted on April 7, 1995, recorded at Book 121M page 341 (hereinafter the '1995 lease'), and subsequently assigned to DONALD L. LACEN and EDGAR L. LACEN, and never released or terminated; by separate agreement the rights under the 1995 lease and any equipment thereon have been assigned to the LESSEE. In addition, an oil and gas lease was granted on June 13, 2006, recorded at Book 379 page 286 (hereinafter the '2006 lease'), and is now held by POSTROCK MIDCONTINENT PRODUCTION, LLC, and excludes "the wellsite of any abandoned well(s) existing on this land on the date of this lease that is not claimed by Lessee". Until such time as the 2006 lease is released or otherwise terminated, or the owner of the 2006 lease should otherwise agree, oil production by the LESSEE under this 2014 Oil Lease Agreement (hereinafter the 'Lease') shall be limited to the wellsites and wells specifically excluded from the 2006 lease; LESSEE may otherwise use all of the leased premises for its operations and activities under this Lease.
2. **TERM OF LEASE** - This Lease shall remain in full force for a term of 2 years from the date first above written (the 'primary term'), and for as long thereafter as oil is produced from the leased premises or this Lease is otherwise perpetuated as provided herein (the 'secondary term').
3. **ROYALTY** - In consideration of these premises, LESSEE covenants and agrees to deliver to the credit of LESSOR, as royalty, 1/8 part of the oil produced and saved from the leased premises, said payments to be made monthly.
4. **BURY PIPELINES** - LESSEE agrees, upon LESSOR's request, to bury all pipelines associated with LESSEE's operations under this Lease below normal plow depth.
5. **DAMAGES** - LESSEE agrees to pay for damages caused by LESSEE's operations to growing crops on the leased premises.
6. **WELL LOCATION** - Subject to the terms of section 1 above, LESSEE agrees to avoid drilling a well closer than 300 feet to any house(s) now existing on the leased premises.
7. **PAID UP LEASE** - This is a paid up Lease. In consideration of the cash payment for this Lease, LESSOR agrees that LESSEE shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the

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primary term.

8. **LESSEE'S OPERATIONS** - All of LESSEE's operations shall be conducted at the sole cost, risk and expense of LESSEE, and LESSEE agrees to indemnify, defend and hold LESSOR harmless from any and all claims, liens, demands, judgments and liabilities of whatsoever nature arising out of LESSEE's operations.
9. **CONTINUOUS OPERATIONS** - If, at the expiration of the primary term of this Lease, there is no well on the leased premises which is capable of producing oil in paying quantities, but LESSEE is then engaged in drilling or reworking operations, then this Lease shall continue in force so long after the primary term as drilling or reworking operations are being conducted on said land and drilling or reworking operations shall be considered to be conducted if not more than one-hundred-twenty (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.
10. **LESS INTEREST; DIVISION OF LEASED PREMISES** - If LESSOR owns a less interest in the leased premises than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to the LESSOR only in the proportion which LESSOR's interest bears to the whole and undivided fee. If the leased premises are now or hereafter owned in severalty or in separate tracts, the premises, nevertheless, 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 Lease 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 or gas produced from such separate tracts.
11. **ASSIGNMENT** - 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 in or division of the ownership of the right to receive royalties, delay rentals or other payment to Lessors hereunder, whether such change is by assignment, partition or otherwise, shall operate to increase or enlarge the obligation or to diminish the rights of LESSEE hereunder. 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. In case LESSEE assigns 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.
12. **EASEMENT FOR PIPELINES & ELECTRIC LINES** - For the consideration first stated above, LESSOR grants LESSEE an easement and right of way on the leased premises for the purpose of laying, constructing, operating, inspecting, maintaining, repairing, replacing and removing a pipeline or pipelines for the transportation of water, brines, oil, gas and other substances, whether produced from the leased premises or elsewhere, and electric line(s), at a location or locations to be determined by LESSEE, on, in, over and through the leased premises. LESSEE will consult with LESSOR on course, route and direction of lines so as to minimize interference with surface use by LESSOR. Such pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. LESSEE shall pay for damages to growing crops, fences or other structures of LESSOR that are caused by the construction, maintenance and operation of such pipeline(s) and electric line(s). LESSEE shall have the right of ingress and egress to and from the leased premises for all purposes necessary to exercise of the rights granted herein. This easement and right of way shall be construed as if conveyed by separate instrument, without regard to this Lease or the term hereof; provided, however, that if use of such easement and right of way is not actually commenced within the term of this Lease or extension or renewal thereof then this easement and right of way and all rights granted thereunder shall cease and terminate on the date this Lease expires. This easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of LESSEE under this Lease, which rights are not hereby diminished or affected, it being understood that this easement and right of way provides for transporting products mentioned herein which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The easement and right of way granted herein are a covenant running with the land and shall extend to LESSEE and LESSEE's successors and assigns, and shall remain in force for the term of this Lease and as long thereafter as such easement and right of way are used by LESSEE, its successors and assigns, for the purposes herein mentioned.
13. **EASEMENT FOR SALT WATER DISPOSAL WELL** - For the consideration first stated above, LESSOR grants LESSEE a license, easement and right of way to use wells on the leased premises for disposing of waters, brines and other substances produced from wells owned or operated by LESSEE located on the leased premises and upon lands adjacent to or in the vicinity thereof, together with an easement and right-of-way around such well, and an easement and right of way to install, repair, operate and remove such lines, pipes, pumps, equipment, machinery, electric lines and

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other appliances as LESSEE shall deem suitable for the operation of such disposal well. LESSEE will consult with LESSOR on course, route and direction of lines and the location of new well(s) so as to minimize interference with surface use by LESSOR. Any pipeline(s) and electric line(s) shall be buried when reasonably possible below plow depth. LESSEE shall pay for damages to growing crops, fences or other structures of LESSOR that are caused by the construction, maintenance and operation of such well, pipeline(s) and electric line(s). LESSEE shall have the right of ingress and egress to and from the premises for all purposes necessary to the exercise of the rights granted herein. LESSEE shall have the right at any time to remove from the disposal well any and all equipment associated therewith, it being understood that the same shall be and remain personal property, whether or not affixed to the realty; and upon cessation of use of said well, LESSEE shall clean up the area with reasonable diligence and dispatch, and shall restore the area as nearly as reasonably possible to its original condition. This license, easement and right of way shall be construed as if granted by separate instrument, without regard to the Lease or the term thereof; provided, however, that if a disposal well is not commenced within the term of this Lease or extension or renewal thereof then this license, easement and right of way and all rights granted thereunder shall cease and terminate on the date this Lease expires. This license, easement and right of way are independent of, and in addition to, and are not a substitute for, the rights of LESSEE under this Lease, which rights are not hereby diminished or affected, it being understood that this license, easement and right of way provides for transportation and disposal of substances which may be produced, obtained, stored or transported upon or across lands adjacent thereto or in the vicinity thereof. The license, easement and right of way granted herein are a covenant running with the land and shall extend to LESSEE and LESSEE's successors and assigns, and shall remain in force for the term of this Lease and as long thereafter as such license, easement and rights-of-way are used by LESSEE, its successors and assigns, for the purposes herein mentioned. LESSOR expressly grants LESSEE the right to inject water, brine or other fluids produced from the leased premises and from lands other than the leased premises for disposal. The injection of water, brine, or other fluids into subsurface strata shall be made only into strata below those furnishing domestic fresh water.

14. **SURRENDER** - LESSEE may at any time and from time to time surrender this Lease as to all or any part of the leased premises 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 full force and effect as to all of the leased premises not surrendered.
15. **LESSEE USE OF OIL, GAS & WATER** - LESSEE shall have the right to use, free of cost, gas, oil and water produced on the leased premises for LESSEE's operations thereon, except water from wells of LESSOR, or from ponds of LESSOR without LESSOR's consent.
16. **REMOVAL OF EQUIPMENT** - 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.
17. **NOTICE OF DEFAULT & RIGHT TO CURE** - 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, or in non-compliance with, any term of this Lease, either express or implied, LESSOR agrees to notify LESSEE in writing of the facts relied upon as constituting a breach or non-compliance 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. No default of LESSEE with respect to any well or part of the leased premises shall impair LESSEE's rights as to any other well or part of the leased premises.
18. **LAWS; DELAY** - LESSEE's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and producing of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking, producing 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 not terminate because of such prevention or delay, and if such prevention or delay shall occur during the primary term the period of such prevention or delay shall be added to the primary term hereof. If any such prevention or delay should commence after the primary term hereof, LESSEE shall have a period of 120 days after the termination of such period of prevention or delay within which to commence or resume drilling, producing 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, producing or other operations are so prevented, delayed or interrupted.

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19. **WARRANTY OF TITLE** - Subject to the terms of section 1 above, LESSOR grants and warrants to the LESSEE all of the rights granted to the LESSEE under this Lease and warrants that LESSOR has good, merchantable title to the leased premises, subject to mortgages and easements of record, and that LESSOR has full and exclusive right to Lease the same. LESSOR further warrants and agrees to defend the title to the leased premises 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 leased premises, in the event of default of payment by LESSOR, and be subrogated to the rights of the holder thereof. LESSEE may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty, shut-in royalty, or rentals accruing hereunder.
20. **BINDING ON SUCCESSORS** - This Lease shall be effective as to each LESSOR on execution hereof as to its interest and shall be binding on those signing, regardless of whether it is signed by any other LESSOR party.
21. **HEADINGS** - The headings for each section of this Lease are for convenience only and such headings shall not to be used to construe, limit or expand the language in each section.
22. **MODIFICATION & WAIVER** - This Lease may not be amended, altered or modified, and nothing herein shall be deemed waived or released, except by written document signed by both LESSOR and LESSEE.
23. **ENTIRE AGREEMENT** - All prior negotiations between the parties on the matters addressed herein have been reduced to writing and are included herein, and this document constitutes the entire understanding and agreement of the parties.
24. **OTHER** - This is an oil lease only and any reference to gas shall be disregarded.

IN WITNESS WHEREOF, the parties have hereunto set their hand effective the date first above written.

LESSOR

LESSEE - COAL HOLLOW, LLC

Donald L. Lacen
DONALD L. LACEN

Keith Crawford
Keith Crawford, Member

Cathi D. Lacen
CATHI D. LACEN

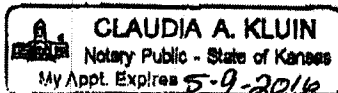
Jim Stipp
Jim Stipp, Member

STATE OF KANSAS, COUNTY OF NEOSHO, ss

BE IT REMEMBERED that on this 26th day of June 2014, before me, the undersigned, a notary public in and for the County and State aforesaid, came DONALD L. LACEN and CATHI D. LACEN, personally known to me to be the same persons who executed the within instrument of writing and such persons duly acknowledged the execution of the same.

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

My appt expires:



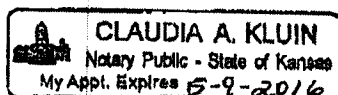
C. Kluin
Notary Public

STATE OF KANSAS, COUNTY OF NEOSHO, ss:

BE IT REMEMBERED that on this 26th day of June 2014, before me, the undersigned, a notary public in and for the County and State aforesaid, came KEITH CRAWFORD and JIM STIPP, being all of the members of COAL HOLLOW, LLC, a limited liability company duly organized and existing under the laws of the State of Kansas, who is personally known to me to be such persons who executed the within instrument of writing on behalf of said company, and such persons 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 affixed my seal, the day and year last above written.

My appt expires:



C. Kluin
Notary Public