

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

072514_Bayless.pdf

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 _____ **
- ☒ Gas Lease: No. of Gas Wells 3 **
- ☐ 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: Wayside/Havana

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

Effective Date of Transfer: 01/25/14 25th day of July 2014

KS Dept of Revenue Lease No.: 218113

Lease Name: Bayless 2

_____ NE Sec. 3 Twp. 34 R. 13 ☒ E ☐ W

Legal Description of Lease: NE S3 T34 R13E

County: Chautauque
Montgomery

Production Zone(s): Weiser, Layton, Mulky

Injection Zone(s): _____

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. New Lease, See Attached

Contact Person: _____

Past Operator's Name & Address: _____

Phone: _____

Title: _____

Date: _____

Signature: _____

KCC WICHITA

APR 07 2016

RECEIVED

New Operator's License No. 35084 ✓

Contact Person: Rick Coody

New Operator's Name & Address: Kansas MB Project, LLC

Phone: 918-521-3086

1102 N. Lenap Ave.

Oil / Gas Purchaser: _____

Skiatook, OK 74070

Date: _____

Title: Member

Signature: Rick Coody

Acknowledgment of Transfer: The above request for transfer of injection authorization, surface pit permit # _____ has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

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

Date: _____

Authorized Signature

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

Date: _____

Authorized Signature

DISTRICT _____

EPR 4-19-16

PRODUCTION 4-20-16

UIC _____

Mail to: Past Operator _____

New Operator _____

District _____

All Porteg's WDS.

* Lease Name: Bayless 2

* Location: NE S3 T34 R13E

[illegible]

KCC WICHITA

APR 07 2016

RECEIVED

* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1
July 2014
Form Must Be Typed
Form must be Signed
All blanks must be Filled

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

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: ☐ C-1 (Intent) ☐ CB-1 (Cathodic Protection Borehole Intent) ☒ T-1 (Transfer) ☐ CP-1 (Plugging Application)

OPERATOR: License # 35084
Name: Kansas MB Project, LLC
Address 1: 1102 N. Lenapah Ave.
Address 2: _____
City: Skiatook State: OK Zip: 74070 + _____
Contact Person: Rick Coody
Phone: (918) 521-3086 Fax: (_____) _____
Email Address: _____

Well Location: _____
- - - NE Sec. 3 Twp. 34 S. R. 13 ☒ East ☐ West
County: Montgomery
Lease Name: Bayless 2 Well #: _____
If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:
NE S3 T34 R13E

Surface Owner Information:

Name: Bayless, Dennis & Debora
Address 1: 1136 CR 3000
Address 2: _____
City: Havana State: KS Zip: 67301 + _____

KCC WICHITA
APR 07 2016
RECEIVED

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: 3-24-16 Signature of Operator or Agent: Rick Coody Title: Manager

OIL AND GAS LEASE

THIS AGREEMENT, entered into this 25th day of July, 2014, between Dennis L. Bayless and Debora C. Bayless, husband and wife, (hereinafter called lessor) and Kansas MB Project, 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 Chautauqua, State of Kansas, and described as follows:

The Northeast Quarter (NE/4) of Section 3, Township 34 South, Range 13 East, Chautauqua County, Kansas

containing 160 acres, more or less.

2. This lease shall remain in force for a term of two (2) years 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 produced.

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. 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.

7. 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.

8. 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.

9. 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.

10. 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.

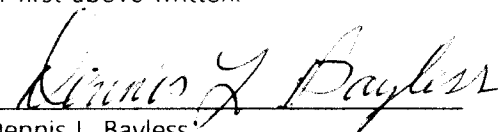
11. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate, provided lessee (a) resumes production, (b) initiates operations for recompleting an existing well within sixty (60) days from such cessation or (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.

12. 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.

13. 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.

14. 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, we sign the day and year first above written.


Dennis L. Bayless


Debora C. Bayless, Lessor

STATE OF KANSAS)
)
COUNTY OF MONTGOMERY)

The foregoing instrument was acknowledged before me this 25 day of July, 2014, by
Dennis L. Bayless and Debora C. Bayless, husband and wife.

Sandra P. Cole
NOTARY PUBLIC

My Appointment Expires:



KCC WICHITA
APR 07 2016
RECEIVED

ADDENDUM TO OIL AND GAS LEASE

BY AND BETWEEN DENNIS L. BAYLESS AND DEBORA C. BAYLESS, HUSBAND AND WIFE, LESSOR, AND KANSAS MB PROJECT, LLC, LESSEE.

In consideration of the mutual covenants and agreements of the parties set forth in said Oil and Gas Lease, and other good and valuable consideration, it is further agreed by and between Lessor and Lessee as follows:

1. To the extent that the terms and conditions set forth in this Addendum conflict with any terms and conditions set forth in the oil and gas lease to which it is attached, this Addendum shall supercede the terms and conditions of the oil and gas lease.

2. Lessee shall pay to Lessors agreed surface damages prior to the commencement of drilling of any well on the leased premises, the sum of \$500.00, for all damages. Lessee shall pay to Lessors agreed surface damages prior to the setting of any tank battery facility located on the leased premises the sum of \$1,000.00 for all damages.

3. Machinery shall be brought upon the property by Lessee only when it can enter on its own power. In the event any such machinery gets stuck, Lessee agrees to pay to Lessor agreed liquidated damages of \$300.00 per incident.

4. Lessee shall maintain all roadways used in its operations upon the leased premises in a good and workmanlike manner. Lessee agrees to consult with Lessor concerning the location and route of any lease roads on the property (including the continuing use of any existing lease roads). Lessor agrees that they shall not unreasonably withhold their consent to the location and route of any such roads. Lessee agrees to use only one (1) road to each well site. Lessee agrees to gravel roads in areas where needed (i.e. crop land, low-lying areas). Lessee agrees to use all-terrain vehicles when possible as opposed to heavier means of transportation so as to avoid ruts and other damage to Lessor's property.

5. All pipelines or underground electric lines of Lessee upon the leased premises shall be buried to a depth of not less than 18 inches below the surface of the leased premises, and Lessee shall backfill all trenches to surface level.

6. Lessee shall clean up and remove from each well site, tank battery site

and gas equipment location, all materials and debris within 120 days after the same has been drilled, completed and/or established. All equipment and appurtenances shall be kept in as clean, neat and orderly appearance as is practical.

7. Lessee shall, for each pit, slush pond or saltwater pond dug during the course of its drilling operations place all topsoil from the ground on the leased premises into a pile on one side of such pond or pit and place all rough ground, rocks, stumps and subsurface soil into a pile on the opposite side of such pond or pit.

8. Within 120 days after the completion (completion to include all associated activities such as logging, perforating and fracturing) of the drilling or reworking of any well upon the leased premises requiring the use of a drilling or reworking pit, Lessee shall backfill such drilling or reworking pit, replacing the topsoil on top, and shall, as much as possible, return the surface of the land to its original condition. In like manner, upon completion or abandonment of any well, pit, pond, pipeline, tank battery, or other structure upon or disturbance of the surface of the leased premises, Lessee shall, within 120 days of such completion or abandonment, return the surface of the land to its original condition as nearly as practicable.

9. Lessee shall have the right during the term of this lease and within 120 days after the expiration of all or any portion thereof to remove all machinery, fixtures or other structures placed upon said premises by Lessee including the right to draw and remove all casing.

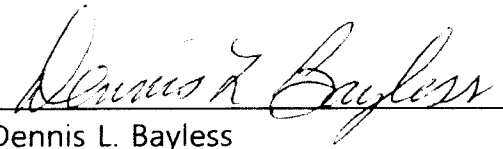
10. Lessor shall not use saltwater for any of its drilling operations.

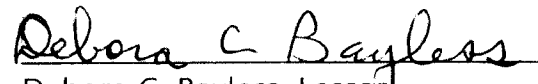
11. Lessor shall be entitled to use free of cost, gas produced upon the leased premises by making their own connection at the wellhead at their sole cost and expense, for the principle residence of Lessor and any livestock outbuilding situated adjacent thereto. Lessor agrees to indemnify and hold Lessee harmless from all damages, either to persons or property, suffered by Lessor in the use of such gas. Lessor understands and agrees that the production of gas is intermittent and may be temporarily shut-in on various occasions.

12. Lessee agrees to operate all tank battery facilities and gas facilities in compliance with all laws, statutes, rules and regulations of all federal and state governmental authorities.

KCC WICHITA
APR 07 2016
RECEIVED

13. Lessee shall construct and maintain good and substantial fences around all tank batteries, wells and other leasehold facilities.


Dennis L. Bayless


Debora C. Bayless, Lessor

Kansas MB Project, LLC

By: 
Rick Coody, Manager

KCC WICHITA
APR 07 2016
RECEIVED