

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form T-1

July 2014

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 11 **
- ☐ Gas Lease: No. of Gas Wells 11
- ☐ Gas Gathering System: 11
- ☒ Saltwater Disposal Well - Permit No.: D19813
- Spot Location: _____ feet from ☐ N / ☐ S Line
_____ feet from ☐ E / ☐ W Line
- ☒ Enhanced Recovery Project Permit No.: E-30080
- Entire Project: ☒ Yes ☐ No
- Number of Injection Wells 1

Field Name: Wayside Havana Casement

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

Effective Date of Transfer: 10/30/2014KS Dept of Revenue Lease No.: 139035Lease Name: West Betts_____ E2 _____ SE4 Sec. 15 Twp. 34 R. 14 ☒ E ☐ WLegal Description of Lease: E/2 SE/4 Sec. 15-T34S-R14ECounty: MontgomeryProduction Zone(s): WaysideInjection Zone(s): Wayside ☒

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 OR ☐ Drilling

Past Operator's License No. 34453-34553

Contact Person: _____

Past Operator's Name & Address: ADR Operating, Inc.

Phone: _____

201 N. Penn Avenue, Suite 501, Independence, KS 67301

Date: _____

Title: _____

Signature: New LeaseNew Operator's License No. 34404 ☒Contact Person: Timothy B. Welton

Received
KANSAS CORPORATION COMMISSION

New Operator's Name & Address: Stonegate Ranch, LLCPhone: 620-515-47422576 CR 2200Oil / Gas Purchaser: Oil - Coff. Res.Caney, KS 67333Date: 10/30/2014 **CONSERVATION DIVISION WICHITA, KS**Title: ManagerSignature: Timothy B. Welton

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.

Stonegate Ranch LLC is acknowledged as
the new operator and may continue to inject fluids as authorized by

Permit No.: E-30,080 Recommended action: NeedMIT (overdue) + U3C's 2009-2013Date: 11-4-14 Cheryl 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 11-3-14 PRODUCTION 11-4-14 UIC 11-4-14
Mail to: Past Operator _____ New Operator 11-4-14 District (3) 11-4-14

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OIL & GAS CONSERVATION DIVISION

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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 11

☐ Gas Lease: No. of Gas Wells _____

☐ Gas Gathering System: _____

☒ Saltwater Disposal Well: Permit No. D19813

Spot Location: _____ feet from ☐ N ☐ S Line

_____ feet from ☐ E ☐ W Line

☒ Enhanced Recovery Project Permit No.: E 9080

Entire Project: ☒ Yes ☐ No

Number of Injection Wells 11

Field Name: Wayside-Havana

Effective Date of Transfer: 10/30/2014

KS Dept of Revenue Lease No.: 139035

Lease Name: West Betts

_____ Sec. 15 Twp. 24 R. 14 ☒ E ☐ W

Legal Description of Lease: E/2 SE/4 Sec. 15-T34S-R14E

County: Montgomery

Production Zone(s): Wayside

Injection Zone(s): Wayside Little Salt

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

Surface Pit Permit No.: _____ feet from ☐ N ☐ S Line of Section

(API No. if Drill Pit, WC or Haul)

_____ feet from ☐ E ☐ W Line of Section

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

Past Operator's License No.: 34453 34553

Past Operator's Name & Address: ADR Operating, Inc.

201 N. Penn Avenue, Suite 501, Independence, KS 67301

Title: _____

Contact Person: _____

Phone: _____

Date: _____

Signature: New Lease

New Operator's License No. 34404

New Operator's Name & Address: Stonegate Ranch, LLC

2576 CR 2200

Ganey, KS 67333

Title: Manager

Contact Person: Timothy B. Welton

Phone: 620-515-4742

Oil / Gas Purchaser: Oil - Coff. Res.

Date: 10/30/2014

Signature: Timothy B. Welton

Received
KANSAS CORPORATION COMMISSION

OCT 30 2014

CONSERVATION DIVISION
WICHITA, KS

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.

Stonegate Ranch LLC is acknowledged as
the new operator and may continue to inject fluids as authorized by
Permit No. _____ Recommended action: Need

*MIT + U3C's - Out of Compliance

Date: 11-4-14 Cheryl 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 1 EPR 11-3-14 PRODUCTION 11-6-14 UIC 11-4-14

Mail to: Past Operator _____ New Operator _____ District (3) 11-4-14

KCC - Conservation Division, 266 N Main St, Ste 220, Wichita, KS 67202-1513

* please schedule with District Office ASAP!

* Location: E/2 SE/4 Sec. 15- T34S- R14E

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KANSAS CORPORATION COMMISSION
OCT 30 2014
CONSERVATION DIVISION
WICHITA, KS

* 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 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 # 34404
Name: Stonegate Ranch, LLC
Address 1: 2576 CR 2200
Address 2:
City: Caney State: KS Zip: 67333
Contact Person: Timothy B. Welton
Phone: (620) 515-4742 Fax: ()
Email Address: melaneekillian@yahoo.com

Well Location:
E2 SE4 Sec. 15 Twp. 34 S. R. 14 ☒ East ☐ West
County: Montgomery
Lease Name: West Betts Well #:

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:
E/2 SE/4 Sec. 15-T34S-R14E

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OCT 30 2014
CONSERVATION DIVISION
WICHITA, KS

Surface Owner Information:

Name: Prism Group, LLC, c/o Lonnie Betts
Address 1: Rt. 1, Box 271C
Address 2:
City: Caney State: KS Zip: 67333

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: 10/30/2014 Signature of Operator or Agent: Timothy B. Welton Title: Manager

COPY

OIL AND GAS LEASE

THIS AGREEMENT, entered into this 29th day of October, 2014, between Prism Group, LLC (hereinafter called lessor) and Stonegate Ranch, LLC (hereinafter called lessee), does witness:

1. That lessor, for and in consideration of the sum of One Dollar (\$1.00) in hand paid and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted, leased, and let, and by these presents does hereby grant, lease, and let exclusively unto the lessee the hereinafter described land, for the purpose of carrying on geological, geophysical, and other exploratory work, including core drilling, and the drilling, mining, and operating for, producing, and saving all of the oil, gas, casinghead gas, casinghead gasoline, including all associated hydrocarbons produced in a liquid or gaseous form and including gas found in and produced from coal formations or coal seams and all zones in communication therewith, which gas is sometimes referred to as coal bed methane, coal seam gas or occluded gas and all other gases and their respective constituent vapors, (including coalbed methane gas, helium, and all other constituents and substances produced therewith), including the dewatering for production of coalbed methane gas, and for constructing roads, laying pipe lines, building tanks, storing oil, and erecting other structures thereon which are necessary or convenient for the economical operation of said land to produce, save, take care of, and manufacture all of such substances, said tract of land with any reversionary rights therein being situated in the County of Montgomery, State of Kansas, and described as follows:

The East Half of the Southeast Quarter (E/2 SE/4) of Section 15, Township 34 South, Range 14 East, less and except a tract 436 feet North and South by 269 feet East and West in the Southwest Corner thereof, and less that part used for County right-of-way,

containing 78 acres, more or less.

2. Subject to the provisions below concerning the date of commencement of this lease, this lease shall remain in force for a term of sixty (60) days from the date hereof, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of the products covered by this lease are or can be produced.

Lessee agrees to promptly assume operator responsibility for the oil, gas, disposal and/or injection wells currently located upon the leasehold premises. In the event the existing disposal and/or injection wells are not presently in compliance with the rules and regulations of the Kansas Corporation Commission (KCC), lessee further agrees to act with reasonable prudence and diligence to bring one or more disposal and/or injection wells into compliance, so as to allow disposal or injection of produced salt water in and upon the leasehold premises. The term of this lease shall commence upon the earliest of the following dates: (a) the date hereof, if there exists a disposal or injection well upon the leasehold premises which complies with KCC rules and regulations; or (b) such later date as the KCC authorizes use of such disposal or injection well by the lessee.

3. The lessee shall deliver to lessor as royalty, free of cost, on the lease, or into the pipe line to which lessee may connect its wells, the equal three-sixteenths (3/16ths) part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such three-sixteenths (3/16ths) royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into

the pipe line or into storage tanks.

4. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product as royalty three-sixteenths (3/16ths) of the market value of such gas at the mouth of the well. The lessee shall pay to lessor for gas of whatsoever nature or kind (with all of its constituents) and all other substances covered hereby sold by lessee, a royalty of three-sixteenths (3/16ths) of the net proceeds realized by lessee from the sale thereof, less a proportionate part of the ad valorem, production, severance and other excise taxes and any costs incurred by lessee in delivering, processing, compressing, transporting, dehydrating, or otherwise making gas or other substances merchantable with said payments to be made monthly, not more than sixty (60) days following the last day of the month in which gas is delivered into the pipeline and credited to lessee's account by the gas purchaser.

5. If Lessee shall commence to drill a well or commence reworking operations on an existing well within the term of this lease or any extension thereof, the Lessee shall have the right to drill such well to completion or complete reworking operations 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 term of years first mentioned. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work, other than surveying or staking the location, is done thereon which is necessary for such operations.

6. 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, 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 sufficient to keep this lease in force, this lease shall, nonetheless, remain in full force and effect, and it will be deemed 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 ten dollars (\$10.00) 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 thirty (30) after receipt by Lessee of written notice from such Lessor of such error accompanied by and documents and other evidence necessary to enable Lessee to make prompt payment. The provisions of the forgoing "shut-in" gas well clause shall not limit the Lessee's implied duty to market gas producible from the premises.

7. In case said lessor owns a less interest in the above-described land, other than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to said lessor only in the proportion which his interest bears to the whole and undivided fee. However, such rental shall be increased at the next succeeding rental anniversary after any reversion occurs to cover the

interest so acquired.

8. The lessee shall have the right to use gas, oil, and water found on said land for its operations thereon, except water from the wells or ponds of the lessor. When required by lessor, the lessee shall bury its pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the prior written consent of the lessor. Lessee shall have the right at any time during, and within six (6) months after the expiration of this lease, to remove all machinery, fixtures, houses, buildings, and other structures placed on said premises, including the right to draw and remove all casing. Lessee shall grade to the original level and restore the surface to its original condition, as nearly as practicable, within six (6) months after the expiration of this lease.

9. If the estate of either party hereof is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, devisees, executors, administrators, successors, and assigns, but no change of ownership in the land or in the rentals or royalties or any sum due under this lease shall be binding on the lessee until it has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceedings showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor.

10. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each separate owner bears to the entire leased acreage.

11. Lessor hereby warrants and agrees to defend the title to the land herein-described and agrees that the lessee, at its option, may pay and discharge in whole or in part any taxes, mortgages, or other liens existing, levied, or assessed on or against the above-described lands and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax, or other lien, any royalty or rentals accruing hereunder.

12. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate, provided lessee (a) resumes production, (b) initiates operations for recompleting an existing well within sixty (60) days from such cessation or (c) initiates operations for drilling a new well within sixty (60) days from such cessation, and this lease shall remain in force during the diligent prosecution of such operations and, if production results therefrom, then as long as production continues.

13. Lessee may at any time surrender or cancel this lease in whole or in part by delivering or mailing such release to the lessor, or by placing same of record in the proper county. In case said lease is surrendered and canceled as to only a portion of the acreage covered thereby, then all payments and liabilities thereafter accruing under the terms of said lease as to the portion canceled, shall cease and

determine and any rentals thereafter paid may be apportioned on an acreage basis, but as to the portion of the acreage not released the terms and provisions of this lease shall continue and remain in full force and effect for all purposes.

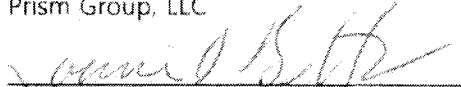
14. The Lessee is prohibited from pooling, combining or unitizing the leasehold premises above-described with any other leasehold premises.

15. All provisions hereof, express or implied, shall be subject to all federal and state laws and the orders, rules, or regulations (and interpretations thereof) of all governmental agencies administering the same, and this lease, shall not be in any way terminated wholly or partially, nor shall the lessee be liable in damages for failure to comply with, any of the express or implied provisions hereof if such failure accords with any such laws, orders, rules, or regulations (or interpretations thereof). If, during the last six months of the primary term hereof, lessee should be prevented from drilling a well hereunder by the order of any constituted authority having jurisdiction there over, the primary term of this lease shall continue until six months after said order is suspended.

16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor and lessee.

IN WITNESS WHEREOF, I sign the day and year first above written.

Prism Group, LLC



Lonnie Betts, Manager, Lessor

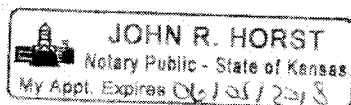
STATE OF KANSAS)
)
COUNTY OF MONTGOMERY)

The foregoing instrument was acknowledged before me this 29th day of October, 2014, by Lonnie Betts, as Manager of Prism Group, LLC.



NOTARY PUBLIC


My Appointment Expires:



ACCEPTANCE BY LESSEE

The undersigned lessee accepts the terms and provisions of the Oil and Gas Lease above set forth.

Stonegate Ranch, LLC

By: 
Timothy B. Welton, Manager

STATE OF KANSAS)

COUNTY OF MONTGOMERY)

The foregoing instrument was acknowledged before me this 30th day of October, 2014, by Timothy B. Welton as Manager of Stonegate Ranch, LLC.


NOTARY PUBLIC

My Appointment Expires:

