

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form T-1

March 2010

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

**REQUEST FOR CHANGE OF OPERATOR
TRANSFER OF INJECTION OR SURFACE PIT PERMIT**

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act,
MUST be submitted with this form.

Check Applicable Boxes:

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

Field Name: Webs Southwest
** Side Two Must Be Completed.

Effective Date of Transfer: March 1, 2013KS Dept of Revenue Lease No.: unable to determine 123715 ✓Lease Name: Young R LNE - NW - SE - _____ Sec. 17 Twp. 19S R. 20 ☐ E ☒ WLegal Description of Lease: See ATTACHEDCounty: Rush

Production Zone(s): _____

Injection Zone(s): _____

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

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

Past Operator's License No. 33189 33490 5/4/2013 exp. 11/30/11

Past Operator's Name & Address: Condor Energy Company
P O Box 108 Great Bend, KS 67530

Title: _____

Contact Person: _____

Phone: _____

Date: _____ RECEIVED KANSAS CORPORATION COMMISSION

Signature: See Attached MAY 07 2013New Operator's License No. 34736 ✓

New Operator's Name & Address: Texas Coastal Operating Company LLC
222 W Las Colinas Blvd #150 Irving, Tx, 75039

Title: Owner/OperatorContact Person: Gary Gordon CONSERVATION DIVISION WICHITA, KSPhone: 214-429-3700

Oil / Gas Purchaser: _____

Date: March 1, 2013

Signature: _____

Acknowledgment of Transfer: The above request for transfer of injection authorization, surface pit permit # NA 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 5/15/13 PRODUCTION 5.20.13 UIC 5-2013
Mail to: Past Operator _____ New Operator _____ District _____

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

* Lease Name: Young R L * Location: Rush County Kansas

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* 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 2010
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 # 34736
Name: Texas Coastal Operating Company LLC
Address 1: 222 W Las Colinas Blvd #150
Address 2: _____
City: Irving State: Tx Zip: 75039 + _____
Contact Person: Gary Gordon
Phone: (214) 429-3700 Fax: (_____) _____
Email Address: ggordon@texascoastal.com

Well Location:
NE NW SE _____ Sec. 17 Twp. 19 S. R. 20 ☐ East ☒ West
County: RUSH
Lease Name: Young R L Well #: 1

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

Surface Owner Information:

Name: Gene Schlegel
Address 1: P O Box 1390
Address 2: _____
City: Alexander State: Ks Zip: 67513 + _____

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 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: March 1 2013 Signature of Operator or Agent: _____ Title: Executive VP Operations

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Mail to: KCC - Conservation Division, 130 S. Market - Room 2076, Wichita, Kansas 67202

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*Law Office of
Bauer, Pike & Johnson, Chartered*

P.O. Box 1349
1310 Kansas Avenue
Great Bend, KS 67530
Tel. (620) 793-7279
Fax (620) 793-7289
E-mail: bppj@sbcglobal.net

Attorneys/Counselors:
Greg L. Bauer
Charles R. Pike
Steve Johnson

December 13, 2011

Squared Operating, LLC
222 W. Lascolinas Blvd.
Suite 1650
Irving, TX 75039

Attn: George Utley

RE: SCHLEGEL LEASE
EAST HALF OF SECTION SEVENTEEN (17), TOWNSHIP NINETEEN (19) SOUTH,
RANGE TWENTY (20) WEST, RUSH COUNTY, KANSAS.

DRILLING TITLE OPINION

Dear Mr. Utley :

Per your request, I have made a site title examination of the following described property :

EAST HALF OF SECTION SEVENTEEN (17), TOWNSHIP NINETEEN (19) SOUTH,
RANGE TWENTY (20) WEST, RUSH COUNTY, KANSAS

as evidenced by:

- a) Site examination of the numerical index and records, Register of Deeds Office, Rush County, Kansas, covering a period of time from the United States Government to December 7, 2011, at 8:00 o'clock A.M.
- b) Site examination of the judgment docket and mechanic's lien index, District Court, Rush County, Kansas.
- c) Site examination of the probate appearance docket and probate records, District Court, Rush County, Kansas.
- d) Site examination of the township tax records, County Treasurer's Office, Rush County, Kansas.
- e) Site examination of the oil and gas appraisal records, County Appraiser's Office, Rush County,

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Kansas.

From our examination of the foregoing, we find and report as follows:

TITLE TO SURFACE AND MINERALS

Gene Schlegel and Cheryl Schlegel, JTWROS All

BASIC OIL AND GAS LEASE

FORM:	88 Producers M 63 U Revised 1981 Paid Up
DATE:	September 17, 2011
RECORDED:	September 19, 2011 Book 159, Page 105
LESSOR:	Gene Schlegel and Cheryl Schlegel, husband and wife
LESSEE:	Gregory T. Patterson
DESCRIPTION:	Captioned property
TERM:	3 years
ROYALTY:	1/8th
DELAY RENTAL:	Paid Up
SHUT IN ROYALTY:	\$1.00
ENTIRETY CLAUSE:	No
ASSIGNABLE:	Yes
UNITIZATION CLAUSE:	Yes
LESSOR INTEREST CLAUSE:	Yes
SPECIAL PROVISIONS:	None.

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COMMENTS AND REQUIREMENTS

FIRST: The numerical index indicates a document entitle Memorandum of Meteorological Agreement, dated August 14, 2006, by and between Gene Schlegel and Cheryl Schlegel, his wife, and Owner and Hilliard Energy Company, Ltd., lessee. Said instrument provides for wind right and surface use and was recorded in Book 149, Page 267, Register of Deeds Office, Rush County, Kansas.

REQUIREMENT #1: We are enclosing herewith, a copy of the Agreement as filed. Although the term of the Agreement provides for a three (3) year term from the effective date, which would indicate that the term would have expired in August of 2009, the Agreement does make reference to a non record agreement which may or may not have been extended and may or may not contain restrictions regarding surface use which would impact your rights under the existing basic oil and gas lease. You should inquire as to whether or not the agreement with Hilliard Energy Company, Ltd. is currently in effect and if so review the terms of the same to determine if there are any surface use restrictions that would adversely impact your rights under the basic oil and gas lease. If it is determined that the wind lease is in effect and does contain provisions adverse to the rights granted in the basic oil and gas lease, a subordination to the basic oil and gas lease should be obtained and recorded with the Register of Deeds Office, Rush County, Kansas.

SECOND: The numerical index indicates a Mortgage dated April 24, 2001 from Gene Schlegel and Cheryl Schlegel, his wife, grantors, to Farmers Bank and Trust, NA, grantee. Said instrument Mortgaged the captioned property and was recorded in Book 62, Page 30, Register of Deeds Office, Rush County, Kansas.

REQUIREMENT #2: A Subordination Agreement should be obtained from Farmers Bank and Trust, NA subordinating its Mortgage to the basic oil and gas lease and the same should be placed of record with the Register of Deeds Office, Rush County, Kansas.

THIRD: The numerical index indicates the following easements and right of ways of record:

1. Easement in favor of Golden Belt Telephone Association, recorded in Book 142, Page 274.

COMMENT #1: You should ascertain the location of all easements to ensure that your drilling operations do not adversely impact the rights granted therein.

FOURTH: The numerical index indicates an oil and gas lease dated March 16, 2007, from Gene Schlegel and Cheryl Schlegel, his wife, grantor to Thomas Energy, Inc., grantee. Said lease covered all of Section 17 and the Southwest Quarter of Section 8, all in Township 19 South, Range 20 West, Rush County, Kansas, for a primary term of three (3) years and was recorded in Book 151, Page 353, Register of Deeds Office, Rush County, Kansas.

REQUIREMENT #3: There does not appear an Affidavit of Production extending the primary term of the last mentioned lease. You should satisfy yourself that no operations commenced on said property which would have extended the primary term of said lease and obtain an Affidavit of Non-Production and file the same of record with the Register of Deeds Office, Rush County, Kansas.

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FIFTH: Leasehold ownership in and to the basic oil and gas lease is as follows:

Overriding Royalty Interest

Gregory G. Patterson	.0125000 O.R.R.I.
Kevin J. Baalman	.0125000 O.R.R.I.
Kansas Petroleum Resources, LLC	.0500000 O.R.R.I.

Working Interest

Texas Coastal Energy, LLC	1.000000 W.I.	.8000 N.R.I.
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SIXTH: The township tax records reflect no there are no delinquent taxes.

SEVENTH: There appear to be no mechanic's liens, judgment or suits pending which are filed of record affecting title to the captioned property.

EIGHTH: If production is obtained upon the captioned property pursuant to the basic oil and gas leases, an Affidavits of Production should be obtained and recorded with the Register of Deeds Office, Rush County, Kansas.

NINTH: You should verify with the Kansas Corporation Commission that the captioned property is not located within a spaced or pro-rated pool.

This Title Opinion has been based upon a site examination of the aforementioned records and not from Abstracts of Title certified to date. Records otherwise available, but not listed hereinabove, were not examined in connection with this Title Opinion.

We appreciate the opportunity to handle the examination of this property for you. If you have any questions, please advise.

Respectfully submitted,

LAW OFFICE OF
BAUER, PIKE & JOHNSON, Chtd

By 
GREG L. BAUER
GLB/lz

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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED OF RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Memorandum of Meteorological Agreement

This Memorandum of Meteorological Agreement ("Memorandum") is made and entered into by and between **GENE SCHLEGEL and wife, CHERYL SCHLEGEL**, whose address is Rural Route 1, Box 21, Alexander, Kansas 67513, ("Owner") and Hilliard Energy, Ltd., ("Lessee") for the purpose of giving notice that Owner and Lessee have entered into a Meteorological Agreement ("Agreement"). The Agreement has an Effective Date of August 14, 2006.

1. **Property.** The Agreement pertains to lands individually or collectively owned by the Owner, which are hereinafter referred to as the "Property," and which are more fully described in the legal description attached hereto as Exhibit "A", and incorporated herein by reference.
2. **Grant of Meteorological Agreement.** Owner has agreed to grant to Lessee, and Lessee has agreed to accept from Owner, the exclusive right to enter upon the Property for purposes of constructing, installing, maintaining, operating, using, inspecting, replacing and removing one or more Meteorological Towers, as that term is defined in the Agreement, and all associated equipment and activities, including but not limited to the performance of all studies and surveys associated therewith, and may perform such other tests and studies as Lessee may desire in connection with the Agreement on the Property.
3. **Term.** The Agreement is for a term of three (3) years from the Effective Date thereof.
4. **Modification.** This Memorandum does not alter, amend or modify the terms and conditions of the Agreement, but is executed solely for the purpose of giving notice of the existence of the Agreement and Lessees' rights with respect to the Property, which Agreement is incorporated by reference for all purposes to the same extent and with the same effect as if set forth herein in full.
5. **Assignment.** Owner acknowledges that Lessee has the right to assign its interest in the Agreement to another party, and that this Memorandum will continue to be effective with respect to any assignment of the Agreement by Lessee.

This Memorandum may be executed in multiple counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as follows:

The remainder of this page is intentionally left blank

MAY 07 2013

OWNER

By:

GENE SCHLEGEL

By:

CHERYL SCHLEGEL

STATE OF KANSAS

§

COUNTY OF Rush

§

§

This instrument was acknowledged before me on the 7th day of August, 2006,
by the said GENE SCHLEGEL and wife, CHERYL SCHLEGEL.

Frances Holopirek
NOTARY PUBLIC, State of Kansas

My Commission Expires:

3-22-09

STATE OF KANSAS, RUSH COUNTY, S.S.

THIS INSTRUMENT WAS FILED FOR RECORD ON

THE 21 DAY OF Aug A.D.20 06 AT 9 O'CLOCK PM, ANDDULY RECORDED IN BOOK 149 OF pagesAT PAGE 267

REGISTER OF DEEDS

INDEXED &

#967

JH.00

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EXHIBIT "A"**LEGAL DESCRIPTION**

Attached to and made a part of that certain Meteorological Agreement by and between
GENE SCHLEGEL and wife, CHERYL SCHLEGEL, Owner, and Hilliard Energy, Ltd., Lessee,
having an Effective Date of August 14, 2006.

The following described property located in Rush County, Texas:

North Half (N/2), the North Half of the Southeast Quarter (N/2 SE/4), the Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section Seventeen (17), Township Nineteen (19) South, Range Twenty (20) West of the 6th P.M. and the Southwest Quarter (SW/4) and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Seventeen (17), Township Nineteen (19) South, Range Twenty (20) West of the 6th P.M.

And being the same property as described in an Administrator's Deed dated April 11, 2001 Ronald E. Pridey, as Administrator of the Estate of R. L. Young, Deceased to Gene Schlegel and Cheryl Schlegel, husband and wife, recorded in Book 53, Page 420, Deed Records Rush County, Kansas.

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EXHIBIT "B"

PERMITTED EXCEPTIONS TO TITLE

NONE

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