

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 _____ **
- 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: _____

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

Effective Date of Transfer: _____

KS Dept of Revenue Lease No.: _____

Lease Name: _____

_____ Sec. _____ Twp. _____ R. _____ E W

Legal Description of Lease: _____

County: _____

Production Zone(s): _____

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 Drilling

Past Operator's License No. _____

Contact Person: _____

Past Operator's Name & Address: _____

Phone: _____

Title: _____

Signature: _____

New Operator's License No. _____

Contact Person: _____

New Operator's Name & Address: _____

Phone: _____

Title: _____

Signature: _____

Oil / Gas Purchaser: _____

Date: _____

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 _____	PRODUCTION _____	UIC _____
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KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1

July 2014

Form Must Be Typed

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**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 # _____

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

Contact Person: _____

Phone: (_____) _____ Fax: (_____) _____

Email Address: _____

Well Location:

____ - ____ - ____ - ____ Sec. ____ Twp. ____ S. R. ____ East West

County: _____

Lease Name: _____ Well #: _____

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

Surface Owner Information:

Name: _____

Address 1: _____

Address 2: _____

City: _____ State: _____ Zip: _____ + _____

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: _____ Signature of Operator or Agent: _____ Title: _____

the effective date hereof, which Assignor may maintain against any party or parties by contract or otherwise (excluding, however, any take-or-pay claims);

- c. Any and all royalties, overriding royalties, production payments, rights to take royalties in kind, or other interests in production of oil, gas and other minerals;
- d. Any and all rights and interests in or derived from unit agreements, orders and decisions of state and federal regulatory authorities establishing units, joint operating agreements, enhanced recovery and injection agreements, farmout agreements, and farmin agreements, options, drilling agreements, product sales agreements, exploration agreements, assignments of operating rights, working interests, subleases, and any and all other agreements to the extent they pertain to the Assigned Premises (excluding, however, any contracts or agreements that by their terms are not transferable);
- e. Any and all rights-of-way, easements, servitudes and franchises acquired or used in connection with operations for the exploration and production of oil, gas and other minerals from the Assigned Premises, including those which may be off the Assigned Premises but are attributable to the production and operation of the Assigned Premises;
- f. Any and all permits and licenses of any nature owned, held, or operated in connection with operations for the exploration and production of oil, gas or other minerals from the Assigned Premises, to the extent such permits and licenses are transferable;
- g. Any and all producing, non-producing, shut-in and temporarily abandoned oil and gas wells, salt water disposal wells and water wells;
- h. Any and all surface and down-hole equipment, fixtures, related inventory, gathering and treating facilities, pipe, tubing, casing and equipment, used in connection with the properties described in paragraphs a-g hereinabove (excluding automobiles and trucks).

This Assignment and Bill of Sale ("**Assignment**"), is made and accepted expressly subject to the following reservations, terms, covenants and conditions, to wit:

1. **WARRANTY**: THIS ASSIGNMENT IS MADE AND ACCEPTED WITHOUT WARRANTY OF TITLE OF ANY KIND, EITHER EXPRESS OR IMPLIED, ANY AND ALL EQUIPMENT, PERSONAL PROPERTY, AND WELLS TO BE CONVEYED HEREUNDER, SHALL BE CONVEYED WITHOUT WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE CONDITION, QUALITY, QUANTITY, OR WEIGHT, AND ASSIGNEE DOES HEREBY ACCEPT SUCH EQUIPMENT, PERSONAL PROPERTY, AND WELLS ON AN "AS IS," "WHERE IS" BASIS AND WITHOUT ANY EXPRESS OR IMPLIED WARRANTY OF FITNESS FOR ANY KNOWN PURPOSE, MERCHANTABILITY, OR OF ANY OTHER KIND.

FURTHER, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS, OR VERACITY OF ANY DATA, INFORMATION, OR MATERIALS SUPPLIED OR FURNISHED TO ASSIGNEE, WHETHER SUCH DATA, INFORMATION, OR MATERIALS ARE SUPPLIED OR FURNISHED CONTEMPORANEOUSLY HEREWITH, PRIOR TO, OR SUBSEQUENT TO THE EXECUTION HEREOF. ANY

RELIANCE UPON ANY SUCH DATA, INFORMATION, OR MATERIALS SO SUPPLIED OR FURNISHED, SHALL BE AT ASSIGNEE'S SOLE RISK.

ASSIGOR MAKES NO REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO THE DEDICATION OF NATURAL GAS, OR LACK THEREOF, WITH RESPECT TO THE PROPERTIES AND INTEREST COVERED HEREBY, NOR DOES ASSIGNOR MAKE ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE EXISTENCE OR AVAILABILITY OF ANY MARKET FOR NATURAL GAS WHICH MAY BE PRODUCED FROM THE PROPERTIES COVERED HEREBY.

ASSIGNEE DOES HEREBY EXPRESSLY WAIVE THE PROVISIONS OF CHAPTER XVII, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), VERNON'S TEXAS CODE ANNOTATED, BUSINESS AND COMMERCE CODE (THE "DECEPTIVE TRADE PRACTICES ACT"), any similar statutes of any state in which this Assignment is entered into, executed, or consummated, or any state which may exercise jurisdiction over the parties hereto or over the interests which are subject hereof, or any such similar federal rule, law, statute, or regulation.

2. **ENVIRONMENTAL MATTERS:** Assignor makes no representation or warranty of any kind, either express or implied, as to the existence or non-existence of any naturally occurring radioactive materials, hazardous wastes, or hazardous materials, on, in, or under the Assigned Premises covered hereby. Assignee shall accept the interests in the Assigned Premises and interests covered hereby on an "AS IS," "WHERE IS" basis and shall assume any and all liability and/or expense for any restoration, clean-up, disposal, or removal which may be incurred as the result of the existence or discovery of any such material or waste on, in, or under the Assigned Premises or interests covered hereby.

Assignee acknowledges that Assignee has had an opportunity to conduct an onsite environmental assessment of the Assigned Premises and to conduct such tests, examinations, investigations, and studies as may be necessary in Assignee's sole judgment, to determine the condition of the Assigned Premises and the presence of waste or contaminants. Assignee shall keep any data or information acquired by all such examinations and the results and analyses thereof strictly confidential and not disclose any of such information or data to any person or agency without the prior written consent of Assignor; provided, however, Assignee shall provide a copy of all such data and information to Assignor. Assignee shall be deemed to have inspected the Assigned Premises or waived its right to inspect the Assigned Premises for all purposes and satisfied itself as to the physical and environmental condition, both surface and subsurface, including, but not limited to conditions specifically related to the presence, release, or disposal of Hazardous Substances.

Assignee assumes full responsibility for, and agrees to indemnify, hold harmless and defend Assignor from and against all lost, liability, claims, fines, expenses, costs (including attorney's fees and expenses) and causes of action caused by or arising out of any violation of any environmental law or regulation (including common law), or the presence, disposal, release, or threatened release of any hazardous substance ("**Hazardous Substance**") (as the terms "release" and "hazardous substance" are defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA, 42 U.S.C. §§9601, *et seq.*) from the Assigned Premises into the atmosphere or into or upon land or any water course or body of water, including groundwater, whether or not attributable to the Assignor's activities or

the activities of third parties (regardless of whether or not the Assignor was or is aware of such activities) prior to, during and after the period of Assignor's ownership of the Assigned Premises. This indemnification and assumption shall apply, but is not limited to, liability for response actions undertaken pursuant to CERCLA or any other environmental law regulation.

3. **EFFECTIVE DATE**: This Assignment shall be effective as of August 21, 2018, at 7:00 a.m. local time ("**Effective Date**").
4. **OPERATIONS AFTER THE EFFECTIVE DATE; PRORATION OF PRODUCTON AND EXPENSES**: Assignor shall be responsible for payment of all expenses incurred with respect to the Assigned Premises prior to the Effective Date; provided however that Assignee is responsible for all environmental liability as per Paragraph 2 above. Assignee shall be responsible for payment of all expenses incurred with respect to the Assigned Premises after the Effective Date. "Expenses" under this Paragraph shall include any expenses incurred in operation, production, or maintenance of the Assigned Premises.

All production from oil and gas wells, and all proceeds from the sale thereof, and any accounts receivable balances, and funds held in suspense or escrow, any of which are attributable to production prior to the Effective Date shall be the property of Assignor.

All production from oil and gas wells, and all proceeds from the sale thereof attributable to production after the Effective Date, and all oil in the tanks on the Leases as of the Effective Date, shall be the property of Assignee.

5. **ASSUMPTION OF OBLIGATIONS**: Assignee shall assume all obligations and perform all duties of ownership resulting from the ownership of the Assigned Premises, including, but not limited to, the following:
 - a. Assignee shall execute any forms or documents and file same as required to effect a change of ownership on the records of the Kansas Corporation Commission, Oil and Gas Conservation Division.
 - b. Assignee shall operate any and all wells in compliance and conformity with the applicable laws of the State of Kansas and the rules and regulations of the Kansas Corporation Commission, Oil and Gas Conservation Division.
 - c. Assignee shall properly plug any and all wells conveyed, in accordance with the applicable laws of the State of Kansas and the rules and regulations of the Kansas Corporation Commission, Oil and Gas Conservation Division if and when the well(s) conveyed herein are abandoned or are required to be plugged.
 - d. Assignee shall assume all obligations, express or implied, of Assignor under the Assigned Premises insofar as such obligations are applicable to the rights herein assigned, whether such obligations arise from lease, contract, agreement, or otherwise, as well as all of the obligations hereof.

- e. Assignee shall assume all obligations to restore the surface of the lands covered by the Leases with regard to surface damages caused by prior, existing and future oil and gas exploration and production activities conducted under the terms of the Leases.
6. **EXISTING BURDENS:** The interests in the Assigned Premises covered by this Assignment are conveyed by Assignor and accepted by Assignee subject to all existing burdens with which the Assigned Premises are encumbered, and Assignee hereby assumes and agrees to pay, perform, or carry, as the case may be, each of the existing burdens to the extent that such existing burdens are to remain a burden on the interest in the Assigned Premises herein assigned. The term "existing burdens" as used herein shall mean all royalties, overriding royalties, production payments, net profit obligations, carried working interests and any and all other payments out of or with respect to production, with which the Assigned Premises are burdened as of the date hereof.

Additionally, Assignee agrees to assume and comply with the terms, conditions, and covenants of all existing operating agreements, unit agreements, product sales agreements, gas purchase and sale agreements, farmout agreements, as well as any and all other agreements to which the Assigned Premises may be subject. Any and all obligations, duties, and liabilities accruing under such agreements shall be assumed by and become the responsibility of Assignee. This Assignment is subject to any pre-existing preferential rights to purchase in favor of third parties whether known or unknown.

7. **TAXES:**

- a. Property and ad valorem taxes with respect to the Leases shall be prorated between Assignor and Assignee as of the Effective Date. Sales taxes, documentary stamp taxes, transfer taxes, and other similar taxes resulting from the acquisition of the Assigned Premises shall be paid by Assignee. Assignee shall remit all such taxes which result from the sale, directly to the appropriate taxing agency.
- b. Assignee shall be responsible for the payment of all other taxes relating to its interests in the Assigned Premises from and after the Effective Date. Assignor shall be responsible for the payment of all other taxes relating to its interest in the Assigned Premises prior to the Effective Date.

8. **INDEMNIFICATION:**

- a. Assignee shall defend, indemnify and hold harmless Assignor, its affiliates, and their respective officers, partners, employees, and agents, and their respective successors and assigns, from any and all liability, liens, demands, judgments, suits, and claims of any kind or character arising out of, in connection with, or resulting from Assignee's ownership or operation of the properties covered hereby on or after the Effective Date, including, but not limited to, claims for injury or death of any persons, or damage, loss, or destruction of any real or personal property under any theory, including tort, contract or strict liability. Assignee further covenants and agrees to defend any suits brought against Assignor, its affiliates, and their respective officers, partners, employees, and agents, and their respective successors and assigns, on account of any such claims and to pay any judgments against any of them resulting from any such suit or suits, along with all costs and expenses relative to any such claims, including attorney's fees; provided, Assignor shall, nevertheless, at its cost and

expense, have the right, if it so elects, to participate in the defense of any such suit or suits in which it may be a party, without relieving Assignee of the obligation to defend the same.

b. Except as provided for in Paragraph 2 above, Assignor shall defend, indemnify and hold harmless Assignee, its successors and assigns, from any and all liability, liens, demands, judgments, suits, claims of any kind or character arising out, in connection with, or resulting from Assignor's ownership and operation of the Assigned Premises, prior to the Effective Date; including, but not limited to, claims for injury or death of any persons, or damage, loss, or destruction of any real or personal property under any theory, including tort, contract or strict liability. Assignor further covenants and agrees to defend any suits brought against Assignee on account of any such claims and to pay any judgment against Assignee, resulting from any such suit or suits, along with all costs and expenses relative to any such claims, including attorneys fees; provided, Assignee shall, nevertheless, at its own cost and expense, have the right, if it so elects, to participate in the defense of any such suit or suits in which it may be a party without relieving Assignor of the obligation to defend the same.

c. **EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS ASSIGNMENT SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (INCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY, OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY) WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE, OR PASSIVE.**

9. **BILL OF SALE**: To the extent necessary or required by applicable law, this instrument shall constitute a bill of sale of the equipment, fixtures and all other personal property conveyed hereunder.

10. **RESERVATION OF RIGHTS NOT ASSIGNED**: Assignor expressly excepts here from and reserves unto itself, its successors and assigns, all rights, titles, and interests, in and under the Leases not specifically assigned hereunder, together with full rights of ingress and egress over the surface use of the lands covered hereby, to prospect and drill for, develop, produce, and market oil, gas, and other minerals from the interests reserved herein, if any. Assignor further expressly reserves such other rights and privileges as are necessary or expedient to Assignor in fulfilling the obligations of the Leases as to all such reserved rights and interests.

11. **RECORDATION**: Assignee shall properly execute, acknowledge and file this instrument for record immediately upon receipt thereof, and will furnish to Assignor the recording data promptly after Assignee's receipt of such recorded instrument from the County Clerk of Montgomery County, Kansas.

12. **MISCELLANEOUS**:

a. The paragraph headings used in this Assignment are inserted for convenience only and shall not be regarded in construing this Assignment.

b. If any provision of this Assignment is held invalid, such invalidity shall not affect the remaining provisions.

Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

- c. This Assignment is made free and clear of any arrangement which is treated as a partnership for federal income tax purposes.
- d. Any and all costs associated with the assignment or transfer hereunder of any properties or equipment shall be the sole responsibility and obligation of the Assignee.
- e. The parties agree to do such further acts or execute such further documents as may reasonably be required to properly create or confirm title to the Assigned Premises or to transfer the Assigned Premises to Assignee.


TO HAVE AND TO HOLD the same unto the Assignee, its successors and assigns, according to the terms, covenants and conditions of the Leases and other interests conveyed hereunder.

The reservations, terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee, their respective successors and assigns, and shall attach to and run with the Leases, the lands covered thereby, and with each transfer or assignment thereof.

IN WITNESS WHEREOF, this instrument is executed this 21st day of AUGUST, 2018, and made effective the 21st day of August, 2018.

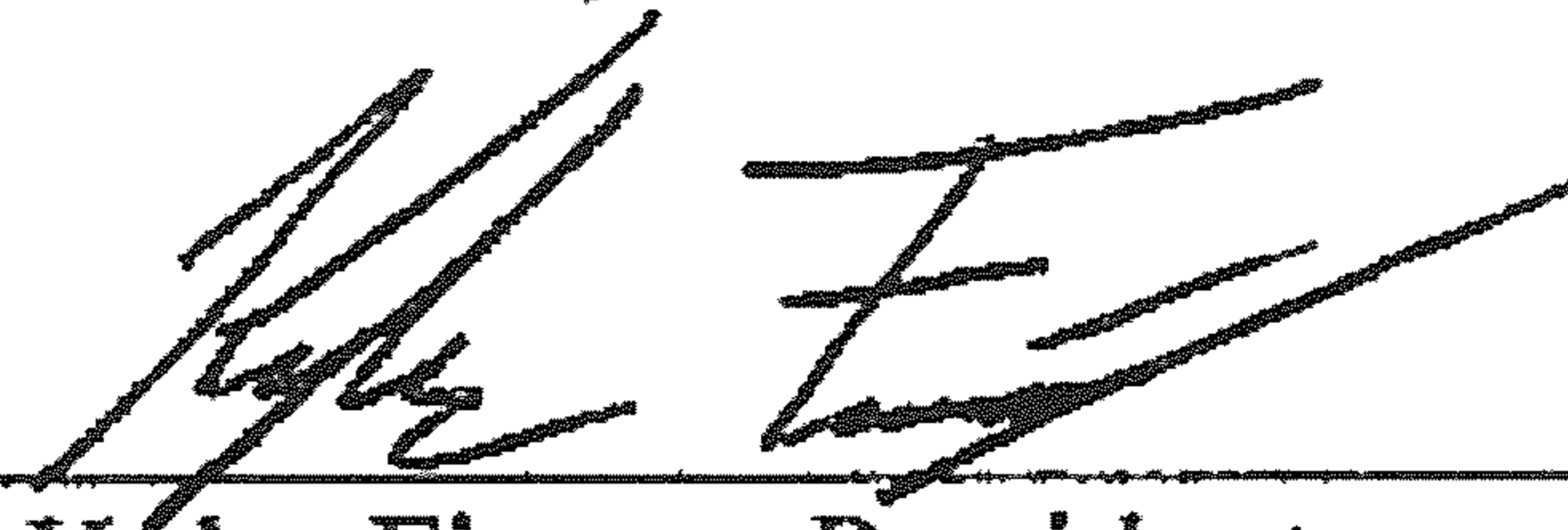
ASSIGNOR:

MAGNUM PRODUCING, LP
By: Magnum O&G, Inc., General Partner

By: 
Avinash C. Ahuja, President

ASSIGNEE:

K. F. HOLDINGS, LLC

By: 
Kyler Finney, President

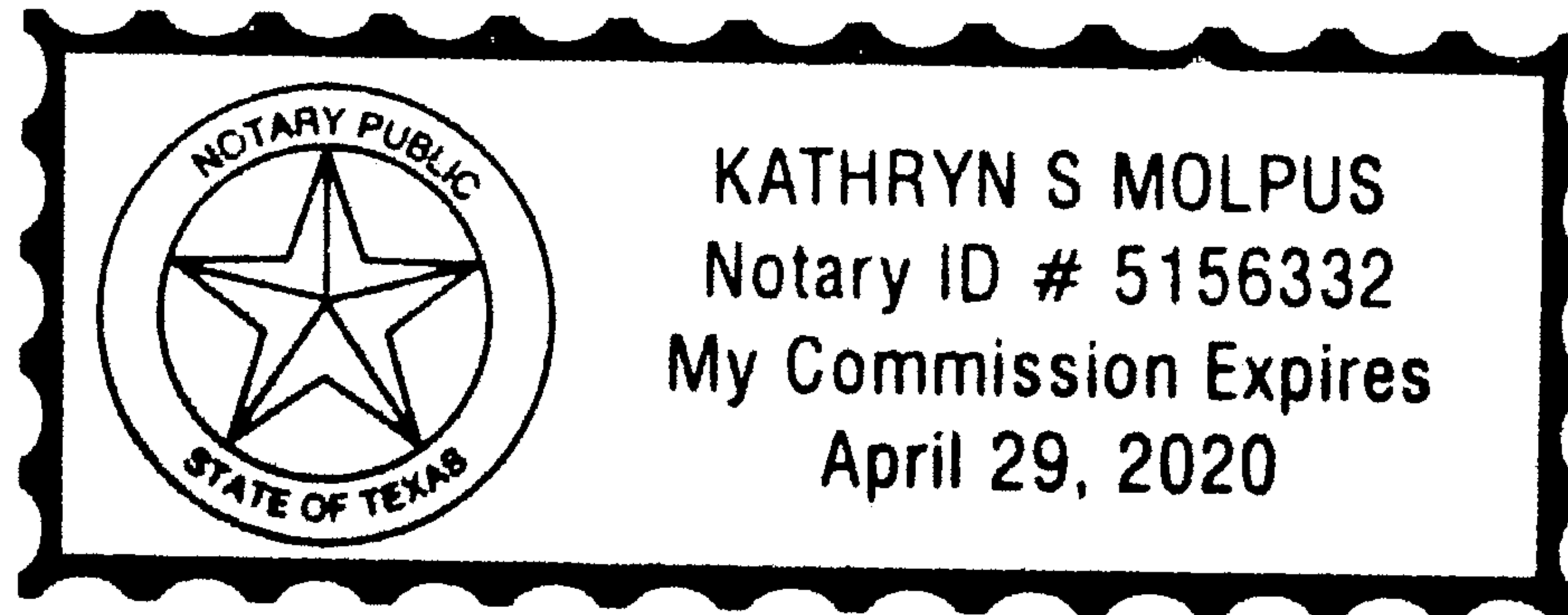
Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

ACKNOWLEDGEMENTS

STATE OF TEXAS §

COUNTY OF NUECES §

This instrument was acknowledged before me on the 21ST day of August, 2018, by **AVINASH C. AHUJA**, President of Magnum O & G, Inc., said corporation acting as General Partner of Magnum Producing, LP, a Texas limited partnership, on behalf of said limited partnership.



Kathryn S. Molpus
Notary Public, State of Texas

STATE OF KANSAS §

COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 20th day of August, 2018, by **KYLER FINNEY**, as President of K. F. Holdings, LLC, on behalf of said Entity.



[Signature]
Notary Public, State of Kansas

Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

ASSIGNOR:

HILEX ENERGY, LLC

By: Anand Gupta
Anand Gupta, President 8/20/18

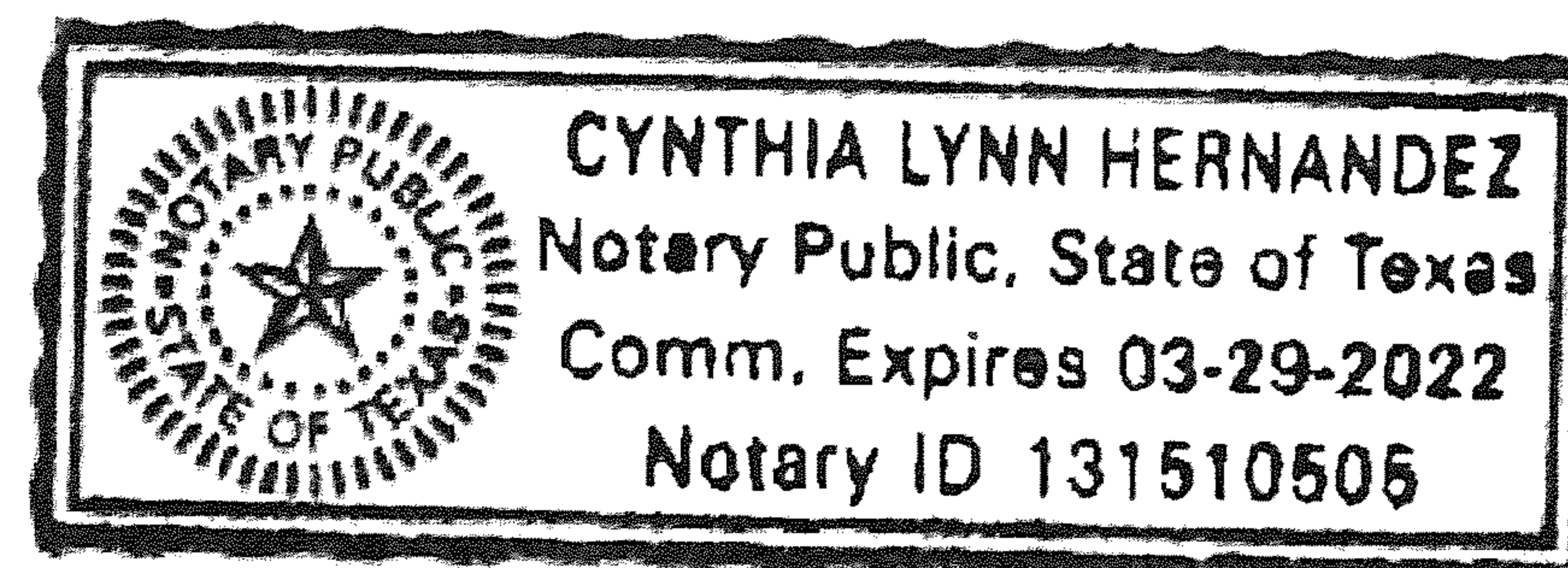
ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 20 day of August, 2018,
by **ANAND GUPTA**, as President of Hilex Energy, LLC, on behalf of said Entity.

Cynthia Lynn Hernandez
Notary Public, State of Texas



Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

ASSIGNOR:

LANGHAM, PEPPER & ASSOCIATES, INC.

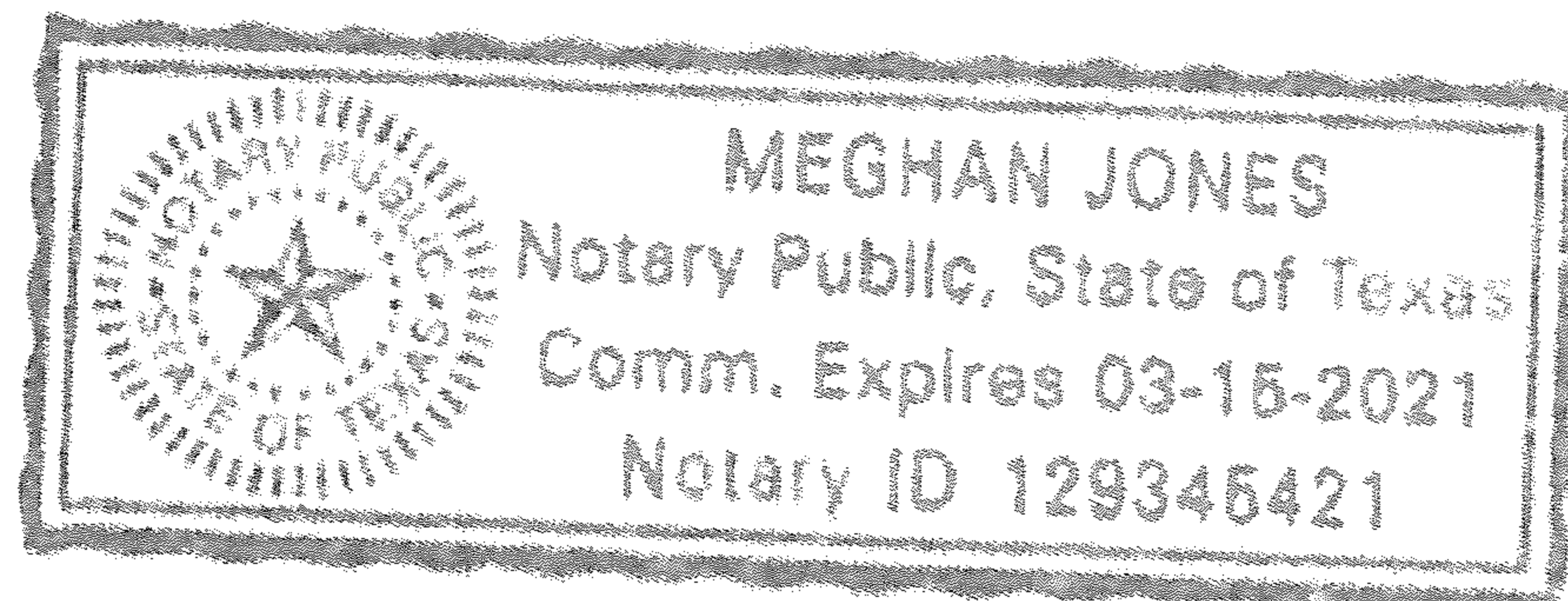
By: *R. John Pepper*
John Pepper, President

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 20th day of August, 2018,
by **JOHN PEPPER**, as President of Langham, Pepper & Associates, Inc., on behalf of said Entity.




Meghan Jones
Notary Public, State of Texas

Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

ASSIGNOR:

RAJAN AHUJA

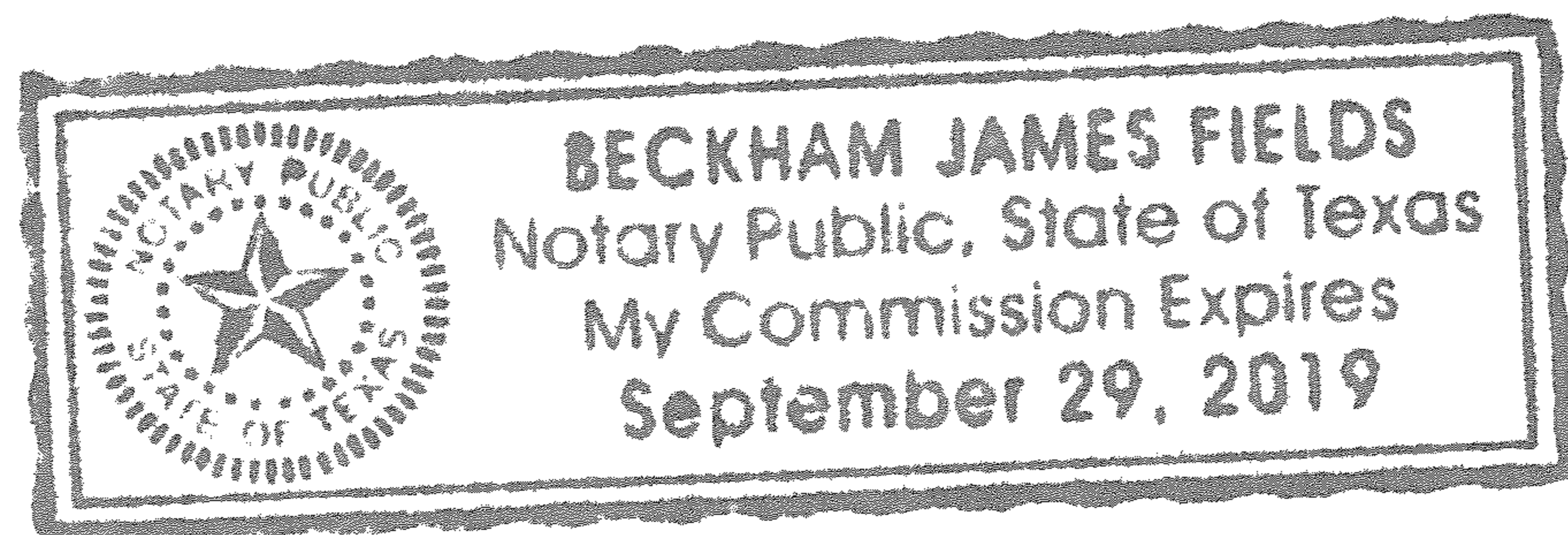
By: 
Rajan Ahuja, Individual


ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF NUECES §

This instrument was acknowledged before me on the 20th day of AUGUST, 2018, by **RAJAN AHUJA**, an Individual.




Notary Public, State of Texas

Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

EXHIBIT "A"

Attached to and made a part of that certain Assignment and Bill of Sale dated effective August 21, 2018, by and between Magnum Producing, LP, ET AL, Assignor, and K. F. Holdings, LLC, Assignee

LEASES

A. D. Berry Lease
Hazlett-Berry Lease
Horton, Lillian Lease
James, Martha Lease
Defenbaugh Lease
Defenbaugh Dwight Lease

BERRY LEASES:

DATED: April 14, 1906
LESSOR: A. D. Berry and Mary Berry, his wife
LESSEE: J. D. Hazlett
RECORDED: Book 4, Oil, Page 230 in the Office of the Register of Deeds
PROPERTY: E/2NE/4, Section 33, T33S, R14E
Montgomery County, Kansas
WI: 100%
NRI: .82031250

DATED: February 6, 1903
LESSOR: A. D. Berry, et ux
LESSEE: R. S. Patty
RECORDED: Book 66, Deeds, Page 174
PROPERTY: Insofar as said Lease covers the SE/4, Section 33, T33S, R14E,
Montgomery County, Kansas
WI: 100%
NRI: .82031250

DEFENBAUGH LEASE:

DATED: February 6, 1913
LESSOR: C.J. Defenbaugh and Arrazella Defenbaugh, his wife
LESSEE: J. H. Craig and A. W. Lucas
RECORDED: Book 8, Oil, Page 31
PROPERTY: N/2SE/4, Section 4, T34S, R14E,
Montgomery County, Kansas
WI: 100%
NRI: .78125000

Assignment and Bill of Sale
Magnum Producing, LP et al to K. F. Holdings, LLC
Wayside Field Kansas
Montgomery County, Kansas

DEFENBAUGH DWIGHT LEASE:

DATED: August 25, 2008
LESSOR: Richard E. Defenbaugh and Monica B. Defenbaugh,
husband and wife
LESSEE: Magnum Producing, LP
RECORDED: Book 579, Page 183 in the Office of the Register of Deeds
PROPERTY: S/2SE/4, Section 4, T34S, R14E,
Montgomery County, Kansas
WI: 100%
NRI: .83333000

JAMES LEASE:

DATED: March 23, 1903
LESSOR: Joseph Hall and Sarah Hall, his wife
LESSEE: W. M. Bowersock
RECORDED: Book 2, Oil, Page 311 in the Office of the Register of Deeds
PROPERTY: E/2NE/4, Section 4, T34S, R14E,
Montgomery County, Kansas
WI: 100%
NRI: .82031250

HORTON LEASE:

DATED: January 30, 1903
LESSOR: Thomas H. Jones and Mary M. Jones, his wife
LESSEE: Charles D. Gillespie
RECORDED: Book D of Miscellaneous, Page 119 of the Office of the Register
of Deeds
PROPERTY: W/2NE/4 (aka, Lot 2 and SW/NE/4), Section 4, T34S, R14E,
Montgomery County, Kansas, less and except 35 acres more or
less lying north of the center line of the railroad right-of-way.
WI: 100%
NRI: .84375000

OPERATING AGREEMENT

THIS AGREEMENT is entered into by, between and among Kyler Finney d/b/a Finney Oil Co., hereinafter designated and referred to as "Operator", and the other signatory parties hereto, referred to as "Non-Operators".

WHEREAS, the parties to this Agreement are the owners of interests in Oil and Gas Leases in the lands identified in Exhibit "A" attached hereto and make this Agreement to provide for the ownership, development and operation of the Oil and Gas Leases hereinafter described.

NOW, THEREFORE, it is agreed by and between the parties as follows:

ARTICLE I Definitions

As used in this Agreement, the following words and phrases have the meaning here ascribed to them:

"Contract Area" means all of the area contained within the lands covered by the Oil and Gas Leases described in Exhibit "A" attached hereto, and includes all depths and subterranean formations thereon unless limited or excluded by the applicable Oil and Gas Lease. The Contract Area may be expanded by the addition of Oil and Gas Leases subject to this Agreement and may be contracted by the loss, surrender or sale of Oil and Gas Leases subject hereto.

"Consenting Party" shall mean a party who agrees to join in and pay its proportionate share of the cost of any development operation conducted under the provisions of this Agreement, and **"Non-Consenting Party"** means a party who elects not to participate in a proposed development operation.

"Joint Account" shall mean the joint economic interest of the parties to this Agreement, which shall encompass and include any bank accounts administered by the Operator for the benefit of the parties hereto. Anything, benefit, or detriment **"for the joint account"** means an asset, revenue or liability shared by the parties in accordance with their respective interests in the Contract Area and the terms of this Agreement.

"Oil and Gas Leases" means the leases, licenses, farm-ins, participations or other rights to prospect, explore, develop and produce oil and gas within the Contract Area, but does not mean fee, or mineral fee, lands owned by the parties

except to the extent covered by a consensual oil and gas lease granted to the parties to this Agreement. The term Oil and Gas Lease shall be deemed to include the wells and production equipment located thereon and used in connection therewith.

ARTICLE II Exhibits

The following Exhibits are attached hereto and made a part hereof by reference:

- Exhibit "A": Oil and Gas Leases subject to this Agreement.
- Exhibit "B": The interests of the parties in the Oil and Gas Leases subject to this Agreement.
- Exhibit "C": The addresses and contact information of the parties subject to this Agreement.

ARTICLE III Interests of the Parties

A. Initial Interests in Costs and Revenues. The initial fractional interests of the parties in the Oil and Gas Leases subject to this Agreement are as set forth in Exhibit "B" attached hereto. The respective parties shall bear the indicated fraction (percentage) of the costs associated with each Oil and Gas Lease and shall be entitled to receive the same fraction (percentage) of the revenues associated therewith.

B. Burdens Created by a Party. If any party should create a burden against its fractional interest in revenues from any Oil and Gas Lease in the form of a mortgage, security interest, production payment or overriding royalty interest, then such burden shall nevertheless remain subject and inferior to the fractional cost sharing obligation of the party creating the burden.

ARTICLE IV Conveyances and Title

A. Conveyances. Each party shall be obligated to convey to the other parties entitled thereto, by good and sufficient assignment and bill of sale, their respective interests in the Oil and Gas Leases set forth in Exhibit "A" attached hereto, to the extent such conveyance is feasible and desirable. To the extent such conveyance is not feasible or desirable, a party holding title shall do so, in trust, for the benefit of the other parties.

B. Title Examination. Title examinations shall be conducted at the joint expense of the parties as deemed necessary by Operator in connection with Oil and Gas Lease acquisitions, pre-development, and/or for division order purposes.

C. Loss of Title. All losses of title shall be borne jointly by the parties in accordance with their respective interests in the title lost. Provided, however, if the loss of title is specific to the interest of a single party due to failure in such parties' chain of title to the interest lost, then only that party shall bear the loss.

ARTICLE V
Operator

A. Designation and Responsibilities of Operator. Kansas Petroleum Resources, LLC shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations in the Contract Area as permitted and required by, and within the limits of, this Agreement. Operator shall conduct all operations in a good and workmanlike manner, but it shall have no liability to the other parties for losses sustained or liabilities incurred, except as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator.

1. Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, assigns the rights of operatorship under the terms of this Agreement without consent of the owners of a majority of the remaining working interests, or is no longer capable of serving as Operator, then Operator shall be deemed to have resigned. Operator may be removed by Non-Operator if it fails or refuses to carry out its duties hereunder.
2. Upon resignation or removal of Operator, a successor Operator shall be selected by the affirmative vote of the owners of a majority interest (calculated on working interest percentage ownership). If a majority vote cannot be secured for a replacement Operator, then any party may Petition the District Court of Cowley County, Kansas, for the appointment of a Receiver to operate the Oil and Gas Leases, the cost of receivership to be borne by the parties as a cost of operation.

C. Employees. The number and identity of employees in conducting operations, their selection, and the hours of labor and rates of compensation shall be as determined by Operator.

D. Contractors. The identity and rates of compensation of all drilling, service, construction and other contractors within the Contract Area shall be as determined by Operator.

E. Operator's Compensation and Reimbursement. Operator shall be entitled to compensation and reimbursement as follows:

1. A general overhead and supervision allowance of \$_____ per well within the Contract Area to be determined. Operator shall follow procedures outlined in ARTICLE VII PART B. New drilled wells will

be subject to new Operating Agreement for the drilling of new wells. This fee covers accounts receivable, accounts payable and necessary filings. Detail of accounting responsibilities as in Article VII part B.

2. A pumping allowance equal to the cost of the third party pumper from time to time engaged in the Contract Area.
3. Reimbursement for all out-of-pocket expense reasonably incurred in development and operations in the Contract Area.

The rates of compensation and reimbursement shall be reviewed quarterly by the parties and shall be subject to amendment from time to time as the parties may agree.

F. Related Party Transactions.

1. Operator may from time to time use or apply its own tools, machinery and equipment in the conduct of operations, or may contract with one or more Non-Operators for the use of their tools, machinery and equipment in the conduct of operations, and the party furnishing tools, machinery or equipment shall be entitled to receive compensation from the Joint Account for the use thereof at reasonable and competitive industry rates.
2. Operator may from time to time transfer equipment from Lease to Lease and Operator shall charge and credit the parties for the reasonable replacement value for equipment of like kind, character and quality. Operator may sell equipment to the Joint Account, or may purchase equipment from Non-Operators and charge the Joint Account, and if the equipment is new the charge shall be at cost but if used shall be at replacement value for equipment of like kind, character and value.

G. Sale of Products. Operator, with the consent of the owners of a majority percentage interest in the Oil and Gas Leases, may contract for the sale of oil and/or gas produced from such Lease, and Operator shall not otherwise dedicate, commit or contract for the sale of products except on a month to month basis. The determination of Operator with the consent of the owners of a majority percentage interest shall be binding upon all other interest holders. Interest holders shall not be entitled to take their shares of production in kind.

H. Permitted Assignment of Rights of Operator. Operator is permitted to assign the rights, subject to all of the obligations, of Operator to a business entity under his ownership and control. Operator shall give written notice to Non-Operators of any such assignment and upon request of any part an

Amendment to this Operating Agreement shall be executed by all parties designating the assignee as Operator.

ARTICLE VI
Acquisition, Development and Divestment

A. Acquisition. Operator shall immediately commence, and thereafter diligently prosecute, the work necessary to continue operations on the Leases.

B. Further Development. Should any party desire to subsequently drill, deepen or rework a well (or should any party desire to construct, or to substantially expand or extend other lease facilities) then the party desiring to conduct such further development shall give the other parties written notice of the proposed development, which notice shall specify in sufficient detail the development to be undertaken, the location, the objective depths or outcomes, and the estimated costs. If all parties elect to participate, then Operator shall promptly proceed to undertake such development.

C. Development By Less Than All Parties. If less than all of the parties elect to participate in development, then the parties electing to participate (the "Consenting Parties") shall be entitled to proceed at their sole risk and expense (and in relative proportion to the interests of the parties electing to participate). If such development activity results in production or other revenue in paying quantities, then such well or other facilities shall be operated by Operator, and shall be separately accounted for, the Consenting Parties to receive their respective shares of revenue, subject to their respective shares of expense, until the Consenting Parties have received revenue, net of expenses, equal to 200% of the cost of the development activity. After recovery of such sum, the Non-Consenting Parties shall be entitled to participate in accordance with their pre-existing interests.

D. Mandatory Participation. Participation in operations with respect to an existing well or wells, or otherwise with respect to Oil and Gas Leases, in the nature of workover, repairs, overhauls, replacements, whether minor or major, and whether necessitated by breakage, obsolescence, or regulatory and safety compliance, shall be mandatory and shall not be subject to the non-consent provisions of paragraph VI.B., above. Likewise, participation in well plugging, clean-up and restoration work required to be performed under the terms of an Oil and Gas Lease, or as a regulatory compliance matter, shall be mandatory. Participation in the drilling, deepening or rework of a well as a "protection well" (i.e. a well necessary to protect against drainage by offsetting wells) shall also be mandatory, unless other parties to this Agreement voluntarily elect to proceed under paragraph VI.B.

E. Abandonment of Wells or Leases. If Operator should determine to abandon any well or wells, or should determine to abandon any Oil and Gas Lease in its entirety, it shall notify the other parties, and the other parties shall have the right to elect to take the well or wells, or the entirety of the Oil and Gas Lease, paying the Joint Account the "net salvage value" of the well, or wells, and the related Oil and Gas Lease equipment. For this purpose, net salvage value means

the realizable value of the equipment associated with the well, wells or Leases, less the reasonably estimated value of plugging, clean-up and restoration.

F. Time. The time permitted for any party to exercise a right or privilege pursuant to the provisions of this Article VI shall be 30 days from receipt of written notice of the existence of such right or privilege.

ARTICLE VII Expenditures and Liability of the Parties

A. Liability of the Parties. The liability of the parties shall be several, not joint or collective. A party having no interest in an Oil and Gas Lease or Other Facility from which a liability arises, shall have no responsibility or obligation with respect to such liability. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of acquiring, developing and operating the Contract Area. Accordingly, the liens granted among the parties in this Article VII are given only to secure the debts of each severally. It is not the intention of the parties to create, nor shall this Agreement be construed as creating, a mining or other partnership or association, or render the parties liable as partners.

B. Payments and Accounting. Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area, and shall charge each of the parties hereto their respective proportionate share of costs in accordance with Exhibit "B". Operator shall keep accurate record of the Joint Account hereunder, showing expenses incurred and charges and credits made and received. Operator shall routinely invoice Non-Operators for expenses of the Joint Account within 30 days of the end of each calendar month. Operator, at its election, shall have the right from time to time to demand and receive from the Non-Operators payment in advance of their respective shares of the estimated amount of the expense to be incurred in acquisition, development, construction or operation. Operator shall promptly and within 10 days of receipt of revenues or other monies to which the parties are entitled, remit to Non-Operators their respective shares of such revenues or other monies. Operator shall invoice Non-Operators for operating and development expenses and other charges due from Non-Operators, and Non-Operators shall remit to Operator within 10 days of receipt of invoice. Operator shall be entitled to offset any revenues or other monies due a Non-Operator if such Non-Operator has not timely remitted upon Operator's invoices. Sums not paid when due from either party shall bear interest at 10% per annum.

C. Limitation on Expenditures. Operator shall not incur any liability for any simple project in excess of \$10,000 without the prior consent of the other parties. The limitation shall not apply to unanticipated repairs, damages or regulatory liability unavoidably incurred.

D. Rentals, Etc. Operator shall remit rentals, shut-in well payments, royalties and minimum royalties as the same become due, the cost thereof to be borne by the Joint Account.

E. Taxes. Operator shall timely prepare and file all tax renditions and severance reports, and all such taxes shall be borne by the Joint Account.

F. Insurance. Operator shall comply with the worker's compensation laws of the States in which the Contract Area is located, premiums therefore to be borne by the Joint Account. Operator shall also maintain in force general commercial liability insurance insuring operations in the Contract Area, and naming Non-Operators as additional insureds, with minimum coverage of \$1,000,000 per occurrence, \$2,000,000 aggregate. The cost of such liability insurance shall be borne by the Joint Account.

G. Security Interests and Liens. Each Non-Operator grants to Operator a security interest and lien upon Non-Operator's interest in the Oil and Gas Leases, the oil and gas produced therefrom and all equipment associated therewith, whether now owned or hereafter acquired, the proceeds therefrom and products thereof, to secure Non-Operator's share of costs in the Contract Area. Operator may require Non-Operators to contribute a prorata share of a defaulting Non-Operator's costs, in which event the contributing Non-Operators shall be subrogated ratably to Operator's security interest and lien against the interest of the defaulting Non-Operator. If a party fails to cure a payment default within 30 days of the date due, the holders of the security interest and lien shall be entitled to foreclose against the interest in the manner provided by the Uniform Commercial Code.

ARTICLE VIII

Maintenance and Transfer of Interests

A. Renewal or Extension of Leases. If any party secures a renewal or extension of any Oil and Gas Lease within the Contract Area, all other parties shall be notified promptly and shall have the right to elect to participate by tendering their share of acquisition cost for the renewal or extended term.

B. Preferential Right to Purchase. If any party should receive a bona fide offer to purchase such party's interest, or a portion thereof, in the Contract Area, the remaining parties shall have the right of first refusal to purchase upon the same terms as offered by the third party, such right being exercisable by the remaining parties in proportion to their respective interests. In the event there is more than one party entitled to exercise the preferential right of purchase under this paragraph, and if any of them elects not to exercise the right of purchase (or elects to purchase less than their proportionate interest), then the remaining party or parties entitled to exercise the preferential right of purchase shall be entitled to purchase, in proportion to their respective interests, the interest to which the party electing not to exercise the right (or the portion of such proportionate interest which it does not elect to purchase), until the entire interest of the selling party is taken by purchase. If the parties entitled to exercise the preferential right of purchase fail to exercise the right of purchase as to the entire interest of the selling party, then the right of first refusal shall not be deemed effectively exercised as to any of the selling party's interest. If the interests of the parties entitled to exercise the right of purchase are Non-Uniform, then the preferential right shall be exercisable proportionately Lease by Lease

and Facility by Facility in accordance with the parties' interests therein, respectively. The right of first refusal shall not apply to transfers between related persons or entities for business or estate planning purposes.

C. Conflict Resolution. In the event of conflict between the parties, they shall negotiate for compromise and settlement on fair and reasonable commercial terms. If compromise and settlement cannot be negotiated, then the parties shall negotiate for division of the Oil and Gas Leases among them in-kind, and/or for a voluntary buy/sell arrangement between them. If division in-kind or a voluntary buy/sell cannot be negotiated, then either party may resort to judicial partition.

ARTICLE IX Internal Revenue Code Election

This Agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this Agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this Agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Internal Revenue Service. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X Claims and Lawsuits

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars (\$5,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of

the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this Agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI Force Majeure

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII Notices

All notices authorized or required between the parties and required by any of the provisions of this Agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "C". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII
Term of Agreement

This Agreement shall remain in full force and effect so long as any Oil and Gas Leases subject to this Agreement remain or are continued in force as to any part of the Contract Area, unless sooner terminated by the Agreement of the parties or sale of all of the interests of the parties to this Agreement.

ARTICLE XIV
Miscellaneous

A. Laws, Regulations and Orders. This Agreement shall be subject to the laws of the United States, the states in which the Contract Area is located, and all valid rules, regulations and orders of administrative authorities with jurisdiction.

B. Execution. Execution of this Agreement in multiple identical counterparts shall be as effective as if a single document is executed by all parties. Failure or refusal of any named party to execute this Agreement shall not invalidate this Agreement, and this Agreement shall remain effective as to the parties' signatory hereto.

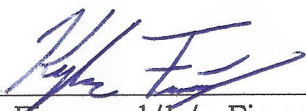
C. Amendment. This Agreement may be amended only by written instrument signed by the parties hereto.

D. Governing Law. This Agreement and all matters pertaining hereto, shall be governed by the laws of the states in which the Contract Area is located.

E. Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns.

IN WITNESS WHEREOF this Agreement is executed by the parties.

OPERATOR



Kyler Finney, d/b/a Finney Oil Co.

NON-OPERATORS

K. F. Holdings, LLC

By: 

Kyler Finney, President

Kyler Finney d/b/a Finney Oil Co.

OPERATING AGREEMENT

EXHIBIT "A"

List of Leases

A.D. Berry Lease

Hazlett-Berry Lease

Horton Lease

James Lease

C.J. Defenbaugh Lease

Dwight Defenbaugh Lease

Kyler Finney d/b/a Finney Oil Co.

OPERATING AGREEMENT

EXHIBIT "B"

The Interests of the Parties

NON-OPERATORS
K. F. Holdings, LLC

Working
Interest

100%

Kyler Finney d/b/a Finney Oil

OPERATING AGREEMENT

EXHIBIT "C"

Addresses of the Parties for Notice Purposes

Operator: Kyler Finney d/b/a Finney Oil Co.
2312 CR 3200
Independence, KS 67301
Phone:918-440-8878

Non-Operators: K. F. Holdings, LLC
2312 CR 3200
Independence, KS 67301
Phone:918-440-8878