

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: _____

Oil / Gas Purchaser: _____

Date: _____

Title: _____

Signature: _____

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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**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: _____

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") made and entered into this 8th day of October, 2018, by and between K & N Petroleum, Inc. ("Seller"), and American Oil, LLC, a Limited Liability Company, ("Buyer"). Seller and Buyer are sometimes referred to collectively as the "Parties" and individually as a "Party".

WHEREAS, Seller desires to sell to Buyer and Buyer desires to purchase from Seller on the terms and subject to the conditions set forth in this Agreement, 100% of the leasehold interest in the Musenberg "C" Lease located in the S/2 of 7-17S-9W Ellsworth County, Kansas ("Lease"). The leasehold interest in the Lease shall include all rights to operate the wells located on the Lease and all equipment and inventory associated with operating said Lease which are situated on the land covered by the Lease, including but not limited to wellheads, tanks, pumps, compressors, separators, heater treaters, valves, fittings, equipment, machinery, fixtures, flowlines, pipelines, platforms, tubular goods, materials, tools and supplies.

NOW THEREFORE in consideration of the premises and mutual promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

1. **Conveyance of Lease.** Seller shall convey to Buyer, 100% of the leasehold interest in and to the Lease. The net revenue interest in the Lease conveyed to Buyer shall not be less than 87.5% and shall be subject to the landowner's 1/8th royalty.
2. **Purchase Price.** In consideration for sale of the Lease, Buyer shall pay to Seller [REDACTED], the entire balance of which shall be due on or before the Closing Date, ("Payment"). The Payment shall be paid at Closing by Buyer pursuant to cashier's check made payable to the entities of Seller's choosing.
3. **Closing.** The purchase and sale of the Lease shall occur on or before November 30, 2018 ("Closing Date"), at the offices of K & N Petroleum, Inc., located at 1105 Walnut, Great Bend, Kansas 67530, at 10:00 a.m., Central Standard Time, or such other date, time, and place as Seller and Buyer may agree in writing ("Closing"). At Closing, the following shall occur:
 - a. Seller shall deliver to Buyer, Assignments of 100% of the leasehold interest in the Lease, along with Bills of Sale to the leasehold equipment and personal property being sold herein, all of which shall be free and clear of all mortgages, liens and encumbrances of every nature whatsoever;
 - b. Seller shall provide documentation to Buyer sufficient to show that the Assignments and Bills of Sale have been executed by individual(s) possessing the necessary authority to execute said instruments.
 - c. Buyer and Seller shall execute, acknowledge and deliver a duplicate original Closing Statement and/or any such other instruments as are reasonably necessary to effectuate the conveyance of the Lease to Buyer.

4. **Title.** Buyer shall be responsible for securing an acquisition title opinion for the Lease. If, as a result of the title opinion it obtains, Buyer determines that the Lease has title defects which prevent it from obtaining clear title to the Lease from Seller, and/or Seller's leasehold interest owners, it shall promptly notify Seller of said defects. After such notice is given, Seller shall have not less than 30 days thereafter in which to remedy or cure said title defects. Buyer shall be responsible for all costs associated with title examination and Seller shall pay all costs to remedy or cure title defects.

5. **Assignment from Third Parties.** In the event that the title opinion secured by Buyer discloses that Seller does not have record title to 100% interest in the Lease, Seller agrees that it will secure all necessary assignments of the Lease from all third parties identified in said opinion prior to Closing.

6. **Common Tank Battery.** Seller agrees that, prior to Closing, it will secure a common tank battery agreement which allows oil produced from the SE/4 or SW/4 of the Lease to be commingled into one tank battery and will pay the first year of rentals associated with said agreement.

7. **Buyer's Rescission.** Buyer may rescind this Agreement, at its sole discretion, for any of the following reasons:

- a. Seller failing to remedy or cure a title defect within 30 days of Buyer providing notice to Seller of such defect.
- b. Seller failing to provide Buyer 100% leasehold interest in the Lease at Closing.
- c. Seller providing Buyer with a net revenue interest in the Lease which is less than 87.5%.
- d. Seller failing to acquire a common tank battery agreement prior to Closing.

Rescission shall be made by Buyer to Seller in writing and shall disclose the reason for the rescission.

8. **Seller's Rescission.** Seller may rescind this Agreement, at its sole discretion, for the following reason:

- a. The cost of remedying or curing title defects identified by Buyer becomes prohibitive. For purposes of this clause, Seller and Buyer agree that Seller may not invoke this clause if the expected costs for remedying or curing title defects do not exceed \$5,000.00.

Rescission shall be made by Seller to Buyer in writing and shall disclose the reason for the rescission.

9. **Seller's Representations and Warranties.** Seller represents and warrants to Buyer that as of closing, the following statements are accurate:

- a. Seller is a duly organized and validly existing company, in good standing, under the laws of Kansas. Furthermore, it is qualified to do business in the State of Kansas and that it has the necessary power and authority to own and operate the Lease and to carry on business as now conducted and to enter into and to carry out the terms of this Agreement.
- b. Edward S. Nemnich is President of K & N Petroleum, Inc. and is authorized to enter into and execute this Agreement on behalf of said company.
- c. That all royalties, overriding royalties and other payments applicable to, or associated with, the Lease have been properly and timely paid in all material respects to their respective owners and that all conditions necessary to maintain the Lease in force and effect have been performed in all material respects.
- d. Seller has not previously sold, assigned, transferred, conveyed, farmed-out, mortgaged, pledged, granted a security interest in, or otherwise alienated or encumbered or created a reversionary interest in all or any portion of the Lease. The Lease will be transferred and assigned to Buyer free and clear of all liens, mortgages, security interests or other such encumbrances.
- e. There are no third party preferential rights or third party consents pertaining to the assignment or transfer of any of the Lease from Seller to Buyer.
- f. There are no environmental hazards caused by the operation of oil and/or gas wells, or any other activities associated with oil and/or gas are currently present on the Lease, nor are there any unplugged oil and/or gas wells located on Lease.
- g. There are no outstanding bills for labor, services, or materials provided to the Lease, nor are there any liens for labor, services, or materials that have attached to the Lease.

10. **Buyer's Representations and Warranties.** Buyer represents and warrants to Seller that as of closing, the following statements are accurate:

- a. Buyer is a Limited Liability Company duly organized and validly existing, in good standing, under the laws of Kansas and is authorized to carry on its business now conducted and enter into and to carry the terms of this Agreement and the transactions contemplated by this Agreement.
- b. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary approval action by or on behalf of Buyer.

11. **Operations.** Seller agrees that, prior to the Closing Date, it shall conduct only such operations as are necessary to maintain production of oil and/or gas at their current levels and that such operations shall be conducted in a good and workmanlike manner. Seller agrees to execute

any documents, and will cooperate with any reasonable requests, necessary to properly transfer operations to Buyer.

12. ***Revenue and Expenses Associated with Leasehold Rights.*** The Parties agree that revenue and expenses associated with the Leasehold Rights shall be divided as follows:

- a. Seller shall be entitled to all revenue generated, and shall be responsible for all expenses incurred, prior to the Closing Date.
- b. Buyer shall be entitled to all revenue generated, and shall be responsible for all expenses incurred, on and after the Closing Date.
- c. Seller agrees that as near to the Closing Date as possible, it will prepare a summary of the expenses which have been incurred but remain unpaid and that said summary will be included in the Closing Statement.
- d. Seller also agree that, as near to the Closing Date as possible, it will determine the oil and/or gas which has been produced but remains unsold and will include a summary of said production in the Closing Statement.
- e. Buyer agrees that any oil and/or gas which was produced prior to the Closing Date, but was sold after the Closing Date, shall be the sole property of Seller. Upon the sale of such oil and/or gas, Buyer shall, within a reasonable time after Closing, determine the revenue associated with such production and make payment of said amount to Seller.

13. ***Seller's Indemnification, including Indemnification for Negligence.*** Seller agrees to indemnify and hold Buyer harmless from any and all costs, liabilities, expenses, suits, judgments, payment of royalty, damages to persons or property or compliance with State and Federal laws and regulations arising from its ownership and operation of the Lease incurred prior to the Closing Date. Seller acknowledges that this indemnity shall include, but not be limited to, assuming full responsibility for, and complying with all environmentally-related duties and obligations with respect to the Lease and that it shall indemnify, defend and hold Buyer harmless for any and all claims under any Environmental Law prior to the Closing Date.

The term "Environmental Law" means all applicable federal, state and local laws in effect as of the Closing Date or enacted subsequent to the Closing Date, including common law, relating to the protection of the public health, welfare and environment, including, without limitation, those laws relating to the generation, storage, handling, use, processing, treatment, transportation, disposal or other management of any pollutants, contaminants, toxins, or hazardous substances, materials, waste constituents, compounds or chemicals that are regulated by, or may form the basis of any liability by, any Governmental Authority.

Seller agrees that this indemnity will cover any and all non-negligent and NEGLIGENT acts, errors, mistakes and omission caused by Seller or Seller's employees, agents, subcontractors, assigns or successors in interest arising from this Agreement. Seller agrees that it has read and

reviewed this provision and that it is the result of fair and honest negotiations between Seller and Buyer.

14. **Taxes.** Seller and Buyer agree that all Taxes attributable to the leasehold interest in the Lease shall be paid by Seller until the Closing Date. Buyer shall pay all taxes attributable to the leasehold interest in the Lease after such date.

15. **Governing Law.** This Agreement shall be governed and interpreted under the laws of the State of Kansas. The mandatory and exclusive venue for any judicial proceeding permitted in this Agreement is the state courts of competent jurisdiction in Ellis County, Kansas. The Parties consent to the jurisdiction of these courts and waive any defenses they have regarding jurisdiction.

16. **Entire Agreement.** This Agreement constitutes the entire agreement between Buyers and Seller with respect to the transactions contemplated herein and supersedes all prior oral or written agreements.

17. **Survival.** The parties understand and agree that all representations, warranties and indemnifications of the parties contained herein shall survive for a period of twelve (12) months after the Closing Date.

18. **Further Cooperation.** After closing each party shall execute, acknowledge and deliver all documents and take all such acts, which from time to time, may reasonably be requested by the other party in order to carry out the purposes of this Agreement.

19. **Counterparts.** This Agreement may be executed in one or more counterparts with the same effect as if all signatures of the parties hereto were on the same document but in such event each counterpart shall constitute an original, and all of such counterparts shall constitute one Agreement.

20. **Binder.** This Agreement shall extend to and be binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto caused their authorized representatives to execute this Agreement effective on the day first above written.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

SELLER:

K & N Petroleum, Inc.

By: David S. [Signature] Pres

BUYER:

American Oil, LLC

By: [Signature]
Name: Zach Patterson
Title: President

Name: Edward S. Nemnich

Title: President