

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: _____

CONTRACT FOR SALE OF OIL AND GAS PROPERTIES

Date: March 1st 2, 2015
Seller: **Martin Oil Properties**
6421 Avondale Dr., Ste. 212
Oklahoma City, OK 73116
Buyer: **D & Z Exploration, Inc.**
900 N. Elm St.
P.O. Box 159
St. Elmo, IL 62458

In consideration of the mutual promises of the parties each to the other made and to be kept and performed as provided herein, Seller and Buyer agree, promise and covenant:

A. EXHIBITS

The following exhibits attached to this contract are incorporated herein and made a part hereof:

1. Exhibit A: Descriptions of oil and gas leases.
2. Exhibit B: Schedule of personal property and equipment.
3. Exhibit C: Form of assignment

B. PROPERTY SOLD

The property to be sold and conveyed by Seller to Buyer at closing consists of:

Morgan Lease: the undivided 100% working interest (NRI = 84.00% of 8/8) and overriding royalty interests which total 3.00% of 8/8, so that the total Net Revenue Interest (NRI) in production sold to Buyer is 87.00% of the 8/8 production under the lease; together with the wells, personal property and equipment located thereon and used in connection therewith and including all rights, titles, privileges and licenses thereunto pertaining.

Cartwright Lease: the undivided 100% working interest (NRI = 84.00% of 8/8) and overriding royalty interests which total 3.25% of 8/8, so that the total Net Revenue Interest (NRI) in production sold to Buyer is 87.25% of the 8/8 production under the lease; together with the wells, personal property and equipment located thereon and used in connection therewith and including all rights, titles, privileges and licenses thereunto pertaining. The working interest sold herein is presently owned by Seller and another party who will assign their interest either to Seller or directly to Buyer so that the total interest described herein shall be assigned and delivered to Buyer at closing. In the event such other owner fails or refuses to execute such assignment prior to closing, then Seller and Buyer shall each have the option to cancel this contract.

East & West Hastert Leases: an undivided 66.334018% working interest (NRI = 53.06721% of 8/8) and overriding royalty interests which total 3.50% of 8/8, so that the total Net Revenue Interest (NRI) in production sold to Buyer is 56.56721% of the 8/8 production under the leases; together with the same undivided 66.334018% interest in the wells, personal property and equipment located thereon and used in connection therewith and including all rights, titles, privileges and licenses thereunto pertaining. The working interest sold herein is presently owned by Seller and other parties who will assign their interest either to Seller or directly to Buyer so that the total interest described herein shall be assigned and delivered to Buyer at closing. In the event any such other owner fails or

refuses to execute such assignment prior to closing, then Seller and Buyer shall each have the option to cancel this contract. The undivided 33.665982% of the working interest (NRI = 26.93279% of 8/8) which is not covered by this contract is owned by one additional party. Such other party may, subject to Buyer's consent, sell their interest to Buyer as part of this sale for the sum of \$233,511.29; or, Buyer may at any time after closing separately negotiate with such owner to acquire their interest. It is understood that there is an operating agreement between Tailwater, Inc., as lease operator, and such other owner and, if such other owner does not participate in this sale, then Tailwater, Inc. will assign its rights, duties and obligations as operator to Buyer or Buyer's nominee. Seller and Buyer both agree to exercise their best efforts to secure such owner's timely consent to the substitution of Buyer or Buyer's nominee as operator pursuant to the terms of such operating agreement.

Pulling Unit: Described on Exhibit B.

All of said property constitutes a unit for this sale, and nothing in this contract shall obligate Seller to sell, nor Buyer to buy, less than all of the property described herein, notwithstanding any allocation of purchase price which may be made to separate leases, properties or classes of properties.

C. PURCHASE PRICE

1. The total purchase price for the property is \$566,488.71 allocated as follows:
 - a. East/West Hastert 66.334018% x \$693,612.00 = \$460,100.71
 - b. Cartwright: \$106,388.00
 - c. Morgan: \$0.00
 - d. Pulling Unit: \$0.00
2. The purchase price will be paid by Buyer:
 - a. \$56,648.87 in cash on signing this Contract, which sum is referred to as the down payment, shall be paid to and held in trust pending closing by the escrow agent pending closing or cancellation.
 - b. \$509,839.84 in cash at closing, subject to any adjustments called for in this contract.

D. TITLE

1. Seller represents that it is vested with, and at the time of closing will convey to Buyer, good and marketable title to the property, free and clear of liens, encumbrances and adverse claims, and that the leases are valid and subsisting leases upon the full and undivided mineral interest in the lands therein described.
2. Buyer will have until closing to conduct such title examination as Buyer deems necessary. If such title examination does not show that Seller is vested with good title as provided above, then Buyer shall point out valid defects and curative requirements in writing and Seller shall satisfy such valid requirements at its expense. In the event that Buyer's title requirements are not satisfied at or prior to closing, Buyer may, at its option: (a) elect to waive any requirement and proceed with closing; (b) elect to postpone closing for a reasonable period of time to permit Seller to cure title; or (c) elect to cancel this contract.

E. TAXES

1. Seller shall be liable for, pay, and hold Buyer harmless from, all ad valorem and personal property taxes assessed against the property for 2014 and all prior years. Buyer shall be

liable for, pay, and hold Seller harmless from taxes for 2016 and subsequent years. Ad valorem and personal property taxes for 2015 shall be pro-rated between the parties as of the effective date of closing. Promptly after closing, Buyer shall notify the taxing authority of the transfer of ownership and operator of the leases so that 2015 tax statements will be sent to Buyer. On receipt thereof (such statements are generally mailed in November), Buyer will promptly provide written copies thereof to Seller and Seller shall, within 21 days after receipt thereof, remit payment to Buyer for Seller's pro rata share thereof (25% assuming effective closing date of April 1, 2015). It shall be Buyer's responsibility to make timely payment of such taxes when due, and Seller shall not in any event be liable for any penalties or interest thereon in the event of Buyer's failure to make timely payment thereof.

2. All severance and other gross production, collection or use taxes to date of closing and attributable production prior to date of closing shall be paid by Seller. Such taxes attributable to production from and after effective date of closing shall be paid by Buyer.
3. In the event the sale or any part thereof is subject to sales or use taxes in any jurisdiction, then the sale price paid by Buyer shall be deemed to include the amount of such sales or use tax and shall be deemed to have been collected by Seller who shall indemnify and hold Buyer harmless from any further or additional payment thereof.

F. CLOSING AND POSSESSION

1. Closing shall take place on or before March 31, 2015, at the escrow agent's office.
2. Conveyance of title from Seller to Buyer shall be effective, and Buyer will take possession of the property, on April 1, 2015 (the effective date of closing).
3. Crude oil in the stock tanks as of effective date of closing, measured to the load line, shall be and remain the property of Seller. For purposes of determining same, the parties will jointly measure the tanks prior to 6:00 P.M. on the date of closing, or the party assigning such property shall have the oil picked up prior to 6:00 P.M. on the effective date of closing.
4. At closing, Seller shall deliver to Buyer properly executed and recordable assignments of the leases, transfers of title for titled vehicle(s), bills of sale for ground equipment and personal property, and Seller's operational files and records (or copies thereof) for the leases. The parties shall also execute all necessary transfer forms required by the Kansas Corporation Commission (KCC). Buyer shall be responsible for recording assignments in the public records, and filing the transfer form(s) with the KCC. Seller agrees to promptly execute any transfer orders required by the purchaser of production from the subject leases.
5. Any costs to cure defects in Seller's title to the Property shall be paid by Seller. Recording and registration fees for the assignments and other closing documents to be recorded shall be paid by Buyer. All other closing costs not expressly assumed by Seller in this contract shall be paid by Buyer.
6. Until closing and possession by Buyer, Seller shall continue to operate the leases in a prudent manner and shall not do or fail to do any act which would result in forfeiture or operate to terminate a lease or give rise to a cause of action enforceable against the lessee or lien against the leasehold or the property thereon. Seller shall be solely responsible for and shall indemnify and hold Buyer harmless from payment of all operating expenses, rentals, royalties, overriding royalties, taxes and other charges attributable to operations and production prior to closing and possession by Buyer.

7. Until closing and possession by Buyer, risk of loss shall be entirely upon Seller. In the event of loss or damage due to any cause, Buyer shall have the option of requiring Seller to restore the damaged or lost property to the condition existing prior thereto, or to ascertain the value thereof and credit the same against the purchase price, or to cancel this contract.
8. Each of the parties shall have the right to go on the leased premises at reasonable times and upon reasonable notice for the purpose of inspecting equipment and operations thereon, pending closing.
9. Utility meters shall be read as of the closing date and transferred to Buyer. Any deposits prepaid by Seller shall remain the property of Seller or, if transferred with the meter or account to Buyer then Buyer may, at Buyer's option, pay the amount thereof to Seller in addition to the purchase price for the Property.
10. The parties agree and designate John C. Chappell, Attorney at Law, 932 Massachusetts, P.O. Box 602, Lawrence, Kansas 66044 as escrow and closing agent for all purposes contemplated herein. It is understood that John C. Chappell is an attorney for Seller, and that all fees of John C. Chappell are being paid by Seller. Said escrow agent agrees to hold all funds and documents deposited with him in trust for the benefit of the parties hereto. In the event of any dispute between the parties regarding disbursement or delivery of funds or documents so deposited, the escrow agent will either hold same pending agreement of the parties or deliver same to a court of competent jurisdiction. Any fees, costs and expenses, including reasonable attorney fees, incurred by the escrow agent to deliver same to such court shall be paid initially by the parties 50/50 upon receipt of billing from the escrow agent, thereafter in such manner as may be finally determined by the court.

G. DEFAULT

1. If this sale is not closed because either party has for just cause exercised an option to cancel as provided in this contract, then the entire down payment shall be forthwith returned to Buyer and this contract shall be cancelled and neither party shall any further rights or obligations to the other hereunder.
2. If this sale is not closed because of Buyer's default, then the down payment shall be forthwith paid to Seller as liquidated damages and this contract shall be cancelled and neither party shall any further rights or obligations to the other hereunder.
3. If this transaction is not closed because of Seller's default, then Buyer shall have the right to bring an action for specific performance or damages.

H. MISCELLANEOUS

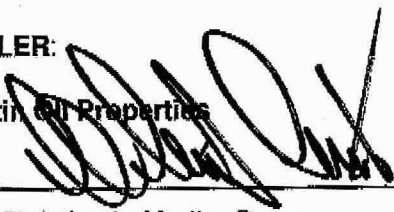
1. This document contains the entire agreement between the parties. Any modification of the terms hereof must be made in writing and signed by the parties, and no change in the terms of agreement may be proved by parole.
2. This contract shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective heirs, successors, assigns and legal representatives.
3. This contract and its validity, construction, and performance shall be construed and governed by the laws of Kansas. The parties irrevocably consent and agree that jurisdiction and venue of any judicial or quasi-judicial proceeding brought by or against any party hereto with respect to or arising from this contract or the transaction described in this contract shall rest exclusively in the District Court of the State of Kansas in a

County where the Property is located, irrespective of where a party may be residing or located at the time of entering into this contract or at the time of such proceeding, and by execution and delivery of this contract, each party hereby irrevocably submits, agrees and consents to the personal and exclusive jurisdiction of said Court and waives any defense or objection to such jurisdiction.

4. Seller and Buyer acknowledge that they have each had ample and adequate opportunity to obtain independent legal and tax advice concerning this contract.
5. Seller and Buyer warrant and represent each to the other that no broker or other sales person has been involved in this transaction as either principal or agent for or on behalf of either party and no commission is due or payable to any third party by virtue of this Contract or the closing of the sale described herein.
6. Each party agrees and covenants, from and after closing, to perform such further acts and to execute such further instruments as reasonably and in good faith are or become necessary to evidence and effectuate the sale and transfer of title and possession of the Property according to the tenor and intent of the parties' agreement.
7. Except for the representations and warranties specifically set forth in this contract and/or the instruments delivered to Buyer at closing, the Seller, its officers, directors and shareholders, make no warranties, express or implied, with respect to the quality, design, physical condition, fitness for a particular purpose, production volumes, profitability or capacity of any of the Property included in this sale. Except as expressly set forth herein or in the instruments delivered to Buyer at closing, all such Property, wells, equipment and fixtures are sold and delivered to Buyer "as is" and "where is" in the condition existing on the date hereof with reasonable exception for normal wear and tear.
8. This contract may be executed in counterparts, each of which shall be deemed an original or multiple originals, and all such counterparts or originals shall for all purposes constitute one agreement. For purposes of this contract and any addenda, attachments or amendments hereto, Buyer and Seller agree to accept digital and facsimile (fax) signatures and initials as originals.
9. Time is of the essence of this contract. No extension will be granted unless in writing and signed by the parties. Any reference to a time period of less than ten (10) days shall not include Saturdays, Sundays and federal holidays. Should the end of a time period fall on a Saturday, Sunday or federal holiday, the expiration of that period shall extend to 5:00 p.m. of the next day that is not a Saturday, Sunday or federal holiday.
10. Indemnifications and warranties, if any, contained herein shall survive the closing and shall not be deemed merged in, or extinguished upon delivery of, instruments of conveyance executed and delivered at closing.

SELLER:

Martin Oil Properties



by: Christian L. Martin, Owner

Date:

3/13/15

BUYER:

D & Z Exploration, Inc.

by:

Date:

SELLER:

Martin Oil Properties

by: Christian L. Martin, Owner

Date: _____

BUYER:

D & Z Exploration, Inc.



by: David Belden, President

Date: 3/18/15

EXHIBIT A

East Hastert Lease: Oil and gas lease dated 11/13/85, recorded 11/13/85 at Book 14 O&G, Page 48, from Chris Hastert and Edith Hastert, husband and wife, lessors, to Hastert Oil Company, lessee, covering the following land in Anderson County, Kansas:

The East Half of the Southwest Quarter (E/2 SW/4) and the Southeast Quarter (SE/4) of Section Thirteen (13); and the North Half of the Northeast Quarter (N/2 NE/4) of Section Twenty-four (24); and a tract containing approximately 11 acres (surface only) in the West Half of the Southwest Quarter (W/2 SW/4) of Section Thirteen (13), described as follows: commencing at the SE corner of the W/2 SW/4 13-20-20, thence West 360 feet, thence North 80 rods, thence East 360 feet, thence South to place of beginning; all in Township Twenty (20) South, Range Twenty (20) East of the 6th P.M.; except Well No's. 1 – 30 referred to as the "Hastert West" lease

West Hastert Lease: Well No's. 1 through 30 on oil and gas lease dated 11/13/85, recorded 11/13/85 at Book 14 O&G, Page 48, from Chris Hastert and Edith Hastert, husband and wife, lessors, to Hastert Oil Company, lessee, covering the following land in Anderson County, Kansas:

The East Half of the Southwest Quarter (E/2 SW/4), and the Southeast Quarter (SE/4), of Section Thirteen (13); and the North Half of the Northeast Quarter (N/2 NE/4) of Section Twenty-four (24); and a tract containing approximately 11 acres (surface only) in the West Half of the Southwest Quarter (W/2 SW/4) of Section Thirteen (13), described as follows: commencing at the SE corner of the W/2 SW/4 13-20-20, thence West 360 feet, thence North 80 rods, thence East 360 feet, thence South to place of beginning; all in Township Twenty (20) South, Range Twenty (20) East of the 6th P.M.

Cartwright Lease: Lease dated November 7, 2007, from Kenneth L. Cartwright and Robert L. Cartwright, Lessors, to Martin Oil Properties, Lessee, recorded November 8, 2007 at Book 21 O&G, Page 9, covering the following land in Anderson County, Kansas:

The West Half of the Southwest Quarter (W/2 SW/4) of Section Eighteen (18); and the West Half of the Northwest Quarter (W/2 NW/4), except the South Half of the Southwest Quarter of the Northwest Quarter (S/2 SW/4 NW/4), of Section Nineteen (19); all in Township Twenty (20) South, Range Twenty-one (21) East of the 6th P.M.

Morgan Lease: Oil and gas lease dated July 1, 2006, from Vance Riley Morgan, *et al.*, lessors, to Martin Oil Properties, lessee, recorded July 26, 2006 at Book 20 O&G, Pages 148 and 149, covering the following land in Anderson County, Kansas:

Southeast Quarter of the Northwest Quarter (SE/4 NW/4); South Half of the Northeast Quarter (S/2 NE/4); commencing at the Southwest corner of the Northwest Quarter of the Northeast Quarter (NW/4 NE/4), thence running North 20 rods, thence East 80 rods, thence South 20 rods, thence West 80 rods to place of beginning; and all that part of the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) lying South and East of the County Road through said tract as now laid out; all in Section Thirteen (13), Township Twenty(20) South, Range Twenty (20) East; containing 150 acres, more or less.

EXHIBIT B

Pulling Unit:

2007 Ford F-450 4x4 with mounted Smeal 6-T Pulling Unit

The 1" pipe elevators are included in sale

All tools and pipe wrenches are excluded from sale and reserved by Seller

EXHIBIT C

ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE

Assignor: Martin Oil Properties
6421 Avondale Dr., Ste. 212
Oklahoma City, OK 73116

Assignee: D & Z Exploration, Inc.
901 N. Elm St.
P.O. Box 159
St. Elmo, IL 62458

Assignor does hereby sell, assign, transfer and convey to Assignee an **undivided** _____% **working interest** in and to the following oil and gas lease:

together with the rights incident thereto, the personal property, equipment and fixtures thereon, appurtenant thereto, or used or obtained in connection therewith; subject to royalties and overriding royalties of record. After such burdens, the Net Revenue of the interest herein assigned is not less than _____% of the 8/8 production.

For the same consideration, assignor covenants with assignee and assignee's successors, legal representatives and assigns, that assignor is the lawful owner of and has good title to the interest herein assigned, free and clear of liens, encumbrances or adverse claims, and that assignor will warrant and forever defend same against all persons whomsoever lawfully claiming or to claim said interest.

This assignment is effective _____ notwithstanding the date of execution, acknowledgment, delivery or recording.

Martin Oil Properties

Date: _____

Christian L. Martin, Owner

STATE OF _____, COUNTY OF _____, ss:

This instrument was subscribed, sworn to and acknowledged before me on _____ by Christian L. Martin, d/b/a Martin Oil Properties.

Notary Public
Appointment Expires:

[Wording of assignments of overriding royalty interests is slightly different but same warranty of title]