

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
July 2014
Form must be Typed
Form must be Signed
All blanks must be Filled

Check Applicable Boxes:

- ☐ Oil Lease: No. of Oil Wells _____ **
- ☐ Gas Lease: No. of Gas Wells _____ **
- ☐ Gas Gathering System: _____
- ☒ Saltwater Disposal Well - Permit No.: D-20504
- Spot Location: 4996 feet from ☐ N / ☒ S Line
- 3695 feet from ☒ E / ☐ W Line
- ☐ Enhanced Recovery Project Permit No.: _____
- Entire Project: ☐ Yes ☐ No
- Number of Injection Wells 0 **

Field Name: Fredonia

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

Effective Date of Transfer: 2/10/2015

KS Dept of Revenue Lease No.: ~~413236~~ S WD

Lease Name: Del Rey

 NW NE NW Sec. 12 Twp. 29 R. 14 ☒ E ☐ W

Legal Description of Lease: _____

County: Wilson

Production Zone(s): N/A

Injection Zone(s): New Albany

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

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

Past Operator's License No. 32191 Exp 9/30/08

Past Operator's Name & Address: Toshic Dynamics LLC.

8226 E. Highland Ave. Scottsdale, AZ 85251

Title: Owner

Contact Person: Dale Jesseph

Phone: (620-212-3408) (620-431-4519)

Date: _____

Signature: _____

New Operator's License No. 34697

New Operator's Name & Address: Wilson County Holdings LLC.

1135 N. 15th St. Fredonia, KS 66736

Title: Drill Supervisor

Contact Person: Forrest Sutherland

Phone: 620-607-0061

Oil / Gas Purchaser: Wilson County Holdings LLC.

Date: 2/10/2015

Signature: _____

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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.

Wilson County Holdings LLC is acknowledged as
the new operator and may continue to inject fluids as authorized by
Permit No.: D-20504 . Recommended action: None
Well plugged 2-24-15 Wilson County
Date: 6-3-15 Cheryl R. Berghel
Authorized Signature

_____ is acknowledged as
the new operator of the above named lease containing the surface pit
permitted by No.: _____
Date: _____
Authorized Signature

DISTRICT _____ PRODUCTION 6-5-2015 UIC 6-3-15
Mail to: Past Operator 6-3-15 New Operator 6-3-15 District 3 6-3-15

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 # 34697
Name: Wilson County Holdings LLC.
Address 1: 1135 N. 15th St.
Address 2: _____
City: Fredonia State: KS Zip: 66736 + _____
Contact Person: Forrest Sutherland
Phone: (620) 330-7285 Fax: (620) 378-2447
Email Address: fsutherland@wchoil.com

Well Location:
NW NE NW Sec. 12 Twp. 29 S. R. 14 ☒ East ☐ West
County: Wilson
Lease Name: Del Rey Well #: 8

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

Surface Owner Information:

Name: R K Steel
Address 1: 1222 N. 6th St.
Address 2: _____
City: Fredonia State: KS Zip: 66736 + _____

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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: 2/10/2015 Signature of Operator or Agent: _____ Drill Supervisor
Title: _____

ORIGINAL COMPILED WITH RECORD

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OIL AND GAS LEASE (KANSAS - PAID UP)

THIS AGREEMENT, made and entered into as of this 14th day of October, 2013, ('Effective Date') by and between R. K. Steel, Inc., a Kansas corporation, hereinafter called the Lessor, and Wilson County Holdings LLC (a Delaware limited liability company), hereinafter call Lessee;

WITNESSETH:

1. That the Lessor, for and in consideration of the sum of TEN DOLLARS (\$10.00), and other good and valuable consideration, receipt of which is hereby acknowledged, and the covenants and provisions contained herein to be kept by Lessee, does hereby grant, demise, lease and let unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, drilling, exploring by geophysical and other methods, operating for, producing, and taking care of all oil, gas and all of the products of oil and gas, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, with rights of way and easements for laying pipelines, and the erection of structures thereon necessary or convenient to produce, save and take care of all said products on those certain tracts of land situated in the County of Wilson, State of Kansas, described on Exhibit A, attached hereto, containing 15.9 acres, more or less.

Exhibit B attached hereto is incorporated by reference into this Lease.

2 This lease shall remain in force for a primary term of three (3) years beginning at 12:00 A.M. on the Effective Date and continuing until 11:59 P.M. of the same date three (3) years following the Effective Date (last day of primary term) and shall continue beyond the primary term as to the entirety of the leasehold so long as oil, or gas, or their constituents, are produced from the leasehold or lands pooled/unitized therewith and royalties are being paid on such production as provided herein, subject to the provisions of paragraph 6 below; *provided, however*, that the suspension of payment of royalties due to uncertainty regarding the party entitled to receive such royalties shall not cause termination or expiration of this lease so long as such royalties are held for the benefit of the rightful owner.

3. This is a PAID-UP LEASE. In consideration of the down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations or to make any rental payments during the primary term. Lessee may at any time or times during or after the primary term hereof surrender this lease as to all or a portion of the lands covered herein by delivering to Lessor, or by filing for record a release or releases, and thereafter be relieved of all obligations accruing hereunder as to the acreage surrendered. The lease shall continue in force and effect as to all of the acreage not surrendered.

4. Lessee agrees to pay Lessor a royalty on production covered hereby as follows:

1st. Lessee shall deliver to the credit of Lessor as royalty, free of cost, in the pipeline to which Lessee may connect its wells, the equal three-sixteenths (3/16) part of all oil produced and saved from the leased premises, or at Lessee's option, may pay to the Lessor for such three-sixteenths (3/16) royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipeline, or into storage tanks.

2nd. Lessee shall pay Lessor as royalty on gas marketed from each well three-sixteenths (3/16) of the proceeds if sold at the well, or if marketed by Lessee, off the leased premises, then three-sixteenths (3/16) of its market value at the well.

3rd. Lessee shall pay Lessor three-sixteenths (3/16) of the proceeds received by the Lessee from the sale of casinghead gas produced from any oil well and three-sixteenths (3/16) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas produced from any oil well and used by Lessee off the leased premises for any purpose or used on the leased premises by Lessee for purposes other than the development and operation thereof.

4th. Lessee shall pay to Lessor three-sixteenths (3/16) of the proceeds from the sale of all other products of oil and gas not otherwise referred to hereinabove.

Lessee shall not be entitled to deduct transportation costs in calculating the royalty payable hereunder, and the parties agree that oil sold at the tanks to third parties shall be deemed not to include a transportation charge.

5. If the Lessor owns a lesser interest in the above described land than the entire and undivided fee simple mineral estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the said Lessor only in the proportion which Lessor's interests bear to the whole and undivided fee.

6. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if Lessee shall commence operations for drilling a well at any time while this lease is in force, or within sixty (60) days following a cessation of production, this lease shall remain in force and its term shall continue so long as such operations are diligently prosecuted, and if production results therefrom, then so long as production continues; *provided, however*, that in no event shall the lease be extended for more than one hundred twenty (120) days by continuous operations in the absence of actual production.

7. If the Lessor believes the Lessee has failed to comply with a Lease covenant, or that the Lease has terminated for failure to satisfy a condition or special limitation imposed by the Lease, Lessor will notify the Lessee in writing and Lessee will have 30 days from receipt of the notice to remedy the situation by curing the breach of covenant or taking action to satisfy the condition or special limitation, except after three (3) years from the Effective Date, this Lease shall automatically terminate upon permanent cessation of production of oil or gas from the lease premises and lands pooled/unitized therewith. If the Lessee takes the necessary action within the 30-day time frame, the Lease will continue in effect. If the Lessee fails to take the necessary action, the Lessor can pursue any legal remedy it deems appropriate. If Lessee timely responds to Lessor's demand, but in good faith disagrees with Lessor's position and sets forth the reasons therefore, this lease shall continue in full force and effect and no further damages will accrue in Lessor's favor during the pendency of the dispute, other than claims for payments that may be due under the terms of its lease, plus any remedy the court may order going forward. However, if the Lessor is claiming that a Lease condition or special limitation has not been met, and Lessor prevails, the court can immediately terminate the lease, clear Lessor's title, and grant other appropriate relief. Litigation over disputes related in any way to the negotiation, formation, performance, or enforcement of this Lease, or associated with relationships created by this Lease, must be filed and resolved in the Wilson County, Kansas District Court to the exclusion of all other courts. Venue in any other forum is waived, including any right to remove a case to federal court. Disputes will be governed exclusively by the procedural and substantive laws of Kansas, but excluding any choice of law provision that would require the application of any law other than the law of Kansas. In the event Lessor substantially prevails in any action to enforce or protect its rights under this Lease, Lessee will, in addition to any other damages or relief granted by the court, reimburse Lessor for its reasonable attorney fees, expert witness fees, and any other reasonable litigation expenses incurred by Lessor. This lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is effectively prevented by federal, state, or local law, regulation, or decree, or the acts of God and/or third parties over whom Lessee has no control.

8. Lessee shall bury pipelines below plow depth. Lessee shall pay for damages caused by Lessee's operations. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises by the Lessee, including the right to draw and remove casing.

9. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part; however, no change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until the Lessee has been furnished with appropriate notice of such change in ownership. If the leased premises 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 such separate owner bears to the entire leased acreage. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations, or to diminish the rights of the Lessee, all of Lessee's operations may be conducted without regard to any such division, and there shall be no obligation on the part of the Lessee to offset

[illegible]

(13) 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 recover for Lessee by payment of any mortgages, taxes or other liens on the above described land in the event of failure of payment by the Lessor, and be subrogated to the rights of the holder thereof, and in addition Lessee may reimburse itself for such payments out of any proceeds or certain payable in a Lessee provided, however, that Lessor makes no warranty of title with respect to the lands on which any railroad right-of-way is located.

[illegible]

18. All the provisions of this lease shall be binding on the heirs, executors, administrators, assigns and legal representatives of the Lessor and shall survive the death of the Lessor and shall be freely assigned.

IN WITNESS WHEREOF, Lessor has executed this instrument as of the day and year first hereinabove set out.

R. K. Singh

11. 7604 Co
Roger Comp. 1. 1/2/2000

"(gss)4"

STATE OF KANSAS	3
COURT OF WRIT	3
COURT OF WRIT	3

This instrument was acknowledged before me on this 4th day of October, 2013, by Roger Compton, a President of R.K. Steel, Inc., a Kansas corporation.

My Appointment Expires 6-12-17

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Kathy J Baker
Military Public

KATHY J. BAKER
Notary Public - State of Kansas
My Appt. Expires: 6-12-17

EXHIBIT A

Said lease covers all of the following real property located in Section Twelve (12), Township Twenty-nine (29) South, Range Fourteen (14) East of the Sixth Principal Meridian, Wilson County, Kansas and, notwithstanding any exception for rights-of-way and easements in the following descriptions, said lease covers lessor's mineral rights, if any, in and to the lands covered by such rights-of-way and easements.

All of the East Half of the Northwest Quarter (E/2 NW/4) of Section 12, Township Twenty-nine (29) South, Range Fourteen (14) East of the Sixth Principal Meridian, Wilson County, Kansas, North of Allen's Second Addition to the City of Fredonia, and lying North and West of the Missouri Pacific Railway and East of Lincoln Park Second Addition to the City of Fredonia; AND

A tract of land described as all that part of Block Ten (10), Lincoln Park Second Addition to the City of Fredonia, lying East of the public road, commonly known as 6th Street, and all that part of the vacated street lying East of said Block 10; AND

A tract of land lying in Block Ten (10), Lincoln Park Second Addition to the City of Fredonia in Section 12, Township Twenty-nine (29) South, Range Fourteen (14) East of the Sixth Principal Meridian, Wilson County, Kansas, described as follows: Beginning at the Southeast corner of said Block, thence West 55 feet, thence in a Northwesterly direction on a 4° curve to the left to a point on the West line of Lot Two (2) of said Block 90 feet Southwesterly of the North line of said Block as measured along the Southeasterly right-of-way line of the AT&SF Railroad, thence Northeasterly 90 feet, thence East to East line of said block, thence South to beginning, less right-of-way for public road; AND

A tract of land lying in Block Nine (9), Lincoln Park Second Addition to the City of Fredonia, in said Section 12, Township Twenty-nine (29) South, Range Fourteen (14) East of the Sixth Principal Meridian, Wilson County, Kansas, described as follows: Beginning at the Southeast corner of said Block, thence North to the North line of said Block, thence West 40 feet, thence in a Southerly direction on a 4° curve to the right to a point on the South line 10 feet Southwesterly of said SE/c, as measured along said South line, thence Northeasterly along said line to place of beginning, less railroad right-of-way and less right-of-way for public road, and including any interest the lessor may have in the above described land now abandoned by the State Highway Department of the State of Kansas; AND

Beginning at a point on the Easterly right-of-way of the AT&SF Railroad and on the Westerly right-of-way line of a public highway, said point being 90 feet Southwesterly from the Northwest corner of Block Ten (10), Lincoln Park Second Addition to Fredonia, thence Southeasterly along the Westerly line of said highway on a 4° curve to the right to the E/W center line of Lot Three (3), Block Nine (9), Lincoln Park Second Addition, thence West to a point on the West line of Lot Three (3), Block Eight (8), Lincoln Park Addition and on the Easterly right-of-way line of the AT&SF Railroad, thence Northeasterly along said right-of-way line to place of beginning; AND

Beginning at the quarter corner of the North line of said Section 12, Township Twenty-nine (29) South, Range Fourteen (14) East of the Sixth Principal Meridian, Wilson County, Kansas, and running thence South on half section line 9.61 chains, thence West 8.40 chains, thence North parallel with North and South half section line in said Section 12, 3.51 chains to a stone on the south right-of-way line of the Missouri Pacific Railroad, thence following the right-of-way line in an easterly direction around a 4° curve to a stone on the North line of said Section 12 aforesaid, thence East along the section line 2.80 chains to beginning; AND

Lands lying under the railroad rights-of-way running across the NW/4 of Section 12, Township 29 South, Range 14 East.

Exhibit B
Supplementary Conditions

Restriction on Surface Use.

- (i) lessee and its successors and assigns shall have no right to use the surface of the leased premises without first obtaining written consent of lessor;
- (ii) lessee shall have no right to conduct any new drilling operations on the surface of the lands comprising the leased premises by means of conventional wells (vertical wells drilled from the surface into the subsurface) without first obtaining written consent of lessor and shall have no right to produce from any such new conventional wells without such consent; and
- (iii) any stratigraphic drilling or other temporary use of the surface of the leased premises shall be restricted to lands with an industrial zoning classification now or hereafter established by lessor.

Notwithstanding anything to the contrary, the provisions of this section and lease shall in no way restrict or limit exploration of, or production from, the leased premises by lessee, or any of its successors and assigns, by means pooling or unitization, or due to operations conducted from other lands, including directional or horizontal drilling that is commenced from a surface location on other lands but that enter the subsurface of the leased premises and lessor shall not restrict or limit lessee or any of its successors and assigns from any operations or production in the subsurface of the leased premises.

Restriction to Oil and Gas Recovery

The attached mineral lease is restricted to the recovery of oil, gas, and hydrocarbons by the Lessee.

Specific Remediation Items

The Lessee will plug and abandon all existing wells on the property listed in Exhibit A within 1 year of the Effective Date of this lease.

Indemnification

Lessee agrees to and does hereby indemnify and hold harmless Lessor from any and all losses and damages to Lessor's property, and from any and all claims, lawsuits, or actions brought by a third-party against Lessor, which losses, damages, claims, lawsuits or actions are caused by Lessee's negligence in its operations on this Lease; *provided, however*, that Lessee's indemnification is limited to direct damages suffered by Lessor or third party claimant, and does not apply to any consequential damages.

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