

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 _____ **

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): _____

Field Name: _____

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

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 _____

KANSAS CORPORATION COMMISSION
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Form KSONA-1

July 2014

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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: _____



Connie O'Neill Range

ORIGINAL COMPARED WITH RECORD

OIL AND GAS LEASE

OIL AND GAS LEASE, by and between Connie J. Burkhead, a single person at 315 Mill Street, Neodesha, KS 66757 and 3 B Energy, Inc., a Kansas corporation at 315 Mill Street, Neodesha, KS 66757 (collectively "Lessor"), and KSMS OIL, LLC, with an address of 41 Madison Ave., 25th Floor, New York, NY 10010, ("Lessee").

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, Lessor does grant, demise, lease and let exclusively unto said Lessee for the purpose of investigating, exploring by geophysical and other means, drilling, mining and operating for and producing oil, liquid hydrocarbons, all gases, and their respective constituent products; injecting gases, waters, other fluids, and air into subsurface strata; laying pipe lines, storing oil, building tanks, power stations, and other structures and things thereon to produce, save, take care of, treat, process, store, transport and market said oil, liquid hydrocarbons, gases and their respective constituent products; and conducting seismic or other geophysical operations; the following described land, together with any reversionary rights and after-acquired interests therein situated in the County of Wilson, State of Kansas, to-wit:

The East Half of the Southwest Quarter (E/2 SW/4) of Section 26, Township Thirty (30), South Range 16 containing 80 Acres, more or less; also the West Half of the Southwest Quarter (W /2 SW/4) of Section 26, Township 30, Range 16 containing 80 Acres, more or less, less the Railroad right of way, located in Wilson County, Kansas

(hereinafter referred to as "Leased Land").

1. This Lease shall remain in full force for a term of Three (3) years from this date, and as long thereafter as oil or gas or either of them is produced from the Leased Land or any land pooled or unitized therewith.

2. Lessee will pay to lessor royalty as follows:

A. Lessee shall deliver as royalty, free of cost, to Lessor at the wells, or to the credit of Lessor into the pipe line to which Lessee may connect its wells, the equal One Eighth (1/8) of all oil (including but not limited to distillate and condensate) produced, saved and sold from the Leased Lands.

B. Lessee shall pay to Lessor as royalty for gas of whatsoever nature and kind (with all of its constituents) produced and used by the Lessee for its

operations off of the Leased Land, One Eighth (1/8) of the market value of such gas at the mouth of the well; if said gas is sold by the Lessee, then as royalty One Eighth (1/8) of the proceeds of the sale thereof at the mouth of the well; if gas is sold off the Leased Land or requires processing or treatment before it is sold, Lessee may deduct the Lessor's proportionate share of Lessee's incurred expenses in processing and marketing the gas to calculate the Lessor's royalty; said payments to be made monthly.

C. Lessee shall pay to Lessor as royalty One Eighth (1/8) of the proceeds from the sale of all other substances covered by this Lease at the mouth of the well, which are produced, saved and sold by Lessee. Lessors royalty on said substances shall be reduced by its proportionate share of all post production costs attributable to processing or marketing such other leased substances.

3. This is a paid-up lease. In consideration of the cash down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term.

4. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee. If the Parties have omitted a part or parcel of Lessor's land that was intended to be included in this Lease, Lessor shall execute a correction of this Lease upon request by Lessee showing such omitted part or parcel of land as being covered by this Lease.

5. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Leased Land for its operation thereon, except water from wells of Lessor.

6. When requested by Lessor, Lessee shall bury his pipe lines below plow depth.

7. No well shall be drilled nearer than 150 feet from the houses or barns now on said premises, without the written consent of Lessor.

8. Lessee shall pay for damages caused by its operations to growing crops on the Leased Land.

9. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

10. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to Lessor to the full interest claimed, and all advance payments of rentals made hereunder before receipt of said documents shall be binding on any and all direct or indirect assignees, grantees, devisees, administrators, executors, or heirs of lessor. In the event this lease shall be assigned as to part or as to parts of the above described land and the holder or holders of the lease as to any such part or parts shall default in the payment of the proportionate part of royalty or minimum royalty due from him or them, such default shall not

operate to defeat or affect this Lease insofar as it covers a part or parts of said land upon which Lessee or any assignee hereof shall make due payment of said royalties. If Lessee assigns this Lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

11. If the Leased Land is now or hereafter owned in severalty or in separate tracts, the Leased Land, nevertheless, may be developed and operated as an entirety, and the royalties and minimum royalties shall be paid to each separate owner in the proportion that the acreage owned by them bears to the entire leased area. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the Leased Land may hereinafter be divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks for the oil produced from such separate tracts.

12. If Lessee fails to comply with any term or condition of this lease, or fails to fulfill any rights, duties or obligations hereunder, Lessor shall notify the Lessee in writing of the alleged nature of the default and the Lessee shall have sixty (60) days to cure said default. If Lessee cures said default within the time period specified, the Lessee shall not be deemed in default hereunder.

13. Lessor hereby warrants and agrees to defend the title to the Leased Land and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment, any mortgages, taxes or other liens on the Leased Land, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and may reimburse itself from any royalties or minimum royalties accruing hereunder.

14. If at the expiration of the primary term of this lease, oil, gas, or the products of oil and gas are not being produced on the leased premises but Lessee has been or is engaged in drilling, reworking or other operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or the abandonment of one well or operation and the beginning of subsequent operations.

15. This Lease shall be effective as to each Lessor on execution thereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, even if they are not named above.

16. Lessee may at any time and from time to time surrender this Lease as to any part or parts of the Leased Land or any strata covered by this Lease by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County. Lessee shall be relieved of all obligations with respect to the released portion or portions arising subsequent to the date of the release.

17. It is expressly understood and agreed that this lease replaces and supersedes the following oil and gas lease in its entirety:

Bruce B. Burkhead and Connie J. Burkhead, husband and wife, (Lessors), and 3-B Energy, Inc. (Lessee), on the following described property: The East Half of the Southwest Quarter (E/2 SW/4) of Section 26, Township Thirty (30), South Range 16 containing 80 Acres, more or less; also the West Half of the Southwest Quarter (W /2

SW/4) of Section 26, Township 30, Range 16 containing 80 Acres, more or less, less the Railroad right of way, located in Wilson County, Kansas and dated December 9, 2005, and recorded in Book 291 at 223 in the Office of the Wilson County, Kansas Register of Deeds.

EFFECTIVE October 1, 2015.

CONNIE J. BURKHEAD:

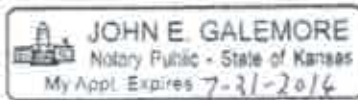
3 B ENERGY, Inc.

By: Connie Burkhead
Connie Burkhead,

By: Connie Burkhead
President

STATE OF KANSAS COUNTY OF Wilson, ss:

This instrument was acknowledged before me on the 1st day of October, 2015, by Connie J. Burkhead, a single person.

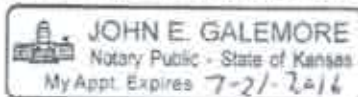


John E. Galemore
Notary Public

Appointment/Commission Expires:

STATE OF KANSAS COUNTY OF Wilson, ss:

This instrument was acknowledged before me on the 1st day of October, 2015, by Connie J. Burkhead, as President of 3 B Energy, Inc., a corporation.



John E. Galemore
Notary Public

Appointment/Commission Expires:

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (this “Agreement”), dated December 19, 2018, is by and among Daylight Petroleum LLC, a Delaware limited liability company (the “**Manager**”), and each legal entity that executes this Agreement on the signature page hereto as a “Company” (each such entity individually, the “**Company**”). The Manager and the Company are hereinafter referred to as a “Party” or the “Parties” as applicable.

Recitals

A. The Company is engaged in the business of leasing, acquiring, exploring, owning, operating, producing, developing, gathering, transporting, storing or marketing hydrocarbons in the continental United States of America, whether as owner, operator, joint venturer, transporter, gatherer or in any other capacity or role (the “**Business**”);

B. In compliance with its applicable bylaws, certificate of formation, limited liability company agreement or other similar governing agreements (the “**Governing Documents**”), the Company and its duly constituted board of directors, board of managers, managing member or other governing body or persons (the “**Company Managers**”) have determined that effective operation of the Business of the Company requires the expertise and resources of the Manager;

C. The Company desires to engage the Manager, and the Manager is willing to provide or cause to be provided certain services to the Company, as described below and in accordance with the terms set forth in this Agreement.

Agreement

NOW THEREFORE, in consideration of the mutual promises set forth herein and benefits to be derived from them, the Parties agree as follows:

1. Appointment.

(a) Manager. The Company hereby appoints the Manager, and the Manager hereby accepts such appointment, to provide the Services (as defined below) by and on behalf of, and for the account of, the Company, pursuant to and as set forth in this Agreement and in accordance with the Company’s Governing Documents.

(b) Independent Contractor. The Services rendered by the Manager shall be as an independent contractor. Nothing in this Agreement, and no past or future conduct of the Parties shall be construed to create a joint venture, partnership, or any other similar arrangement between the Company and the Manager, nor to authorize either Party to act as agent for the other Party, except as expressly set forth in this Agreement. Without limiting the foregoing, (a) neither Manager nor any affiliate, officer, employee or agent thereof shall be deemed to be an employee of the Company by virtue of this Agreement; and (b) nothing herein shall be deemed or construed to cause any party hereto to be responsible in any way for the debts and obligations of the other party hereto.

(c) Company Property. All rights and assets of the Company, to the extent acquired using Company funds, shall be taken and held in the name of the Company and neither the Manager nor its affiliates shall take title to any assets owned of record or beneficially by the Company during the term of this Agreement, except for nominee arrangements directed by the Company and provided that assets acquired using Company funds and the funds of other persons, the ownership and title thereto shall be allocated in accordance with the amount of each entity's contribution to the aggregate funds. All memoranda, files, notes, lists, records, databases, geological and geophysical data, engineering data, maps, interpretations and other technical information, and other documents or papers (and all copies thereof) to the extent relating to the Company and its subsidiaries, whether written or stored on electronic media, made or compiled by or on behalf of Manager in the course of Manager's performance of Services pursuant to this Agreement, or made available to Manager in the course of its performance of services pursuant to this Agreement, relating to the Company or its subsidiaries, or to any entity that may hereafter become a controlled affiliate thereof shall be the property of the Company ("**Company Property**"); provided, however, that Manager's general administrative records pertaining to its corporate form or governance, employment records, and governing instruments and records pertaining to general organization or administration of the Manager, including rolodexes and similar items, shall be the property of Manager. Any Company Property shall, except as otherwise agreed by the Company in writing, be delivered to the Company promptly upon the termination of this Agreement for any reason.

(d) No Joint Employment. The Parties agree that they are not joint employers of any of the employees of the Manager with respect to the Services, and, except as provided herein with respect to the reimbursement, payment or advancement of Qualified Costs, and with respect to indemnification by the Company, the Company shall have no liability for the actions of the Manager with respect to its employees. The employees of the Manager shall work directly under the Manager's supervision, direction and control, provided the Manager shall cause its employees to act consistently with any directions or requests specifically communicated to the Manager by the Company or the Company Managers from time to time that relate to the performance of the Services. Without limiting the foregoing, the Manager shall make all appropriate payroll deductions and payroll tax payments with respect to its employees.

(e) Property and Expense Allocation. It is acknowledged by each Company that, at the discretion of Manager, additional Companies may execute this Agreement after the date hereof. In the event Manager acquires property used in Services for more than one Company, the ownership thereof and title thereto shall be proportionately allocated pursuant to Section 1(c) above. Similarly, Qualified Costs incurred for Services performed for more than one Company, including General and Administrative Expenses (as hereinafter defined) attributable to employees of Manager (including payroll and benefits) that perform Services for more than one Company shall be allocated by Manager to the respective Companies in a reasonable manner, to be materially consistent with the time, effort and resources spent on such Companies.

2. Services.

(a) Services. Subject to the general directions of the Company and the Company Managers as may be issued from time to time, the Manager hereby agrees to perform the following services (collectively, the "**Services**"): (i) conduct the day-to-day operations of the

Company, including with respect to accounting administration, general administration and the ownership, maintenance and development of the Company's Business Assets (as hereinafter defined) and its Business; (ii) advise and consult with the Company regarding the Company's development and operations; (iii) provide management expertise and consulting services for the development and implementation of all operational and financial plans of the Company and for strategic decisions of the Company; (iv) provide the support necessary to assist the Company with any acquisitions or dispositions of assets, and financings related thereto, however structured, and in connections with any sale of the Company or its assets or equity; and (v) provide such management, support and administrative services with respect to the Business and such other services as shall be reasonably requested from time to time by the Company.

(b) Operatorship. Unless the Company and Manager otherwise agree, Manager shall be designated as the operator of record with all applicable governmental bodies with respect to the oil, gas and/or mineral leases and other interests of the Company arising from or pertaining to an oil, gas and/or mineral estate, and any interest of the Company in any applicable midstream equipment, pipelines, facilities or infrastructure used in the Business (collectively, the "**Business Assets**"), and Manager shall provide assistance to the officers of the Company in complying with all associated regulatory filings and compliance activities. The Company shall use reasonable efforts to name the Manager as the operator under all operating agreements binding on the Business Assets, provided that where the Company does not have the authority or required consent of third parties, the Company and Manager or an affiliate of Manager shall not be precluded from entering into a mutually acceptable form of operating agreement naming Manager (or one of its affiliates) as the contract operator of any Business Asset.

(c) Authority. Subject to the terms hereof, the Manager shall have the authority to, on behalf of the Company, perform the duties and obligations of the operator under all applicable operating agreements that cover and govern the operations of the Business Assets. Without limiting the foregoing, but subject to the terms hereof, the Manager shall have the authority to, on behalf of the Company (and in its name, except as expressly provided otherwise herein):

i. negotiate sales contracts with third party purchasers for any oil, condensate, natural gas liquids or natural gas produced by or for the account of the Company on such terms and conditions as the Manager reasonably deems appropriate and in the best interests of the Company;

ii. cause the Company to execute and deliver any and all sales contracts, transfer orders, division orders and other instruments that may, at any time, be required by any purchasers of production for the purposes of effectuating the payment of the proceeds from sales of production;

iii. establish and maintain the books and records, including accounting, land, production, contract and other records and files necessary and appropriate for the proper conduct by the Company of its Business;

iv. monitor the receipts, income and expenditures of the Company;

v. assist in the preparation and filing of the schedules and tax returns of the Company;

vi. engage, coordinate, supervise and/or assist with the engagement of third party engineers, attorneys, auditors and other professionals and service providers to the Company in connection with the Business, including the delivery of the financial statements, tax returns and engineering reports;

vii. supervise, manage, direct and operate all aspects of the day-to-day management and administration of the Company with respect to its Business, including assistance in the sourcing and diligence of acquisitions of Business Assets and divestitures and management of the Business Assets, and engaging in business development efforts;

viii. interface with the third party operators and monitor the status of the operations conducted by such third party operators;

ix. negotiate, execute and deliver, in the name and on behalf of the Company, as its agent, contracts and other agreements or instruments pertaining to the Business, Business Assets or any Services;

x. interface with the Company's lenders, vendors, contract counterparties, and other third parties pertaining to the Business;

xi. file or cause to be filed all necessary or appropriate filings with federal, state and local authorities, including applications for permits, authorizations or exemptions;

xii. assist in filing and recording documents and papers as is necessary and appropriate to evidence the Company's ownership of any of the Business Assets;

xiii. give or receive notices, execute drawdown certificates, furnish required reports and information and monitoring compliance, or similar activities as required or permitted by any agreement binding upon the Company; and

xiv. perform such other acts which are necessary or appropriate to carry out its obligations hereunder;

provided, however, the foregoing grant of authority shall be subject to the terms and provisions of any agreement that the Company is a party to and shall not provide any power to Manager that would conflict with or be prohibited by the terms of any such agreements, it being understood that the presence of a term in an agreement and the absence in another shall not by itself be deemed a conflict.

(d) Proceeds and Invoices. All revenues and income of the Company shall be and remain the property of the Company and no such revenues or income shall be retained by the Manager. The Manager shall receive revenues, income and proceeds otherwise payable to Company and pay (or net) costs and expenses chargeable to the Company's interest from such revenues, income and proceeds, as part of its operations of the Business Assets and such amounts

shall be administered, paid and distributed in the manner provided for in the applicable operating agreement governing operations for such Business Asset; *provided, however*, if there is not an applicable operating agreement for such Business Asset, then in a manner materially consistent with the terms of an AAPL 1989 Form Operating Agreement and the standards established by the Council of Petroleum Account Societies of North America (“**COPAS**”) in the COPAS 2005 Model Form Accounting Procedure. To the extent received by the Manager and not paid by Manager from Company revenues, the Manager shall promptly provide to the Company all invoices or bills for debt service, taxes payable by the Company, royalties, overriding royalties and other burdens on production, lease acquisition costs, goods, services, amounts payable under operating agreements, and expenditures related to the business of the Company to allow the Company to timely pay such costs and expenses.

3. Compensation; Reimbursement.

(a) Reimbursement of Qualified Costs. As its sole compensation hereunder, the Company shall reimburse (or advance, as provided in Section 3(c) below) the Manager for all costs incurred by the Manager on behalf of the Company to perform the Services, including lease operating expenses and capital expenditures allocable to the Business Assets or operation of the Business (collectively, the “**Qualified Costs**”). Without limiting the foregoing, Qualified Costs shall include general and administrative expenses of Manager to the extent allocated to the Company pursuant to Section 1, including labor costs, organizing costs, travel and entertainment and business development expenses, costs and expenses for professional services (including engineering, geological, land, geotechnical, and similar services provided by persons not employed by Manager), licensing and permitting fees and expenses, incremental capital expenses for furniture, fixtures, equipment, and vehicles that may be required for Manager to perform its services and obligations under this Agreement, occupancy costs, including telephone, rent, office equipment, insurance costs, and other similar costs and expenses generally considered general and administrative expenses incurred by Manager (collectively, “**General and Administrative Expense**”). At Manager’s option, the Manager may invoice the Company on a monthly basis for the Qualified Costs incurred and paid by the Manager from its own funds, and such Qualified Costs shall be payable by the Company within thirty (30) days following receipt of such invoice.

(b) No Other Compensation. The Qualified Costs shall constitute the sole and exclusive compensation owed by the Company to Manager for performing its services pursuant to this Agreement (but without limiting the release, defense and indemnification obligations hereunder), and (ii) any other amounts due and owing Manager, as operator of any Business Assets, shall be paid to, and shall be the sole and exclusive property of, the Company (subject to the allocations of property set forth in Section 1).

(c) Advances and Manager Account. It is not the intent of this Agreement for Manager to advance any of its own funds to pay any Qualified Costs. Except where Manager, in its discretion, uses its own funds to incur and pay Qualified Costs (subject to reimbursement as provided above), all Qualified Costs shall be paid from an account of Manager established and administered in accordance with provisions and procedures set forth in Section 2(d) above, and shall be funded by net revenues received by the Company or Manager to which Company is entitled and arising from ownership or operation of its Business Assets. If there are Qualified Costs to be paid or incurred by the Manager that are in excess of the funds in any such account,

the Manager may provide a written cash call (“**Cash Call**”) to the Company of the amount of such Qualified Costs, which shall be promptly funded. If the Company does not so fund a Cash Call, the Manager shall have no liability or responsibility under this Agreement for any unpaid cost or expense, or any failure to perform any Service or other obligation hereunder, that results from or is related to the failure to fund the Cash Call or the insufficiency of funds in any account.

4. Term and Termination.

(a) Term. This Agreement shall be effective as of the date hereof and shall continue for thirty-six (36) months after the date hereof (the “**Initial Term**”). Upon the end of the Initial Term, and on each anniversary thereof, the term of this Agreement shall automatically be extended for one additional year from such date, until the termination of this Agreement pursuant to Section 4(b).

(b) Termination. Notwithstanding Section 4(a), this Agreement may be terminated: (i) by the mutual written consent of the Manager and the Company; (ii) by the Manager if the Company fails to pay any undisputed amount due to the Manager hereunder after 30 days prior written notice to the Company, and such amount remains unpaid at the end of such 30 days period; (iii) by the Company by the delivery of a written notice to the Manager that the Company elects to terminate this Agreement, and provided such termination shall not be effective until the date that is 30 days after the date of such notice or such earlier date set forth in such termination notice, (iv) at the option of Manager on the date of the closing of a sale of all or substantially all of the Business Assets or equity of the Company or (v) automatically on the conclusion of the liquidation and windup of the Company.

(c) Effect of Termination. Upon termination exercised pursuant to Section 4(b), this Agreement shall become void and of no further force and effect, except for the provisions that survive termination pursuant to Section 7(a), which shall continue in full force and effect in accordance with their terms.

5. Ownership of Work Product and Confidentiality.

(a) Work Product. The work produced by the Manager under the terms of this Agreement, including, without limitation, all work papers, drafts, notes, reports, extracts and other written or electronic recordings developed solely in connection with the performance of the Services hereunder (“**Work Product**”), shall be the property of the Company. The Manager shall have no right or interest in any such Work Product, and may only use such Work Product to perform Services hereunder, all in accordance with the limitations, duties and obligations imposed by this Agreement.

(b) Confidentiality. The Manager agrees that all non-public information received from or otherwise relating to, the Company, its affiliates, members, or any third party who has entrusted the Company with confidential information with the expectation that such information will be kept confidential, is confidential and will not be, without prior written consent of the Company, disclosed or otherwise released to any other person except as reasonably necessary or appropriate, in the sole discretion of Manager, to perform the Services. It is acknowledged by the Company that the possession of confidential information of such Company

by employees or representatives of Manager that also perform services for another Company shall not be deemed a breach of this Agreement.

6. Liability and Indemnification. The Manager shall not be liable to the Company, and the Company shall defend, indemnify, and save and hold harmless the Manager and its members, managers, officers, and employees (each, an “**Indemnified Party**”), from and against any and all claims, liabilities, damages, losses, costs and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and reasonable attorneys’ fees and other legal or other costs and expenses of investigating or defending against any claim or alleged claim but excluding any liabilities for taxes of the Indemnified Party) that are asserted against such Indemnified Party arising out of the performance by the Manager of the Services pursuant to this Agreement (each of the foregoing, a “**Claim**”); provided, however, that an Indemnified Party shall not be entitled to indemnification hereunder to the extent such Claim arises from the gross negligence or willful misconduct of any Indemnified Party.

7. Miscellaneous.

(a) Survival. Sections 4(c), 5, 6 and 7 shall survive the termination of this Agreement in accordance with their terms. Upon termination of this Agreement, all funds in the possession of the Manager belonging to the Company that have not been expended or previously contractually committed shall be returned to the Company. Furthermore, upon such termination, the Manager shall and shall cause each of its employees, agents and representatives to promptly deliver to the Company all Business records then in the possession of the Manager or such employees’, agents’ or representatives’ possession.

(b) Entire Agreement. The Parties acknowledge that this Agreement embodies the entire understanding and agreement among the Parties for the provision of Services by the Manager to the Company and supersedes any and all prior negotiations, understandings, or agreements in regard thereto.

(c) Governing Law. THIS AGREEMENT AND THE PERFORMANCE OF THE TRANSACTIONS AND OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(d) Modification and Waiver. No waiver, amendment or modification, including those by custom, usage or trade or course of dealing, of any provision of this Agreement will be effective unless in writing signed by the Party against whom such waiver, amendment or modification is sought to be enforced. Performance of any obligation required of a Party under this Agreement may be waived only by a written waiver signed by a duly authorized officer of the Company or the Manager, as applicable, and such waiver shall be effective only with respect to the specific obligations described in that waiver.

(e) Notices. All notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be given by personal delivery, by certified

or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, transmitted via electronic mail or by facsimile transmission, to the addresses given for that Party as set forth below or such other address as that Party may specify by notice to the other Party. All such notices, requests and other communications will be effective only upon receipt, except that if received after 5:00 p.m. (in the recipient's time zone) on a Business Day or if received on a day that is not a Business Day, such notice, request or communication will not be effective until the next succeeding Business Day. 'Business Day' shall mean a day, other than a Saturday or a Sunday, on which commercial banks are open for business with the public in Houston, Texas.

(f) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns; *provided, however*, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either Party without the prior written consent of the other Party. Any assignment in violation of the foregoing shall be void.

(g) Counterparts. This Agreement may be executed in two or more counterparts (including facsimile counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

(h) No Third Party Beneficiaries. Except as otherwise provided in Section 6, it is the intent of the Parties that no third-party beneficiary rights be created or deemed to exist in favor of any Person not a party to this Agreement, unless otherwise expressly agreed to in writing by the Parties.

[Signature Page to Follow]

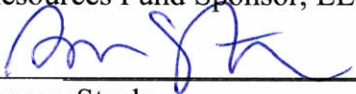
Executed by the Parties as of the day and year first written above.

COMPANY:

KSMS OIL, LLC

By: Phoenician Resources Fund I, LLC, its managing member

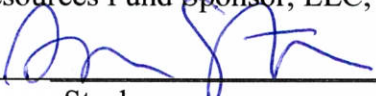
By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member

OKMS OIL, LLC,

By: Phoenician Resources Fund I, LLC, its managing member

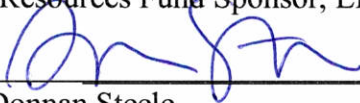
By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member


JEMS OIL, LLC

By: Phoenician Resources Fund I, LLC, its managing member


By: Phoenician Resources Fund Sponsor, LLC, its managing member

By: 
Name: Donnan Steele
Title: Managing Member

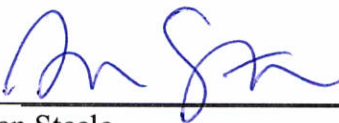
ETMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

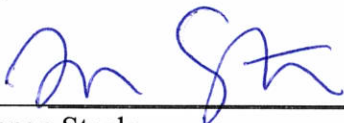
MCMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

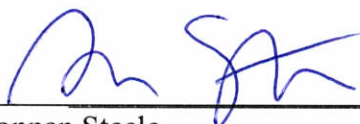
DPMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

PBMS OIL, LLC

By: 
Name: Donnan Steele
Title: Co-President

PHOENICIAN RESOURCES ASSET MANAGEMENT, LLC

By: 
Name: Donnan Steele
Title: Managing Partner

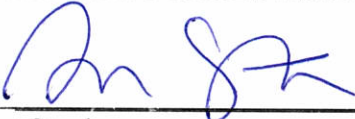
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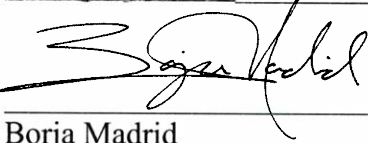
[Signature page to Daylight MSA]

MANAGER:

DAYLIGHT PETROLEUM LLC

By: PHOENICIAN RESOURCES ASSET MANAGEMENT, LLC

By: 
Name: Donnan Steele
Title: Managing Partner

By: 
Name: Borja Madrid
Title: Managing Partner